

Fellow Level

Paper 10 Financial Accounting (UK)

Extended Syllabus

INTRODUCTION

Extended Syllabuses are part of a comprehensive package of support materials offered by SIAT. This package includes past question papers, Model Answers, and a range of How to Pass books, all of which are designed to offer extra 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:

- Aims and assessment objectives of the examination
- Level of English required
- Syllabus topics and syllabus coverage in examinations
- Examination format
- Guided learning hours
- 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 who will find them invaluable when designing courses and planning lessons.
- Candidates who 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

Aims

The aims of this syllabus are to enable candidates to develop:

- the ability to prepare accounting statements and data in accordance with accounting standards and the accounting framework
- the ability to use and interpret accounting statements and data
- the ability to account for groups and changes in capital structure
- an understanding of the conceptual aspects of financial accounts
- an understanding of the differing needs of user of accounts and the audit function.

Assessment 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 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.

Level of English Required

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

Syllabus Topics

Section 1: Conceptual Aspects of Financial Accounts

- 1 Accounting concepts and principles
- 2 The regulatory framework
- 3 Accounting for changing prices
- 4 Statutory accounts of limited companies

Section 2: Financial Accounting Standards

- 5 Taxation
- 6 Accounting for Government grants
- 7 Stocks and long term contracts
- 8 Accounting for Research and Development
- 9 Accounting for post balance sheet events
- 10 Accounting for Contingencies

Section 3: Complex Issues in Company Accounting

- 11 Accounting for a group of companies
- 12 Company Amalgamations
- 13 Capital Reconstructions, including capital reductions

Section 4: The Auditing Framework

- 14 Users of accounts
- 15 Auditing

Coverage of Syllabus Topics in Examinations

The compulsory question will be drawn from Syllabus Sections 1, 2 or 3.

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

Examination Format

- The time allowance for the examination is 3 hours.
- Question 1 is compulsory and must be answered by all candidates.
- Candidates will then be required to answer any **3** from the remaining 4 questions.
- The compulsory question is worth 40 marks.
- Each of the remaining questions are worth 20 marks each.

Guided Learning Hours

SIAT recommends that 140 - 160 Guided learning Hours (GLHs) provide a suitable course duration for an "average" candidate at this level. This figure includes direct contact hours as well as other time when candidates' work is being supervised by teachers. Ultimately, however, it is the responsibility of training centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge. SIAT experience indicates that the number of GLHs can vary significantly from one training centre to another.

Candidate Answer Guidance

Answer Formats

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 profit and loss accounts 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 used (ie marks can be gained but not deducted).

Recommended Reading List and Support Material

Reading List

Title	Author(s)	Publisher	ISBN Code
Business Accounting 1 (7th Edition)	Frank Wood	Pitmans	0 273 61980 2
Business Accounting 2 (7th Edition)	Frank Wood	Pitmans	0 273 61982 9
Financial Accounting and Reporting (2nd Edition)	Barry Elliott & Jamie Elliott	Prentice Hall	0 13 357733 3
Spicer and Pegler's Book-keeping and Accounts 2 (23rd Edition)	Paul Gee	Butterworths	0 406 99088 3
Auditing Theory and Practice (2nd Edition)	John Dunn	Prentice Hall	0 13 240896 1

Support Material

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 fundamental accounting concepts, accounting bases and accounting policies (SSAP2)
 - 1.1.2 the separate valuation concept/non-aggregation concept
 - 1.1.3 true and fair view
 - 1.1.4 materiality
 - 1.1.5 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 financial capital maintenance concept 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 Statutory Accounts of Limited Companies

Candidates must be able to:

- 4.1 Present accounts which comply with the Companies Act 1985 in relation to:
 - 4.1.1 presenting the balance sheet in vertical format
 - 4.1.2 presenting the profit and loss account using format 1
 - 4.1.3 presenting the profit and loss account using format 2

No knowledge will be expected of detailed disclosure requirements of the Companies Act, unless specifically mentioned in this, or earlier syllabuses. Candidates may be expected to prepare accounts based on the above formats.

Section 2: Financial Accounting Standards

5 Taxation

Candidates must be able to:

- 5.1 Understand the basic principles of value added tax (VAT)
 - 5.1.1 understand the distinction between registered and nonregistered persons
 - 5.1.2 understand the distinction between, and the accounting of:
 - standard rated items
 - zero-rated items
 - exempt items
 - non-deductible items

Candidates will not be expected to know details of which items are standard rates, zero-rated or exempt but will be expected to be able to account for VAT in accounting records and be aware of the provisions of SSAP 5 (Accounting for Value Added Tax)

- 5.2 Understand the basic principles of, and the accounting of, Corporation Tax, including Advance Corporation Tax (ACT)

No computational questions will be set involving Advance Corporation Tax

6 Accounting for Government Grants (SSAP 4)

Candidates must be able to:

- 6.1 Understand the relationship between the accounting treatment of government grants and the fundamental accounting concepts
- 6.2 Account for government grants in the profit and loss account
- 6.3 Account for government grants in the balance sheet
- 6.4 Explain and be able to demonstrate an understanding of the disclosure requirements of SSAP 4

No knowledge will be required of the legal requirements under the Companies Act 1985, and no knowledge will be expected of the system and rules relating to Government grants in the United Kingdom or elsewhere

7 Stocks and Long Term Contracts (SSAP 9)

Candidates must be able to:

- 7.1 Define a long term contract
- 7.2 Calculate attributable profits and foreseeable losses on long term contracts
- 7.3 Understand how profit is taken on long-term contracts
- 7.4 Understand how to allocate overheads between accounting periods
- 7.5 Understand how to allocate overheads between contracts
- 7.6 Understand the relationship between accounting for long term contracts and the fundamental accounting concepts

No knowledge of the legal requirements under the Companies Act 1985 will be required.

Candidates should be aware that other areas of SSAP 9 are already examinable under earlier levels, and thus included within the scope of this examination

8 Accounting for Research and Development (SSAP 13)

Candidates must be able to:

- 8.1 Differentiate between pure (basic) research, applied research and development expenditure
- 8.2 Determine research and development activities

- 8.3 Account for research and development expenditure
- 8.4 Understand the relationship between accounting for research and development expenditure and the fundamental accounting concepts
- 8.5 Explain and demonstrate an understanding of the disclosure requirements of SSAP 13

No knowledge of the legal requirements under the Companies Act 1985 is required

9 Accounting for Post Balance Sheet Events (SSAP 17)

Candidates must be able to:

- 9.1 Differentiate between adjusting and non-adjusting post balance sheet events
- 9.2 Account for post balance sheet events in financial statements
- 9.3 Understand the significance of the date of approval of accounts by the board of directors

10 Accounting for Contingencies (SSAP 18)

Candidates must be able to:

- 10.1 Define a contingency
- 10.2 Distinguish between contingent gains and contingent losses
- 10.3 Account for contingent gains and contingent losses
- 10.4 Know and discuss the disclosures relating to the financial effect of a contingency
- 10.5 Understand the significance of the date of approval of accounts by the board of directors

Section 3: Complex Issues in Company Accounting

11 Accounting for a Group of Companies

Candidates must be able to:

- 11.1 Discuss the general purpose of consolidations
- 11.2 Discuss the establishment of parent/subsidiary relationships
- 11.3 Calculate goodwill (or capital reserve), minority interest and retained earnings for a group
- 11.4 Account for inter-company transactions and inter-company account balances
- 11.5 Prepare consolidated balance sheets
- 11.6 Prepare consolidated profit and loss accounts
- 11.7 Account for goodwill on consolidation in accordance with FRS 10

12 Company Amalgamations

Candidates must be able to:

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

13 Capital Reconstructions, including Capital Reductions

Candidates must be able to:

- 13.1 Prepare a reconstruction account
- 13.2 Prepare journal entries for a scheme of reconstruction
- 13.3 Prepare a balance sheet after a scheme of reconstruction
- 13.4 Discuss the position of stakeholders in a scheme of reconstruction

Section 4: The Auditing Framework

14 Users of Accounts

Candidates must be able to:

- 14.1 Identify the different stakeholders in a company
- 14.2 Distinguish between shareholders and directors
- 14.3 Discuss the possible conflicts of interest between shareholders, employees and the government
- 14.4 Account for social and environmental factors
- 14.5 Discuss the economic influences of significance to accounting
- 14.6 Interpret, and discuss the use of, the balance sheet, profit and loss account and cash flow statements to the various user groups

15 Auditing

Candidates must be able to:

- 15.1 Understand the objectives of an audit
- 15.2 Explain the differences between auditing and accounting
- 15.3 Explain the differences between internal and external auditing
- 15.4 Detail the reporting responsibilities of the external auditor
- 15.5 Discuss the need for independence by the external auditor
- 15.6 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