

Advanced Accounting & Financial Reporting



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Course Overview

Area	Weightage (%)
Financial Statements Reporting / IAS and Statutory Requirements	30
Specific Accounting Areas	45
Analysis of Financial Statements	15
Specialised Financial Statements	10
	100

The weightages given above are for guidance purposes only and deviations in setting of papers may be expected.

	Winter 2005	Summer 2006	Winter 2006	Summer 2007	Winter 2007	Summer 2008	Winter 2008	Summer 2009	Winter 2009	Summer 2010	Total	Avg %
IAS 7	15				20						35	4%
IAS 8										4	4	-
IAS 10			14								14	1%
IAS 11		20					19				39	4%
IAS 12		20		18				23		4	65	7%
IAS 16							11				11	1%
IAS 17	16				14		3			13	46	5%
IAS 18	16		12								28	3%
IAS 19			20		13		4				37	4%
IAS 20									9		9	1%
IAS 21						16		6			22	2%
IAS 23			5								5	1%
IAS 33		14		15		18		15		17	79	8%
IAS 36	8				18		3	15			44	4%
IAS 37				10			4			4	18	2%
IAS 38			12							12	24	2%
IAS 39		6		16			14	5	15	4	60	6%
IFRS 2							7		15		22	2%
IFRS 5 (IAS 35)					5				8		13	1%
IFRIC						12					12	1%
Consolidation	18	20	22	26		39	22	26	25	30	228	23%
Disclosure of FS		6									6	1%
Ratio Analysis	12				15				16		43	4%
Mutual Funds			15				10				25	3%
Insurance		14			15			10			39	4%
Banks	15			15					12	12	54	5%
Gratuity/Provident						15					15	2%
Theory	16	6	3	0	5	0	0	0	0	0	30	3%



Success Factors



Plan: Preparation



Plan: Revision



Focus

80% of the 80%

Planning



- Factors to consider while planning
 - Preparation / Revision of other papers at the same time
 - Work commitments
 - Family and social circle
 - Sleep and Fun!
 - Contingencies
- Monitoring your plan is as important as planning itself



Preparation: Discussion on Course

- IAS + IFRS + SIC + IFRIC + Framework
- Specialised Financial Statements
- Ratio Analysis
- Valuation of Companies
- Statutory and Director's report
- Disclosure requirements under CO'84 (4th Schedule)



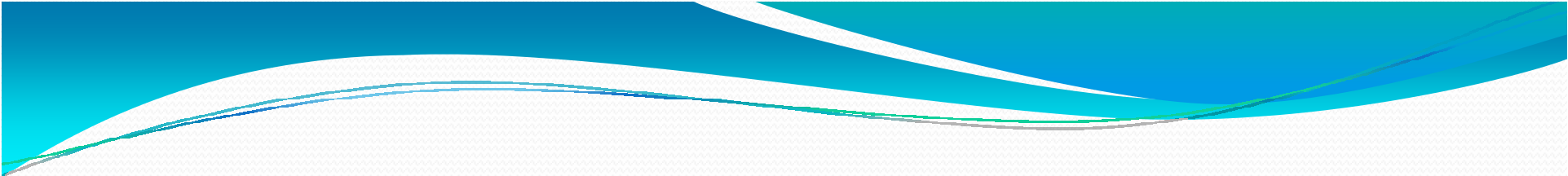
Framework for the preparation and presentation of Financial Statements

- Underlying assumptions
- Different Measurement Basis
- Concepts of capital maintenance (Financial + Physical)



- IAS 1

- Components of FS
- Going concern / Accrual / Materiality
- Comparative information
- Reporting period
- Statement of Financial Position / current / non-current / contents / Info to be presented on face
- Statement of Comprehensive income/ Classification of expenses on basis of their nature or function
- Statement of Other Comprehensive Income
- Statement of changes in equity
- Capital disclosures (e.g. if minimum capital requirements apply)

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- IAS 7
 - Past papers practice
 - Effect of foreign currency translation
 - Consolidation (Appendix may help)
 - IAS 8
 - Change in Accounting policy / estimate and disclosure
 - Errors: Materiality
 - What to do if IFRS is silent on the accounting treatment of a particular transaction
 - IAS 11
 - Different methods of recognising contract costs and revenues
 - Look for the specific requirement in exam, otherwise use the most suitable basis

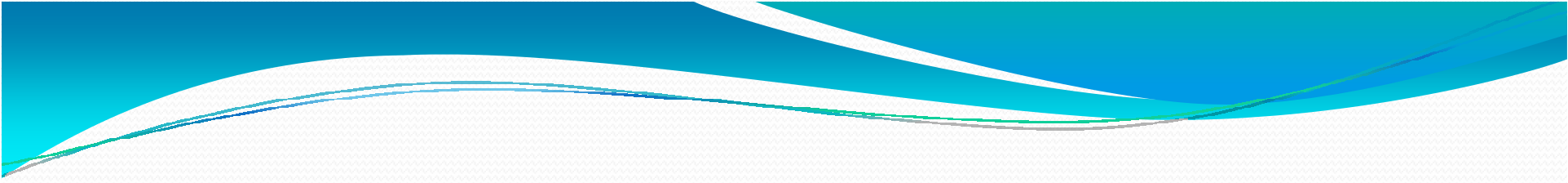


- IAS 16

- Elements of cost
- Exchange transactions/concept of commercial substance
- Start of depreciation
- Residual value re-assessments
- Revaluation
- Derecognition

- IAS 18

- Appendix is important
- Concept of pre-acquisition dividends eliminated

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- IAS 19
 - Definitions
 - Examples within standard
 - Insured benefits (Qualifying insurance policies and reimbursement rights)
 - Transitional provisions
 - Appendix A and C
 - Appendix B for disclosure
 - IAS 20
 - Definitions
 - Immediate recognition in certain cases
 - Grant related to assets / income
 - Repayment of Government grants



- IAS 24

- Some apparent transactions may not be RP transactions (refer standard)
- Practice through a disclosure in a manufacturing concern's financial statements



- IAS 26

- Disclosure requirements for:

- Defined contribution plans
 - Defined benefit plans

- Valuation of plan assets at fair value

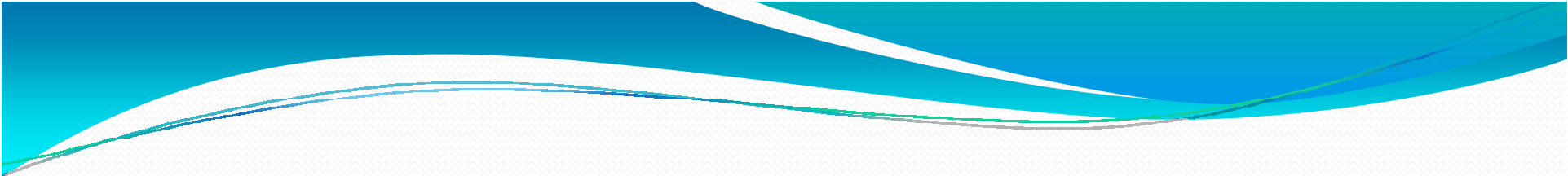
- IAS 29

- The concept of hyper-inflationary economy

- Historical cost Financial Statements

- Balance sheet and P/L stated in terms of “measuring unit current at Balance Sheet date”, i.e. applying a general price index for inflation impact

- Gain or loss to be recorded in P/L and disclosed separately

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- IAS 32
 - Definitions
 - Difference between equity and liability – “test of equity”
 - Example 9



- IAS 39 and IFRS 9

- Initial recognition and measurement requirements taken to IFRS 9
- IFRS 9: Effective date 2013.
- Classifications of assets simplified – A.C or FV on the basis of Business Model
- F.V changes in assets through P/L – except option in equity investments
- IFRS 9 is under consideration by the Committee for adoption
- Definitions
- Embedded derivatives
- Regular way purchase/sale
- Subsequent measurement / Gains and losses
- Reclassification
- Impairment
- Derecognition (summarised)
- Hedging
- Calculation of IRR
- Some examples from Implementation Guidance
- IAS 39 / IFRS9 is not applicable on banks



- IAS 33

- Do examples! Must!

- IAS 34

- Minimum components (condensed FS)
- Selected explanatory notes
- Periods
 - Statement of Financial Position, comprehensive income, cash flow, SOCE
- Restatement of previously reported interim periods
- Appendix B and C imp

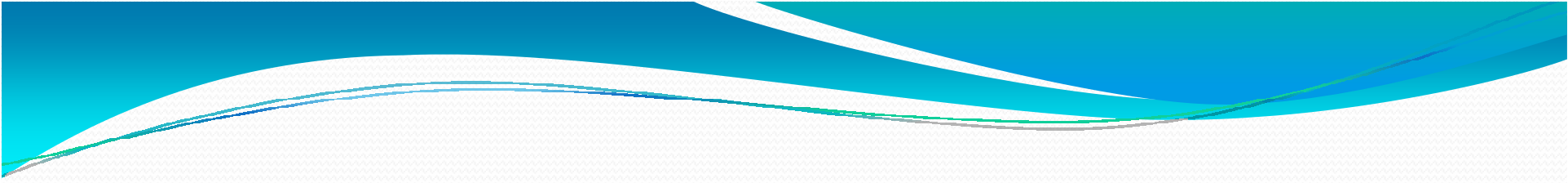


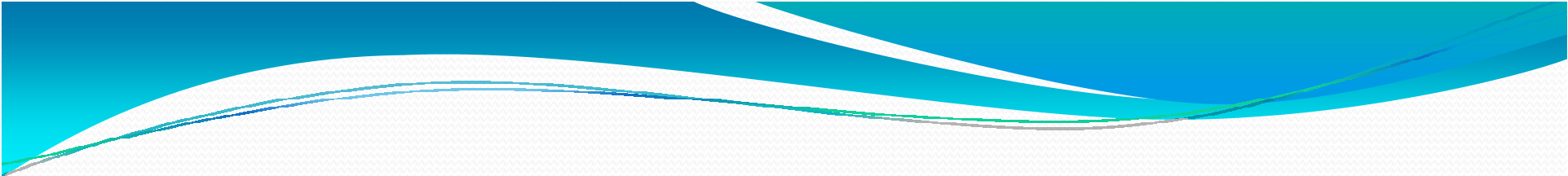
- IAS 37

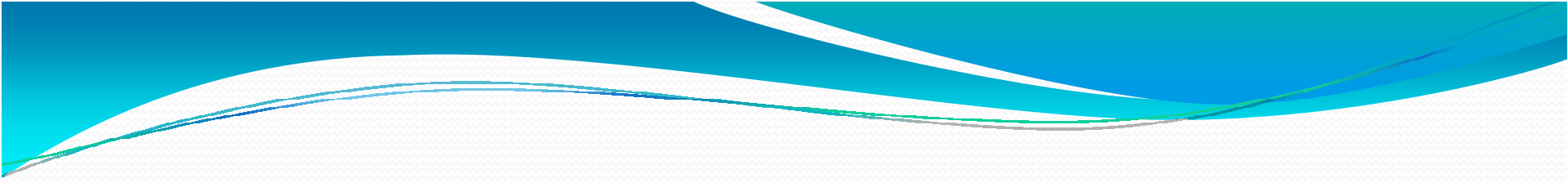
- Definitions
- Restructuring provisions
- Discounting of liabilities
- Appendix

- IAS 38

- Intangible assets with indefinite useful lives
- Illustrative examples on assessing the useful lives of Intangible assets

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- IAS 40
 - Not applicable on banks
 - Conditions for classifying assets obtained on operating lease as Investment Property
 - Examples of Investment property
 - Fair value model /cost model
 - IAS 41
 - Read all and also do Example 2
 - Important as greater investments in corporate farming.

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- IFRS 1
 - Not important. Deals with the first time adoption.
 - IFRS 2
 - All Examples. May skip ex 9.
 - IFRS 4
 - Not important
 - IFRS 5
 - Examples

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- IFRS 6
 - Measurement at and after recognition
 - IFRS 7
 - See illustrative financials
 - IFRS 8
 - Criteria for identifying operating segments
 - Disclosure



- Interpretations

- SIC

- 15 – Incentives – Operating leases
- 32 – website costs

- IFRIC – Consensus part is important

- 1 – Subsequent changes to Decommissioning / Restoration Liabilities
- 4 – Determining whether an arrangement contains a lease
- 7 – Applying restatement approach under IAS 29 (not very important)
- 10 – Interim Financial Reporting and Impairment
- 15 – Agreements for the construction of real estate (para 10-19)
- 17 – Distribution of Non-cash assets to owners
- 18 – Transfers of assets from customers
- 19 – Extinguishing financial liabilities with equity

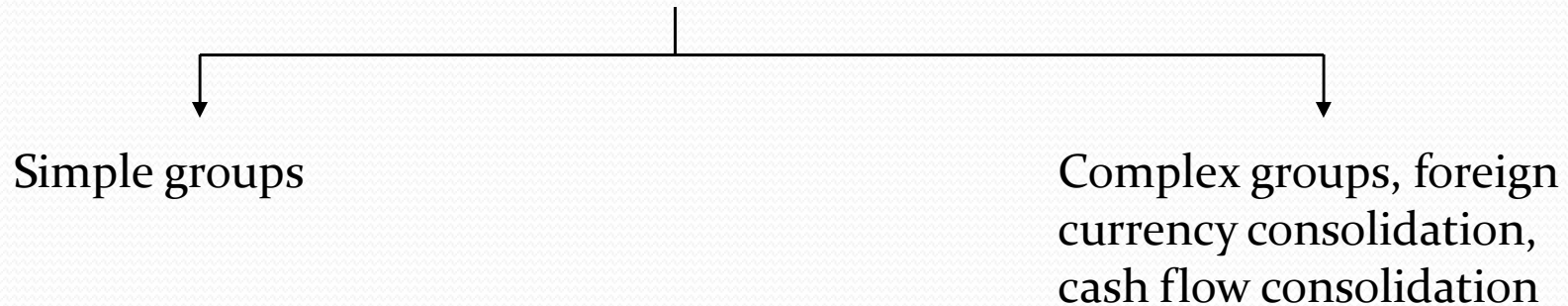


- Consolidation

- CIMA study text for preparation
- Past papers BPP
- Selected questions from ACCA 3.6 revision kit
- IAS 27 + IFRS 3 + IAS 28 + IAS 31 + IAS 21
- Practice!
- Corroborate with theory of these standards at the time of practising

Important areas for focus

Consolidation



Adjustment

- PURP – Purchase and sale within the group
- The above may include inventory, fixed asset or any other thing
- Everything that has to do with subsidiary should effect NCI
- Fair Value adjustment
- Impairment of Goodwill
- Elimination of intra company balances

Consolidation – simple groups (cont.)

	Rs in '000
Cost of investment	xxx
Less : Fair value of asset purchased	xxx
Goodwill - Partial (a)	xxx
Fair value of NCI	xxx
Net assets in NCI	xxx
Goodwill - NCI (b)	xxx
Total Goodwill (a+b) - Full GW method	xxx

● **Cost of investment**

- Everything you give at fair value
- Market price of shares given
- Present value of any payment to be made after a certain period of time
- All contingent payments - to be accounted for at FV
- Any long terms loans without interest - repayment terms are accounted for as investment
- Less any divided received from pre acquisition profits
- Transaction cost not to be excluded

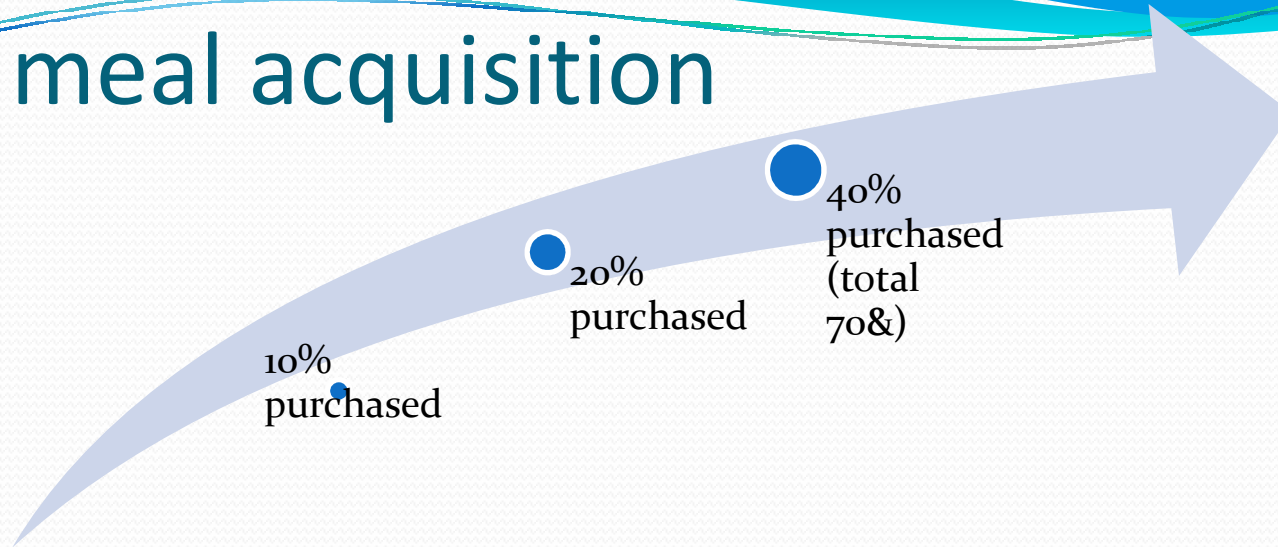
● **Fair value of asset purchased**

- Everything you take at fair value
- Identify contingent liabilities
- Identify intangibles

● **Fair value of NCI**

- Market value of subsidiary shares times the number of shares held by NCI
- In exams either the GW of minority, or market price of shares or fair value of NCI would be given

Piece meal acquisition



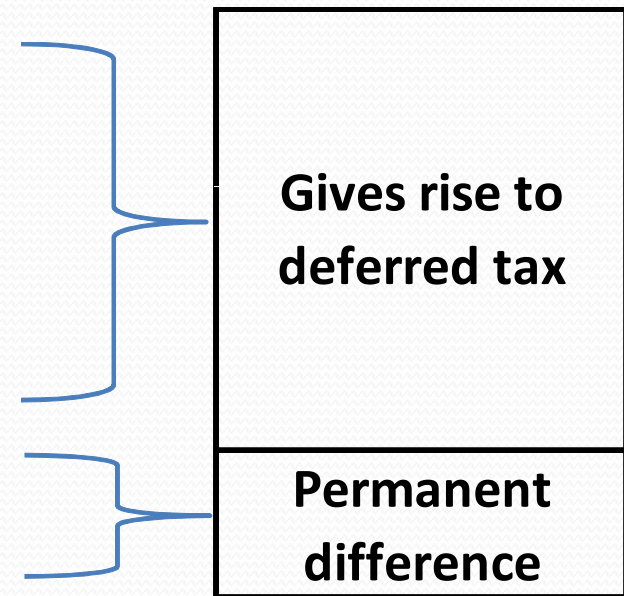
Peacemeal acquisition

	Rs in '000
Cost of investment of 40%	1000
Add : Fair value share given up 10% and 20%	300
Total COI	1300
Less : Fair value of asset purchased	800
Goodwill - Partial (a)	500

Deferred Tax

Normal tax computation

Accounting income	XXX
Add : Accounting Depreciation	xxx
Less : Tax Dep	xxx
ADD : Provision for gratuity	xxx
Less : Actual gratuity payment	xxx
ADD : Dep on finance lease	xxx
Less : Lease Rentals	xxx
Add : Donation Unapproved	xxx
Add : Penalties	xxx
Taxable Income	XXX





Specialised Financial Statements

- Banks
- Leasing Companies / Modarabas
- Insurance
 - Life
 - General
- Mutual Funds
 - Open end
 - Closed end
- Retirement benefit plans
 - Special Emphasis on Statutory reserve requirements

TACKLING THE PROBLEM AREAS





TACKLING THE PROBLEM AREAS

- Group study for technical / complex areas
- Make studying interesting and fun
- Make acronyms for points which are difficult to learn
- Make Flash cards and mind maps which will help in revising lengthy areas quickly
- Don't try to learn it in one go. Revise work already learnt

Examination techniques



- Controlling nerves during preparation is the key
- If the paper is difficult it is same for all the students and therefore the difficult questions in the paper do not determine your success.
- Arrive early at the exam to avoid panic. Will it help to chat to others while waiting, or make you more nervous
- In the exam, spend the first 5 minutes reading the paper. Make sure you understand the instructions to answer the right number of questions. Decide which questions to answer.
- It is important to understand the question and answer what is asked. Underline key and 'instruction' words. You will not get marks for an irrelevant answer even if it is excellent.

Examination Techniques



- Try to avoid questions which contain a word or phrase you don't understand.
- Decide how long to spend on a question (as per its marks allocation and as per the time gained on attempting easier questions), stop working on it when that time is up, return to it if you have time to spare.
- *The first 50% of the marks are the easiest to get; the next 25% are harder; the last 25% are the hardest. If you run out of time: two half answers may get more marks than one full one; jot down the main points to include while they are in your mind and return later.*
- Attempt maximum questions
- Support your answer with calculations (even if rough ones)!
- Present!



Examiner's comments

- Selective study
- JUST giving references is not sufficient
- Poor presentation
- Use of open book assessment



Caveats

- ALL COURSE MATERIAL, STUDY TECHNIQUES, KEY AREAS EMPHASIZED DURING THIS WORKSHOP REPRESENT PRESENTERS' OPINION AND IT IS NOT ENDORSED BY ICAP!

NEVER
GIVE UP!



Thank you
&
Good Luck!