

Fellow Level

Paper 10 Financial Accounting (IAS)

Extended Syllabus

INTRODUCTION

Extended Syllabuses are part of a comprehensive package of support materials offered by the SIAT. This package includes past question papers, Model Answers, and a range of How to Pass books, all of which are designed to offer help and guidance to teachers and candidates, and to enhance chances of success in SIAT examinations.

What are they?

Extended Syllabuses specify in detail the learning and assessment requirements of SIAT examinations.

Each one, produced by the subject Chief Examiner, will state in detail the following:

- Aim and objectives of the examination
- Level of English required
- Syllabus topics and syllabus coverage in examinations
- Examination format
- Candidate answer guidance
- Pass mark information and mark allocation
- Recommended reading list and support material
- Detailed listing of syllabus topics and syllabus elements

Who are they for and how can they be of use?

They are designed for teachers and candidates.

- Teachers will find them invaluable when designing courses and planning lessons.
- Candidates will find them essential because they can be used as checklists when preparing for examinations. Candidates will also be able to refer to Extended Syllabuses when planning revision programmes.

Paper 10 Financial Accounting (IAS)

Aims

The aim of the examination is to test the candidate's knowledge and understanding of:

- the principles and practices required by international accounting standards and the accounting framework
- accounting for groups and changes in capital structure
- the audit function.

Objectives

After successfully completing this examination candidates will be able to:

- demonstrate a general understanding of the conceptual framework of the financial accounting process
- prepare financial accounting statements in accordance with relevant international accounting standards and generally accepted accounting principles
- prepare financial accounting statements arising from company combinations, amalgamations and reconstructions
- discuss the work of the external and internal auditors.

Notes

- 1 Full knowledge is expected of all topics included in the Extended Syllabuses for Foundation Level Paper 2 Book-keeping, Intermediate Level Paper 4 Book-keeping and Accounts and Technician Level Paper 8 Accounting (IAS) examinations.
- 2 If questions are set covering topics from these earlier syllabuses they will be set at a level of difficulty appropriate to a Level 4 examination (see Candidate Answer Guidance).

Level of English Required

Candidates should have a standard of English equivalent to LCCIEB English for Business Level 3.

Syllabus Topics

Section 1: Conceptual Aspects of Financial Accounts

- 1 Accounting concepts
- 2 Regulatory framework
- 3 Changing prices
- 4 Published accounts of limited companies

Section 2: Financial Accounting Standards

- 5 Government grants
- 6 Inventory and construction contracts
- 7 Research and development
- 8 Events after the balance sheet date
- 9 Provisions and contingent assets and liabilities

Section 3: Complex Issues in Company Accounting

- 10 Groups
- 11 Amalgamations
- 12 Reconstructions

Section 4: The Auditing Framework

- 13 Users of accounts
- 14 Auditing

In every examination paper there will be a minimum of one question from each of the 4 sections.

Examination Format

- Candidates will be assessed by a 3 hour examination consisting of 5 questions.
- Question 1 is compulsory and candidates will be required to answer any 3 from the remaining 4 questions.
- The compulsory question will be drawn from Syllabus Sections 1, 2 and 3.
- The compulsory question will carry 40 marks and each of the remaining questions will carry 20 marks each.

Candidate Answer Guidance

Candidates should, at all times, adopt the recognised forms of presentation and layout in preparing their answers. This includes using acceptable conventions in the format of income statements and balance sheets.

At Fellow Level examiners will expect candidates to demonstrate fully their understanding of the subject and to be able to analyse business situations and apply their understanding to produce recommendations and solutions.

Candidate Performance Measurement

Pass Mark Information

Pass	50%
Credit	60%
Distinction	75%

Mark Allocation

A positive marking approach is adopted; candidates will not be penalised for the use of 'own figures' as long as they have demonstrated the correct use of accounting methods.

Support Material

Adapted Model Answers and past question papers can be purchased from the SIAT Customer Service Team.

Syllabus

Section 1: Conceptual Aspects of Financial Accounts

1 Accounting concepts and principles

Candidates must be able to:

- 1.1 Explain the nature and meaning of the following terms:
 - 1.1.1 accounting policies (IAS 1 (r97)).
 - 1.1.2 fair presentation
 - 1.1.3 materiality and aggregation
 - 1.1.4 substance over form

2 The regulatory framework

Candidates must be able to:

- 2.1 Understand how accounting regulatory frameworks develop
- 2.2 Explain the case for and against having accounting standards

3 Accounting for changing prices

Candidates must be able to:

- 3.1 Understand the difference between the nominal and real financial capital maintenance concepts and the physical capital maintenance concept
- 3.2 Explain the strengths and weaknesses of historical cost accounting
- 3.3 Explain several alternatives to historical cost accounting, including
 - 3.3.1 current purchasing power accounting
 - 3.3.2 replacement cost accounting
 - 3.3.3 current cost accounting

No detailed calculational questions will be set on this area

4 Published accounts of limited companies

Candidates must be able to:

- 4.1 Present accounts which comply with IAS 1 (r97) in relation to:
 - 4.1.1 presenting the balance sheet
 - 4.1.2 presenting the income statement classifying expenses by function and/or by nature.

Candidates may be expected to prepare financial statements based on the above formats.

Section 2: Financial Accounting Standards

5 Accounting for Government Grants (IAS 20)

Candidates must be able to:

- 5.1 Understand the relationship between the accounting treatment of government grants the accounting policies considered in IAS 1 (r97)
- 5.2 Account for government grants in the income statement and balance sheet in accordance with IAS 20
- 5.3 Explain and be able to demonstrate an understanding of the disclosure requirements of IAS 20

No knowledge will be expected of the system and rules relating to Government grants in any particular country.

6 Construction Contracts (IAS 11) (r93)

Candidates must be able to:

- 6.1 Define a contract revenue and contract cost
- 6.2 Calculate attributable profits and foreseeable losses on a construction contract
- 6.3 Understand how profit is taken on construction contracts
- 6.4 Understand how to allocate overheads between accounting periods
- 6.5 Understand how to allocate overheads between contracts
- 6.6 Understand how IAS 11(r93) applies basic principles to construction contracts

7 Accounting for Research and Development (IAS 38)

Candidates must be able to:

- 7.1 Differentiate between research and development
- 7.2 Distinguish between the research and development phases of an internal project
- 7.3 Account for research and development expenditure in accordance with IAS 38
- 7.4 Understand how basic principles of asset and expense recognition are applied to accounting for research and development
- 7.5 Explain and demonstrate an understanding of the disclosure requirements of IAS 38 'Intangible assets' as they apply to research and development

8 Events after the balance sheet date (IAS 10 (r99))

Candidates must be able to:

- 8.1 Differentiate between adjusting and non-adjusting post balance sheet events
- 8.2 Account for post balance sheet events in financial statements
- 8.3 Understand the significance of the date of approval of accounts by the board of directors
- 8.4 Understand the IAS 10 (r99) provisions relating to dividends

9 Provisions and Contingent Assets and Liabilities (IAS 37)

Candidates must be able to:

- 9.1 Define a contingent asset, a contingent liability and a provision.
- 9.2 Distinguish between contingent assets, contingent liabilities and provisions
- 9.3 Know and discuss the disclosures relating to the financial effect of a contingent asset or liability and a provision
- 9.4 Understand the significance of the date of approval of accounts by the board of directors

Section 3: Complex Issues in Company Accounting

10 Accounting for a group of companies (IAS 22 (r 98) and IAS 27)

Candidates must be able to:

- 10.1 Discuss the general purpose of consolidations
- 10.2 Discuss the establishment of parent/subsidiary relationships and the concept of control as per IAS 27
- 10.3 Calculate goodwill (positive and negative), minority interest and retained earnings for a group as per IAS 22 (r98)
- 10.4 Account for inter-company transactions and inter-company account balances
- 10.5 Prepare consolidated balance sheets
- 10.6 Prepare consolidated income statements
- 10.7 Account for goodwill on consolidation in accordance with IAS 22 (r98)

11 Company amalgamations

Candidates must be able to:

- 11.1 Explain the objectives of amalgamating companies
- 11.2 Detail the forms of company amalgamations
- 11.3 Account for an amalgamation by acquisition of net assets and subsequent liquidation of one or more companies

12 Capital reconstructions, including capital reductions

Candidates must be able to:

- 12.1 Prepare a reconstruction account
- 12.2 Prepare journal entries for a scheme of reconstruction
- 12.3 Prepare a balance sheet after a scheme of reconstruction
- 12.4 Discuss the position of stakeholders in a scheme of reconstruction

Section 4: The Auditing Framework

13 Users of accounts

Candidates must be able to:

- 13.1 Identify the different stakeholders in a company
- 13.2 Distinguish between shareholders and directors
- 13.3 Discuss the possible conflicts of interest between shareholders, employees and the government
- 13.4 Account for social and environmental factors
- 13.5 Discuss the economic influences of significance to accounting
- 13.6 Interpret, and discuss the use of, the balance sheet, income statements and cash flow statements to the various user groups

14 Auditing

Candidates must be able to:

- 14.1 Understand the objectives of an audit
- 14.2 Explain the differences between auditing and accounting
- 14.3 Explain the differences between internal and external auditing
- 14.4 Detail the reporting responsibilities of the external auditor
- 14.5 Discuss the need for independence by the external auditor
- 14.6 Discuss fraud and the external auditor

No detailed knowledge of audit procedures will be required, although questions involving auditors relating to other areas of the syllabus may be set