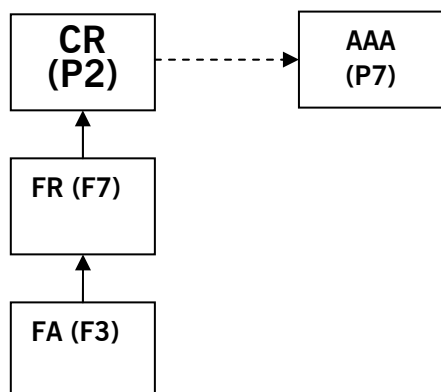


Syllabus



AIM

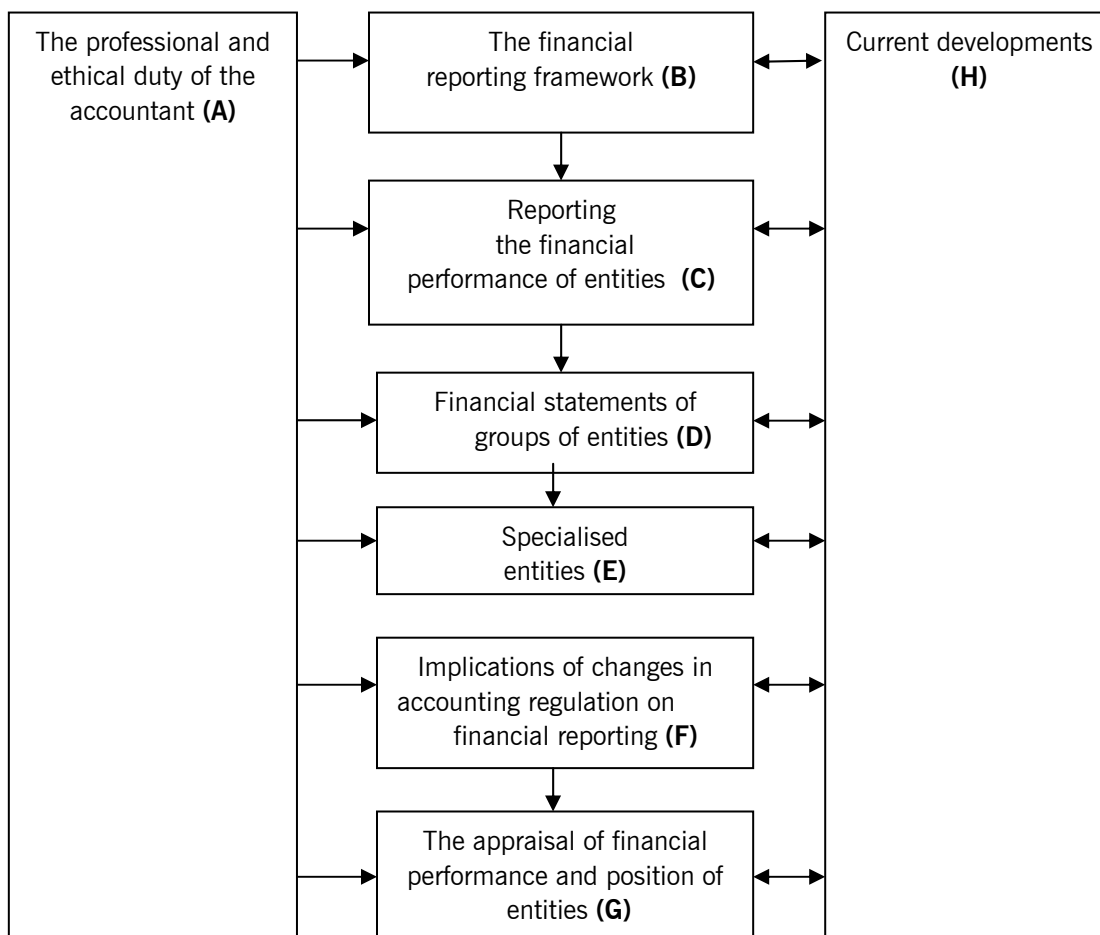
To apply knowledge, skills and exercise professional judgement in the application and evaluation of financial reporting principles and practices in a range of business contexts and situations.

MAIN CAPABILITIES

On successful completion of this paper candidates should be able to:

- A** Discuss the professional and ethical duties of the accountant
- B** Evaluate the financial reporting framework
- C** Advise on and report the financial performance of entities
- D** Prepare the financial statements of groups of entities in accordance with relevant accounting standards
- E** Explain reporting issues relating to specialised entities
- F** Discuss the implications of changes in accounting regulation on financial reporting
- G** Appraise the financial performance and position of entities
- H** Evaluate current developments

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The syllabus for Paper P2, *Corporate Reporting*, assumes knowledge acquired at the Fundamentals level including the core technical capabilities to prepare and analyse financial reports for single and combined entities.

The Paper P2 syllabus takes the subject into greater depth and contextualises the role of the accountant as a professional steward and adviser/analyst by initially exploring the wider professional duties and responsibilities of the accountant to the stakeholders of an organisation.

The syllabus examines the financial reporting framework within which the accountant operates and examines detailed financial reporting requirements for entities leading to the preparation of group financial reports in accordance with generally accepted accounting practice and relevant standards.

The syllabus then deals with the nature of reporting for specialised entities including not-for-profit and small and medium-sized enterprises.

The final sections of the syllabus explore – in more depth – the role of the accountant as financial analyst and adviser through the assessment of financial performance and position of entities, and the accountant's role in assessing and advising on the implications of accounting regulation on corporate reporting.

Finally, the syllabus covers the evaluation of current developments and their implications for financial reporting.

DETAILED SYLLABUS

A The professional and ethical duty of the accountant

1. Professional behaviour and compliance with accounting standards
2. Ethical requirements of corporate reporting and the consequences of unethical behaviour
3. Social responsibility

B The financial reporting framework

1. The applications, strengths and weaknesses of an accounting framework
2. Critical evaluation of principles and practices

C Reporting the financial performance of entities

1. Performance reporting
2. Non-current assets
3. Financial instruments
4. Leases
5. Segment reporting
6. Employee benefits
7. Income taxes
8. Provisions, contingencies and events after the reporting date
9. Related parties
10. Share-based payment
11. Reporting requirements of small and medium-sized entities (SMEs)

D Financial statements of groups of entities

1. Group accounting including statements of cash flows
2. Continuing and discontinued interests
3. Changes in group structures
4. Foreign transactions and entities

E Specialised entities and specialised transactions

1. Financial reporting in specialised, not-for-profit and public sector entities
2. Entity reconstructions

F Implications of changes in accounting regulation on financial reporting

1. The effect of changes in accounting standards on accounting systems
2. Proposed changes to accounting standards

G The appraisal of financial performance and position of entities

1. The creation of suitable accounting policies
2. Analysis and interpretation of financial information and measurement of performance

H Current developments

1. Environmental and social reporting
2. Convergence between national and international reporting standards
3. Current reporting issues

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a three-hour paper-based examination. It examines professional competences within the corporate reporting environment.

Students will be examined on concepts, theories, and principles, and on their ability to question and comment on proposed accounting treatments.

Students should be capable of relating professional issues to relevant concepts and practical situations. The evaluation of alternative accounting practices and the identification and prioritisation of issues will be a key element of the paper. Professional and ethical judgement will need to be exercised, together with the integration of technical knowledge when addressing corporate reporting issues in a business context.

Global issues will be addressed via the current issues questions on the paper. Students will be required to adopt either a stakeholder or an external focus in answering questions and to demonstrate personal skills such as problem solving, dealing with information and decision making.

The paper also deals with specific professional knowledge appropriate to the preparation and presentation of consolidated and other financial statements from accounting data, to conform with accounting standards.

The paper will comprise two sections.

Section A Compulsory question 50 marks

Section B 2 from 3 questions of
25 marks each 50 marks
 100 marks

Section A will consist of one scenario based question worth 50 marks. It will deal with the preparation of consolidated financial statements including group statements of cash flows and with issues in financial reporting.

Students will be required to answer two out of three questions in Section B, which will normally comprise two questions which will be scenario or case-study based and one essay question which may have some computational element. Section B could deal with any aspects of the syllabus.

Study Guide

A THE PROFESSIONAL AND ETHICAL DUTIES OF THE ACCOUNTANT

1. Professional behaviour and compliance with accounting standards

- a) Appraise and discuss the ethical and professional issues in advising on corporate reporting.^[3]
- b) Assess the relevance and importance of ethical and professional issues in complying with accounting standards.^[3]

2. Ethical requirements of corporate reporting and the consequences of unethical behaviour

- a) Appraise the potential ethical implications of professional and managerial decisions in the preparation of corporate reports.^[3]
- b) Assess the consequences of not upholding ethical principles in the preparation of corporate reports.^[3]

3. Social Responsibility

- a) Discuss the increased demand for transparency in corporate reports, and the emergence of non-financial reporting standards.^[3]
- b) Discuss the progress towards a framework for environmental and sustainability reporting.^[3]

B THE FINANCIAL REPORTING FRAMEWORK

1. The applications, strengths and weaknesses of an accounting framework

- a) Evaluate the valuation models adopted by standard setters.^[3]
- b) Discuss the use of an accounting framework in underpinning the production of accounting standards.^[3]
- c) Assess the success of such a framework in introducing rigorous and consistent accounting standards.^[3]

2. Critical evaluation of principles and practices

- a) Identify the relationship between accounting theory and practice.^[2]
- b) Critically evaluate accounting principles and practices used in corporate reporting.^[3]

C REPORTING THE FINANCIAL PERFORMANCE OF ENTITIES

1. Performance reporting

- a) Prepare reports relating to corporate performance for external stakeholders.^[3]
- b) Discuss the issues relating to the recognition of revenue.^[3]
- c) Evaluate proposed changes to reporting financial performance.^[3]

2. Non-current assets

- a) Apply and discuss the timing of the recognition of non-current assets and the determination of their carrying amounts including impairments and revaluations.^[3]
- b) Apply and discuss the treatment of non-current assets held for sale.^[3]
- c) Apply and discuss the accounting treatment of investment properties including classification, recognition and measurement issues.^[3]
- d) Apply and discuss the accounting treatment of intangible assets including the criteria for recognition and measurement subsequent to acquisition and classification.^[3]

3. Financial Instruments

- a) Apply and discuss the recognition and de-recognition of financial assets and financial liabilities.^[2]
- b) Apply and discuss the classification of financial assets and financial liabilities and their measurement.^[2]

- c) Apply and discuss the treatment of gains and losses arising on financial assets and financial liabilities.^[2]
- d) Apply and discuss the treatment of impairments of financial assets.^[2]
- e) Account for derivative financial instruments, and simple embedded derivatives.^[2]
- f) Outline the principles of hedge accounting and account for fair value hedges and cash flow hedges including hedge effectiveness.^[2]

4. Leases

- a) Apply and discuss the classification of leases and accounting for leases by lessors and lessees.^[3]
- b) Account for and discuss sale and leaseback transactions.^[3]

5. Segment Reporting

- a) Determine the nature and extent of reportable segments.^[3]
- b) Specify and discuss the nature of segment information to be disclosed.^[3]

6. Employee Benefits

- a) Apply and discuss the accounting treatment of short term benefits.^[3]
- b) Apply and discuss the accounting treatment of defined contribution and defined benefit plans.^[3]
- c) Account for gains and losses on settlements and curtailments.^[2]
- d) Account for the “Asset Ceiling” test and the reporting of actuarial gains and losses.^[2]

7. Income taxes

- a) Apply and discuss the recognition and measurement of deferred tax liabilities and deferred tax assets.^[3]

- b) Determine the recognition of tax expense or income and its inclusion in the financial statements.^[3]

8. Provisions, contingencies and events after the reporting date

- a) Apply and discuss the recognition, de-recognition and measurement of provisions, contingent liabilities and contingent assets including environmental provisions.^[3]
- b) Calculate and discuss restructuring provisions.^[3]
- c) Apply and discuss the accounting for events after the reporting date.^[3]
- d) Determine and report going concern issues arising after the reporting date.^[3]

9. Related parties

- a) Determine the parties considered to be related to an entity.^[3]
- b) Identify the implications of related party relationships and the need for disclosure.^[3]

10. Share based payment

- a) Apply and discuss the recognition and measurement criteria for share-based payment transactions.^[3]
- b) Account for modifications, cancellations and settlements of share based payment transactions.^[2]

11. Reporting requirements of small and medium-sized entities (SMEs)

- a) Outline the principal considerations in developing a set of accounting standards for SMEs.^[3]
- b) Discuss solutions to the problem of differential financial reporting.^[3]
- c) Discuss the reasons why the IFRS for SME's does not address certain topics.^[3]

- d) Discuss the accounting treatments not allowable under the IFRS for SME's including the revaluation model for certain assets, and proportionate consolidation.^[3]
- e) Discuss and apply the simplifications introduced by the IFRS for SME's including accounting for goodwill and intangible assets, financial instruments, defined benefit schemes, exchange differences and associates and joint ventures.^[3]

D FINANCIAL STATEMENTS OF GROUPS OF ENTITIES

1. Group accounting including statements of cash flows

- a) Apply the method of accounting for business combinations including complex group structures.^[3]
- b) Apply the principles in determining the cost of a business combination.^[3]
- c) Apply the recognition and measurement criteria for identifiable acquired assets and liabilities and goodwill including step acquisitions.^[3]
- d) Apply and discuss the criteria used to identify a subsidiary and an associate.^[3]
- e) Determine and apply appropriate procedures to be used in preparing group financial statements.^[3]
- f) Identify and outline:
 - the circumstances in which a group is required to prepare consolidated financial statements.^[2]
 - the circumstances when a group may claim and exemption from the preparation of consolidated financial statements.^[2]
 - why directors may not wish to consolidate a subsidiary and where this is permitted.^[2]
- g) Apply the equity method of accounting for associates.^[3]
- h) Outline and apply the key definitions and accounting methods which relate to interests in joint ventures.^[3]

- i) Prepare and discuss group statements of cash flows.^[3]

2. Continuing and discontinued interests

- a) Prepare group financial statements where activities have been discontinued, or have been acquired or disposed of in the period.^[3]
- b) Apply and discuss the treatment of a subsidiary which has been acquired exclusively with a view to subsequent disposal.^[3]

3. Changes in group structures

- a) Discuss the reasons behind a group reorganisation.^[3]
- b) Evaluate and assess the principal terms of a proposed group reorganisation.^[3]

4. Foreign transactions and entities

- a) Outline and apply the translation of foreign currency amounts and transactions into the functional currency and the presentational currency.^[3]
- b) Account for the consolidation of foreign operations and their disposal.^[2]

E SPECIALISED ENTITIES AND SPECIALISED TRANSACTIONS

1. Financial reporting in specialised, not-for-profit and public sector entities

- a) Apply knowledge from the syllabus to straightforward transactions and events arising in specialised, not-for-profit, and public sector entities.^[3]

2. Entity reconstructions

- a) Identify when an entity may no longer be viewed as a going concern or uncertainty exists surrounding the going concern status.^[2]
- b) Identify and outline the circumstances in which a reconstruction would be an appropriate alternative to a company liquidation.^[2]

- c) Outline the appropriate accounting treatment required relating to reconstructions.^[2]

F IMPLICATIONS OF CHANGES IN ACCOUNTING REGULATION ON FINANCIAL REPORTING

1. The effect of changes in accounting standards on accounting systems

- a) Apply and discuss the accounting implications of the first time adoption of a body of new accounting standards.^[3]

2. Proposed changes to accounting standards

- a) Identify issues and deficiencies which have led to a proposed change to an accounting standard.^[2]

G THE APPRAISAL OF FINANCIAL PERFORMANCE AND POSITION OF ENTITIES

1. The creation of suitable accounting policies

- a) Develop accounting policies for an entity which meet the entity's reporting requirements.^[3]
- b) Identify accounting treatments adopted in financial statements and assess their suitability and acceptability.^[3]

2. Analysis and interpretation of financial information and measurement of performance

- a) Select and calculate relevant indicators of financial and non-financial performance.^[3]
- b) Identify and evaluate significant features and issues in financial statements.^[3]
- c) Highlight inconsistencies in financial information through analysis and application of knowledge.^[3]
- d) Make inferences from the analysis of information taking into account the limitation of the information, the analytical methods used and the business environment in which the entity operates.^[3]

H CURRENT DEVELOPMENTS

1. Environmental and social reporting

- a) Appraise the impact of environmental, social, and ethical factors on performance measurement.^[3]
- b) Evaluate current reporting requirements in the area.^[3]
- c) Discuss why entities might include disclosures relating to the environment and society.^[3]

2. Convergence between national and international reporting standards

- a) Evaluate the implications of worldwide convergence with International Financial Reporting Standards.^[3]
- b) Discuss the influence of national regulators on international financial reporting.^[2]

3. Current reporting issues

- a) Discuss current issues in corporate reporting.^[3]

NOTE OF SIGNIFICANT CHANGES TO STUDY GUIDE PAPER P2 INT

RATIONALE FOR CHANGES

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers. As a result of the latest review, ACCA is making changes to the ACCA Qualification effective from June 2011. With each syllabus is included a specific rationale for these changes as far as each examination syllabus and study guide is concerned.

As part of this regular qualification review, to ensure best alignment between F7 and P2 and to reflect changes in international standards, changes have been introduced to P2 (INT). These changes concern the accounting treatment of SMEs and the circumstances in which consolidated accounts are required, exemptions from requirements to consolidate, why directors might not want to consolidate group accounts and to include more coverage of accounting reconstructions.

The main areas to be added or deleted from the syllabus from that date are shown in Tables 1 and 2 below:

Table 1 – Additions to P2 INT

Section and subject area	Syllabus content
C11c) Reporting the financial performance of entities	Accounting treatments applicable to SMEs
D1f) Financial statements of groups of entities	Requirements for a group to prepare consolidated financial statements, exemptions from preparation of financial statements and reasons directors may wish to exclude subsidiaries from consolidation
E2 Specialised entities and specialised transactions	Entity reconstructions
E2a)	Identify when an entity may no longer be a going concern
E2b)	Circumstances where a reconstruction is an alternative to liquidation
E2c)	Accounting treatment of reconstructions

The areas to be removed from the syllabus are shown in Table 2 below:

Table 2 – Deletions to P2 INT

Section and subject area	Syllabus content
B1 The contribution and limitations of financial statements in meeting users' and capital markets' needs	<ul style="list-style-type: none"> a) Evaluate the consistency and clarity of corporate reports b) Assess the insight into financial and operational risks provided by corporate reports c) Discuss the usefulness of corporate reports in making investment decisions
D4 Foreign transactions and entities	c) Describe the principal objective of establishing a standard for enterprises reporting in the currency of a hyper-inflationary economy

F1 The effect of changes in accounting standards on accounting systems	b) Outline the issues in implementing a change to new accounting standards including organisational, behavioural, and procedural changes within the entity
F2 Proposed changes to accounting standards	b) Apply and discuss the implications of a proposed change to an accounting standard on the performance and statement of financial position of an entity
H2 Convergence between national and international reporting standards	b) Discuss the implementation issues arising from the convergence process
H3 Comparison of national reporting requirements	a) Identify the reasons for major differences in accounting practices, including culture.

The following items are to be deleted from the P2 (INT) Examinable Documents:

Section and subject area	Syllabus content
IAS 11	Construction contracts
IAS 29	Financial reporting in hyperinflationary economies
IAS 41	Agriculture
SIC-12	Consolidation – Special Purpose Entities
SIC-13	Jointly Controlled Entities – Non monetary Contributions by Venturers
SIC-15	Operating Leases – Incentives
SIC-21	Income Taxes – Recovery of Revalued Non-depreciable Assets
SIC-27	Evaluating the Substance of Transactions in the Legal Form of a Lease
SIC-32	Intangible Assets – Website Costs
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 4	Determining Whether an Arrangement Contains a Lease
IFRIC 5	Rights to Interests from Decommissioning Restoration and Environmental Rehabilitation Funds
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies

IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of non cash assets to owners