



**Advanced Diploma in Corporate Financial Reporting (520) – Advanced Financial Reporting**




<b>Prerequisites:</b> Knowledge of accounting.	<b>Corequisites:</b> A pass or higher in Diploma in Accounting & Finance or equivalence.
<p><b>Aim:</b> Financial reporting systems serve many purposes. They are used to inform both current and potential investors. The accounting numbers reported in the financial statements are used in contracting between shareholders, managers, creditors and others. Regulators use financial reports to make assessments of competitive conditions and financial strength. At various times, management makes financial reporting and/or transaction design decisions to obtain some objectives with these various user groups. In this course, we will examine and analyse the financial accounting model in order to obtain a better understanding of these decisions and their telltale signs in the financial reports. These skills will enable us to make assessments of the “quality of reported earnings” and to make comparative assessments of performance and risk. The analysis of contemporary accounting issues within theoretical frameworks such as agency theory and the context of the conceptual frameworks used in setting accounting standards. Reporting problems in particular industries and with particular types of assets and liabilities (such as complex financial instruments); cutting edge accounting issues and the deliberations of local and overseas accounting rule-making bodies; and proposals for the strengthening of external financial reporting. Uses authoritative professional pronouncements to examine advanced financial reporting issues. Examines complex problems in accounting and reporting; examples include pensions, taxes, interest rate swaps, derivative securities, international transactions, and international financial reporting. Takes a user-oriented perspective, and examines the ways in which financial accounting information is used by investors, analysts, and creditors.</p>	
<b>Required Materials:</b> Recommended Learning Resources.	<b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.
<b>Special Requirements:</b> The course requires a combination of lectures, demonstrations and discussions.	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Analyse provisions, contingent assets and liabilities- IAS 8,37</p> <p>2 Analyse stock and long-term contracts- IAS 2</p> <p>3 Describe what is reported in Earnings</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Explain why an accounting standard on provision is necessary – give examples of previous abuses in this area.</p> <p>1.2 Define provisions, legal and constructive obligations, past events and the transfer of economic benefits.</p> <p>1.3 Be able to state when provision may and may not be made, and how they should be accounted for.</p> <p>1.4 Explain how provisions should be measured.</p> <p>2.1 Review the principles of stock valuation.</p> <p>2.2 Define long-term contract and describe why recognising profit before completion is generally considered to be desirable; discuss if this may be profit smoothing.</p> <p>2.3 Describe the ways in which attributable profit may be measured.</p> <p>2.4 Calculate and disclose the amounts to be shown in the financial statements for long-term contracts.</p> <p>3.1 Explain the importance of comparability</p>

<p>Per Share</p>	<p>in relation to the calculation of Earnings Per Share (EPS) and its importance as a stock market indicator.</p> <p>3.2 Explain why the trend of EPS may be a more accurate indicator of performance than a company's profit trend.</p> <p>3.3 Define earnings and the basic number of shares.</p> <p>3.4 Calculate the EPS in the following circumstances: basic EPS; where there has been a bonus issue of shares during the year, and where there has been a rights issue of shares during the year.</p> <p>3.5 Explain the relevance to existing shareholders of the diluted EPS, and describe the circumstances that will give rise to a future dilution of the EPS.</p> <p>3.6 Calculate the diluted EPS in the following circumstances - where convertible debt or preference share are in issue.</p>
<p>4 Describe the principal issue of taxation in Financial Statements- IAS 12</p>	<p>4.1 Be able to account for current taxation in accordance with IAS 12.</p> <p>4.2 Be able to record entries relating to corporation tax in the accounting records.</p> <p>4.3 Be able to apply requirements of SSAP 5 Accounting for VAT.</p> <p>4.4 Explain the effect of timing differences on accounting and taxable profits.</p> <p>4.5 Outline the principle of accounting for deferred tax on both the full and the partial provision methods, and discuss their advantages and disadvantages.</p> <p>4.6 Outline the requirements of IAS 12.</p> <p>4.7 Calculate and record deferred tax amounts in the financial statements.</p>
<p>5 Describe the concept of a group and the objective of consolidated financial statements: Introduction- IAS 27</p>	<p>5.1 Explain the different methods which could be used to prepare group accounts.</p> <p>5.2 Explain and apply definition of subsidiary companies in the Companies Acts.</p> <p>5.3 Describe the circumstances and reasoning for subsidiaries to be excluded from consolidated financial statements.</p> <p>5.4 Prepare a consolidated balance sheet for a simple group dealing with pre and post acquisition profits, minority interests and consolidated goodwill.</p> <p>5.5 Explain the need for using coterminous year ends and uniform accounting policies when preparing consolidated financial statements.</p> <p>5.6 Describe how the above is achieved in practice.</p> <p>5.7 Prepare a consolidated profit and loss account for a simple group, including an example where an acquisition occurs during the year and there is a minority interest.</p>

<p>6 Explain why intra-group transactions should be eliminated on consolidation - Technical - IAS 27</p>	<p>5.8 Complex group adjustments 5.9 Describe vertical groups</p> <p>6.1 Explain the nature of a dividend paid out of pre-acquisition profits. 6.2 Account for the effects (in the profit and loss account and balance sheet) of intra-group trading and other transactions. 6.3 Explain why it is necessary for both the consideration paid for a subsidiary and the subsidiary's identifiable assets and liabilities to be accounted for at their fair values when preparing consolidated financial statements. 6.4 Prepare consolidated financial statements dealing with the fair value adjustments.</p>
<p>7 Define associates and joint ventures, including an arrangement that is not an entity (JANE) - IAS 27</p>	<p>7.1 Distinguish between equity accounting and proportional consolidation. 7.2 Describe the equity and gross equity methods. 7.3 Be able to prepare consolidated financial statements to include a single subsidiary and an associated company or joint venture. 7.4 Discuss the criteria for determining whether a business combination should be treated a merger or an acquisition. 7.5 Explain why business combination that is a merger should have a different accounting treatment than that of an acquisition. 7.6 Prepare consolidated financial statements applying merger accounting.</p>
<p>8 Understand analysis and interpretation of Financial Statements</p>	<p>8.1 Be able to calculate useful financial ratios for single company or group financial statements. 8.2 Analyse and interpret ratios to give an assessment of a company's performance in comparison with: (i) company's previous periods financial statements (ii) another similar company for the same period and industry average ratios. 8.3 Discuss the effect that changes in accounting policies or the use of different accounting policies between companies can have on the ability to interpret performance. 8.4 Discuss how the interpretation of current cost accounts or current purchasing power accounts would differ from that of historic cost accounts. 8.5 Discuss the limitations in the use of ratio analysis for assessing corporate performance, outlining other information that may be of relevance.</p>
<p>9 Describe cash flow statements</p>	<p>9.1 Be able to prepare a cash flow statement, including relevant notes, for an individual company in accordance with FRS 1(revised).</p>

10 Define and apply the definition of related parties in accordance with FRS 8.	9.2	Be able to appraise the usefulness of, and interpret the information in a cash flow statement.
	10.1	Describe the potential to mislead users when related party transactions are included in a company's financial statements.
	10.2	Adjust financial statements (for comparative purposes) for the effects of non-commercial related party transactions.
	10.3	Describe the disclosure requirements for related party transactions.

### **Recommended Learning Resources: Advanced Financial Reporting**

<b>Text Books</b>	<ul style="list-style-type: none"> <li>• Advanced Financial Accounting (Paperback) by Richard Lewis (Author), David Pendrill. ISBN-10: 0273638335</li> <li>• Financial Accounting and Reporting (Paperback) by Barry Elliott (Author), Jamie Elliott. ISBN-10: 0273685406</li> <li>• Advanced Financial Accounting: An International Approach (Paperback) by Jagdish Kothari (Author), Elisabetta Barone. ISBN-10: 0273712748</li> </ul>
<b>Study Manuals</b> 	BCE produced study packs
<b>CD ROM</b> 	Power-point slides
<b>Software</b> 	None

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