

# **IKAF CPA-F7 Financial Reporting Syllabus and Study Guide**

*CPA Certified Professional Accountant Qualification Level  
(Based on ACCA Certifications)*

This syllabus and study guide is designed to assist in teaching and learning, also is intended to provide detailed information on the qualification, module and study guide.

## **Qualification Structure**

It explains the content of Certified Accountant Professional Qualification level, which also includes the Financial Reporting Module. Explains the connection of this module to other levels and modules of qualification; modules included at the specified level as well as membership criteria; as well as the characteristics of lectures that are held during the certification period. Modules and Qualifications are also presented through diagrams.

## **Module**

It explains briefly the reasoning of the module's importance, the general and detailed objectives of the module and, also shows in the widest sense the skills that will be developed during the study of the module. The relation of the module to the other modules is presented through a diagram representing the links between them; in order to be as clear as possible for the reader. Also, topics that belong to the module are described; also, how the module's topics and subthemes are planned. Moreover, the form of examination and evaluation is explained in detail, what the exam will consider and why. In the end, the module's content is attached.

## **Syllabus Structure**

It explains the syllabus content of the module Financial Reporting, part of the Certified Accountant Professional Qualification Level. This module contains the main reasoning, aim, and capabilities expected to get learned during the course of the study. In addition, the syllabus includes the topics of the modules, the structure of the examination after the successful completion of the module as well as reading and scheduling the time.

## **Study Guide**

This is the main document that students, education and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations

# QUALIFICATION STRUCTURE

*CPA Certified Professional Accountant Qualification Level  
(Based on ACCA Certifications)*

The Qualification Program for Certified Accountants particularly emphasizes financial reporting skills that have been developed in accordance with International Financial Reporting Standards (IFRS). Certified Accountants will learn the principles and internal control systems for enterprises, audit methods and standards as well as a wide group of business planning, decisions support and performance management skills.

To get Certified Accountant training you must first complete the Qualification for Accounting Technician. Membership for Certified Accountant is open for professional accountants who have completed IKAF Qualification for Accounting Technician.

Certified Accountant Candidates should demonstrate knowledge of Financial Reporting Module.

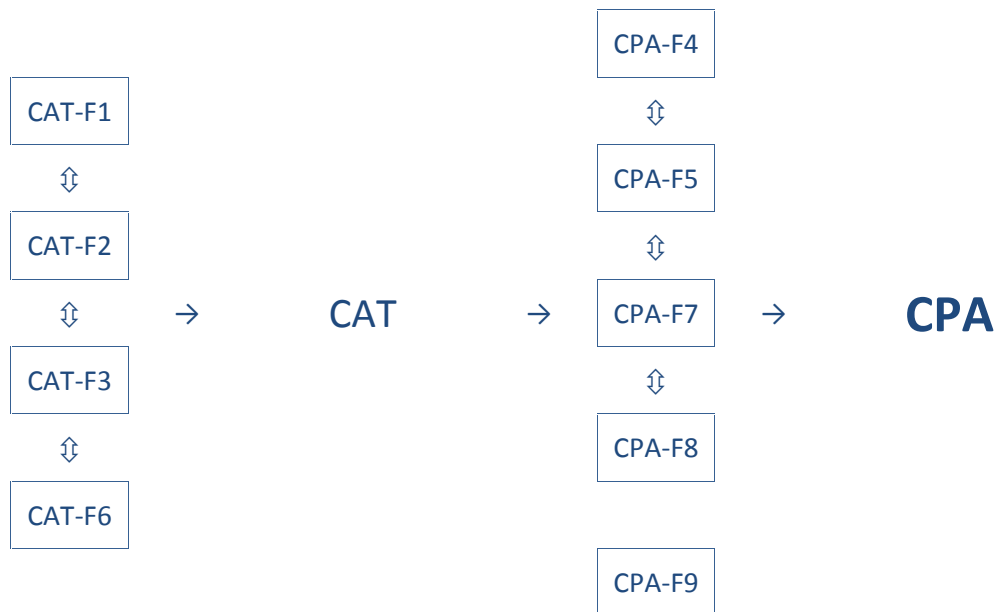


Diagram.1: Certified Accountant Qualification relations with other modules and certified qualifications

## Modules

CPA Certified Professional Accountant Qualification Level consists of five modules and is mandatory to pass all five in order to obtain the title:



Diagram.2: CPA Certified Professional Accountant Qualification Level Modules

## Qualification and Membership Criteria: Certified Professional Accountant

- University Degree;
- Completion of Accounting Technician Level;
- Proof for at least three (3) years of verified work experience in accounting - which can be acquired during or after the training;
- Have attended and passed five (5) certification exams for this purpose (Exam is passed if 50% of test points are reached) ;
- A person who has been certified in this qualification by IKAF and continues to have a regular membership status of the IKAF has the right to use the title "Certified Accountant" by fulfilling all of the above criteria;
- Regular members of the IKAF to use the title "Certified Accountant" are required to attend Continuing Professional Development (CPD) as defined in the IKAF Regulation.

## Training Features:

- Comprehensive review of Modules and during the trainings, participants will be provided with case studies, exercises similar to those given in the ACCA exams, and mock exam.
- Trainers are holding professional qualifications, and well experience in their field
- ACCA's materials shall be used in the training
- Upon completion of this course, participants will be able to take the exams of modules at IKAF center.

# **SYLLABUS STRUCTURE**

## **Rationale**

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

## **Relational diagram linking modules**

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

## **Overall Aim**

This explains briefly the overall objective of the syllabus and indicates in the broadest sense the capabilities to be developed within the exam.

## **Main Capabilities**

The aim of the syllabus is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

## **Topics**

Certain topics that module contains and that will be treated during tuitions.

## **Examining Structure**

This section briefly explains the structure of the examination and how it is assessed.

## **Annex: Detailed Syllabus**

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

## MODULE STRUCTURE

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

### Rationale

The financial reporting syllabus assumes knowledge acquired in Financial Accounting (FA), and develops and applies this further and in greater depth.

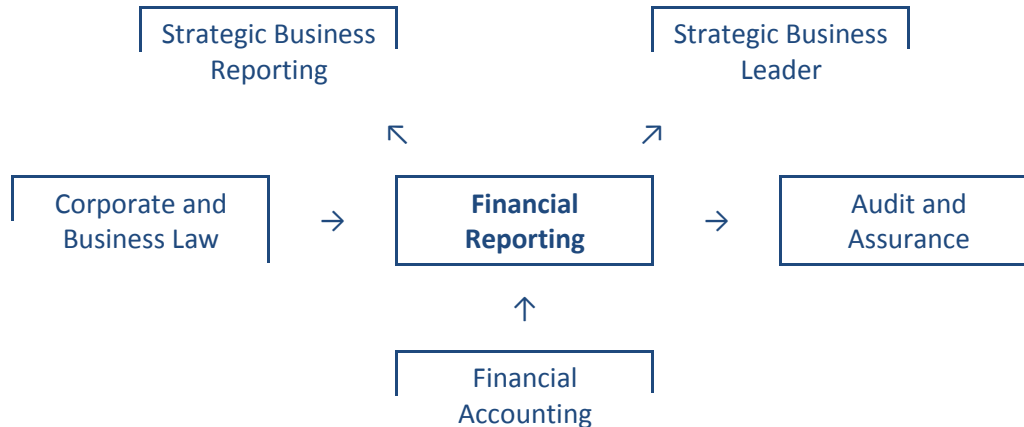


Diagram.1: Modules relations

The syllabus begins with the conceptual framework for financial reporting with reference to the qualitative characteristics of useful information and the fundamental bases of accounting introduced in the Financial Accounting (FA) syllabus within the Knowledge module. It then moves into a detailed examination of the regulatory framework of accounting and how this informs the standard setting process. The main areas of the syllabus cover the reporting of financial information for single companies and for groups in accordance with generally accepted accounting principles and relevant accounting standards. Finally, the syllabus covers the analysis and interpretation of information from financial reports.

### Aim

To develop knowledge and skills in understanding and applying accounting standards and the theoretical framework in the preparation of financial statements of entities, including groups and how to analyse and interpret those financial statements.

### Main capabilities

- Discuss and apply a conceptual and regulatory frameworks for financial reporting
- Account for transactions in accordance with International accounting standards
- Analyze and interpret financial statements.
- Prepare and present financial statements for single entities and business combinations in accordance with International accounting standards

## Topics

Major topics of Financial Reporting Module which will be covered over the training:



Diagram.2: Topics of Performance Management Module which will be covered over the training

## Examination Structure

The syllabus is assessed by a three-hour examination available in paper-based format. \* All questions are compulsory. Some questions will adopt a scenario/case study approach. Candidates are provided with a formulae sheet.

## Reading and Time Planning

For paper-based exams 15 minutes are added to the three hours to reflect the manual effort required. The total exam time is therefore three hours and 15 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

The pass mark for all IKAF Qualification examinations is 50%.

## Annex: Detailed Syllabus

## DETAILED SYLLABUS

### 1 **The conceptual and regulatory framework for financial reporting**

- 1.1 The need for a conceptual framework and the characteristics of useful information
- 1.2 Recognition and measurement
- 1.3 Regulatory framework
- 1.4 The concepts and principles of groups and consolidated financial statements

### 2 **Accounting for transactions in financial statements**

- 2.1 Tangible non-current assets
- 2.2 Intangible assets
- 2.3 Impairment of assets
- 2.4 Inventory and biological assets
- 2.5 Financial instruments
- 2.6 Leasing
- 2.7 Provisions and events after the reporting period
- 2.8 Taxation

2.9 Reporting financial performance

2.10 Revenue

2.11 Government grants

2.12 Foreign currency transactions

### 3 **Analysing and interpreting the financial statements of single entities and groups**

3.1 Limitations of financial statements

3.2 Calculation and interpretation of accounting ratios and trends to address users' and stakeholders' needs

3.3 Limitations of interpretation techniques

3.4 Specialised, not-for-profit, and public sector entities

### 4 **Preparation of financial statements**

4.1 Preparation of single entity financial statements

4.2 Preparation of consolidated financial statements including an associate

# STUDY GUIDE

## A The conceptual and regulatory framework for financial reporting

### 1 The need for a conceptual framework and the characteristics of useful information

- a) Describe what is meant by a conceptual framework for financial reporting.[2]
- b) Discuss whether a conceptual framework is necessary and what an alternative system might be.[2]
- c) Discuss what is meant by relevance and faithful representation and describe the qualities that enhance these characteristics.[2]
- d) Discuss whether faithful representation constitutes more than compliance with accounting standards.[1]
- e) Discuss what is meant by understandability and verifiability in relation to the provision of financial information.[2]
- f) Discuss the importance of comparability and timeliness to users of financial statements.[2]
- g) Discuss the principle of comparability in accounting for changes in accounting policies.[2]

### 2 Recognition and measurement

- a) Define what is meant by 'recognition' in financial statements and discuss the recognition criteria.[2]
- b) Apply the recognition criteria to: [2] i) assets and liabilities. ii) income and expenses.
- c) Explain and compute amounts using the following measures : [2] i) historical cost ii) current cost iii) net realisable value iv) present value of future cash flows v) fair value

- d) Discuss the advantages and disadvantages of historical cost accounting.
- e) Discuss whether the use of current value accounting overcomes the problems of historical cost accounting.[2]
- f) Describe the concept of financial and physical capital maintenance and how this affects the determination of profits.[1]

### 3 Regulatory framework

- a) Explain why a regulatory framework is needed including the advantages and disadvantages of IFRS over a national regulatory framework.[2]
- b) Explain why accounting standards on their own are not a complete regulatory framework.[2]
- c) Distinguish between a principles based and a rules based framework and discuss whether they can be complementary.[1]
- d) Describe the IASB's Standard setting process including revisions to and interpretations of Standards.[2]
- e) Explain the relationship of national standard setters to the IASB in respect of the standard setting process.[2]

### 4 The concepts and principles of groups and consolidated financial statements

- a) Describe the concept of a group as a single economic unit.[2]
- b) Explain and apply the definition of a subsidiary within relevant accounting standards.[2]
- c) Using accounting standards and other regulation, identify and outline the circumstances in which a group is required to prepare consolidated financial statements. [2]
- d) Describe the circumstances when a group may claim exemption from the preparation of consolidated financial statements.[2]



- e) Explain why directors may not wish to consolidate a subsidiary and when this is permitted by accounting standards and other applicable regulation.[2]
- f) Explain the need for using coterminous year ends and uniform accounting policies when preparing consolidated financial statements.[2]
- g) Explain why it is necessary to eliminate intra group transactions. [2]
- h) Explain the objective of consolidated financial statements. [2]
- i) Explain why it is necessary to use fair values for the consideration for an investment in a subsidiary together with the fair values of a subsidiary's identifiable assets and liabilities when preparing consolidated financial statements. [2]
- j) j) Define an associate and explain the principles and reasoning for the use of equity accounting. [2]

## **B Accounting for transactions in financial statements**

### **1 Tangible non-current assets**

- a) Define and compute the initial measurement of a non-current asset (including borrowing costs and an asset that has been self-constructed).[2]
- b) Identify subsequent expenditure that may be capitalised, distinguishing between capital and revenue items.[2]
- c) Discuss the requirements of relevant accounting standards in relation to the revaluation of non-current assets.[2]
- d) Account for revaluation and disposal gains and losses for non-current assets.[2]
- e) Compute depreciation based on the cost and revaluation models and on assets that have two or more significant parts (complex assets).[2]

- f) Discuss why the treatment of investment properties should differ from other properties.[2]
- g) Apply the requirements of relevant accounting standards to an investment property.[2]

### **2 Intangible assets**

- a) Discuss the nature and accounting treatment of internally generated and purchased intangibles.[2]
- b) Distinguish between goodwill and other intangible assets.[2]
- c) Describe the criteria for the initial recognition and measurement of intangible assets.[2]
- d) Describe the subsequent accounting treatment, including the principle of impairment tests in relation to goodwill.[2]
- e) Indicate why the value of purchase consideration for an investment may be less than the value of the acquired identifiable net assets and how the difference should be accounted for.[2]
- f) Describe and apply the requirements of relevant accounting standards to research and development expenditure.[2]

### **3 Impairment of assets**

- a) Define, calculate and account for an impairment loss.[2]
- b) account for the reversal of an impairment loss on an individual asset
- c) Identify the circumstances that may indicate impairments to assets.[2]
- d) Describe what is meant by a cash generating unit.[2]
- e) State the basis on which impairment losses should be allocated, and allocate an impairment loss to the assets of a cash generating unit.[2]

#### **4 Inventory and biological assets**

- a) Describe and apply the principles of inventory valuation.[2]
- b) Apply the requirements of relevant accounting standards for biological assets.[2]

#### **5 Financial instruments**

- a) Explain the need for an accounting standard on financial instruments.[1]
- b) Define financial instruments in terms of financial assets and financial liabilities.[1]
- c) Explain and account for the factoring of receivables.
- d) Indicate for the following categories of financial instruments how they should be measured and how any gains and losses from subsequent measurement should be treated in the financial statements: [1] i) amortised cost ii) fair value through other comprehensive income ( including where an irrevocable election has been made for equity instruments that are not held for trading) iii) fair value through profit or loss [2]
- e) Distinguish between debt and equity capital.[2]
- f) Apply the requirements of relevant accounting standards to the issue and finance costs of: [2] i) equity ii) redeemable preference shares and debt instruments with no conversion rights (principle of amortised cost) iii) convertible debt

#### **6 Leasing**

- a) Account for right of use assets and lease liabilities in the records of the lessee.[2]
- b) Explain the exemption from the recognition criteria for leases in the records of the lessee.[2]
- c) Account for sale and leaseback agreements.[2]

#### **7 Provisions and events after the reporting period**

- a) Explain why an accounting standard on provisions is necessary.[2]
- b) Distinguish between legal and constructive obligations.[2]
- c) State when provisions may and may not be made and demonstrate how they should be accounted for.[2]
- d) Explain how provisions should be measured.[1]
- e) Define contingent assets and liabilities and describe their accounting treatment and required disclosures.[2]
- f) Identify and account for:[2] i) warranties/guarantees ii) onerous contracts iii) environmental and similar provisions iv) provisions for future repairs or refurbishments.
- g) Events after the reporting period i) distinguish between and account for adjusting and non-adjusting events after the reporting period [2] ii) Identify items requiring separate disclosure, including their accounting treatment and required disclosures.[2]

#### **8 Taxation**

- a) Account for current taxation in accordance with relevant accounting standards. [2]
- b) Explain the effect of taxable temporary differences on accounting and taxable profits.[2]
- c) Compute and record deferred tax amounts in the financial statements.[2]

#### **9 Reporting financial performance**

- a) Discuss the importance of identifying and reporting the results of discontinued operations.[2]
- b) Define and account for non-current assets held for sale and discontinued operations.[2]

- c) Indicate the circumstances where separate disclosure of material items of income and expense is required.[2]
- d) Account for changes in accounting estimates, changes in accounting policy and correction of prior period errors
- e) Earnings per share (eps) i) calculate the eps in accordance with relevant accounting standards (dealing with bonus issues, full market value issues and rights issues) [2] ii) explain the relevance of the diluted eps and calculate the diluted eps involving convertible debt and share options (warrants) [2]

## 10 Revenue

- a) Explain and apply the principles of recognition of revenue: (i) Identification of contracts (ii) Identification of performance obligations (iii) Determination of transaction price (iv) Allocation of the price to performance obligations (v) Recognition of revenue when/as performance obligations are satisfied.
- b) Explain and apply the criteria for recognising revenue generated from contracts where performance obligations are satisfied over time or at a point in time.[2]
- c) Describe the acceptable methods for measuring progress towards complete satisfaction of a performance obligation.[2]
- d) Explain and apply the criteria for the recognition of contract costs. [2]
- e) Apply the principles of recognition of revenue, and specifically account for the following types of transaction:[2] i) principal versus agent ii) repurchase agreements iii) bill and hold arrangements iv) consignments

- f) Prepare financial statement extracts for contracts where performance obligations are satisfied over time.[2]

## 11 Government grants

- a) Apply the provisions of relevant accounting standards in relation to accounting for government grants.[2]

## 12 Foreign currency transactions

- a) Explain the difference between functional and presentation currency and explain why adjustments for foreign currency transactions are necessary.
- b) Account for the translation of foreign currency transactions and monetary/non-monetary foreign currency items at the reporting date.

## C Analysing and interpreting the financial statements of single entities and groups

### 1 Limitations of financial statements

- a) Indicate the problems of using historic information to predict future performance and trends.[2]
- b) Discuss how financial statements may be manipulated to produce a desired effect (creative accounting, window dressing).[2]
- c) Explain why figures in a statement of financial position may not be representative of average values throughout the period for example, due to:[2] i) seasonal trading ii) major asset acquisitions near the end of the accounting period.
- d) Explain how the use of consolidated financial statements might limit interpretation techniques

## **2 Calculation and interpretation of accounting ratios and trends to address users' and stakeholders' needs**

- a) Define and compute relevant financial ratios.[2]
- b) Explain what aspects of performance specific ratios are intended to assess.[2]
- c) Analyse and interpret ratios to give an assessment of an entity's/group's performance and financial position in comparison with: [2] i) previous period's financial statements ii) another similar entity/group for the same reporting period iii) industry average ratios.
- d) Interpret financial statements to give advice from the perspectives of different stakeholders.[2]
- e) Discuss how the interpretation of current value based financial statements would differ from those using historical cost based accounts.[1]

## **3 Limitations of interpretation techniques**

- a) Discuss the limitations in the use of ratio analysis for assessing corporate performance.[2]
- b) Discuss the effect that changes in accounting policies or the use of different accounting policies between entities can have on the ability to interpret performance.[2]
- c) Indicate other information, including non-financial information, that may be of relevance to the assessment of an entity's performance.[1]
- d) Compare the usefulness of cash flow information with that of a statement of profit or loss or a statement of profit or loss and other comprehensive income.[2]
- e) Interpret a statement of cash flows (together with other financial information) to assess the performance and financial position of an entity.[2]

- f) i) explain why the trend of eps may be a more accurate indicator of performance than a company's profit trend and the importance of eps as a stock market indicator [2] ii) discuss the limitations of using eps as a performance measure.[3]

## **4 Specialised, not-for-profit, and public sector entities**

- a) Explain how the interpretation of the financial statement of a specialised, not-for-profit or public sector organisations might differ from that of a profit making entity by reference to the different aims, objectives and reporting requirements.[1]

## **D Preparation of financial statements**

### **1 Preparation of single entity financial statements**

- a) Prepare an entity's statement of financial position and statement of profit or loss and other comprehensive income in accordance with the structure and content prescribed within IFRS and with accounting treatments as identified within syllabus areas A, B and C.[2]
- b) Prepare and explain the contents and purpose of the statement of changes in equity.[2]
- c) Prepare a statement of cash flows for a single entity (not a group) in accordance with relevant accounting standards using the indirect method . [2]

### **2 Preparation of consolidated financial statements including an associate**

- a) Prepare a consolidated statement of financial position for a simple group (parent and one subsidiary and associate) dealing with pre and post acquisition profits, non-controlling interests and consolidated goodwill.[2]

- b) Prepare a consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for a simple group dealing with an acquisition in the period and non-controlling interest.[2]
- c) Explain and account for other reserves (e.g. share premium and revaluation surplus).[1]
- d) Account for the effects in the financial statements of intra-group trading.[2]
- e) Account for the effects of fair value adjustments (including their effect on consolidated goodwill) to: [2] i) depreciating and nondepreciating non-current assets ii) inventory iii) monetary liabilities iv) assets

and liabilities not included in the subsidiary's own statement of financial position, including contingent assets and liabilities

- f) Account for goodwill impairment.[2]
- g) Describe and apply the required accounting treatment of consolidated goodwill.[2]
- h) Explain and illustrate the effect of the disposal of a parent's investment in a subsidiary in the parent's individual financial statements and/or those of the group (restricted to disposals of the parent's entire investment in the subsidiary).