

## SEMESTER – 5

### ADVANCED FINANCIAL ACCOUNTING & CORPORATE REPORTING [BAF-501]

#### INTRODUCTION

This course is designed to focus on preparing, analysing financial statements and developing reports thereon, for management decisions. The students are expected to use knowledge and understanding of more advanced financial accounting, for preparing and interpreting financial statements in context of practice.

#### OBJECTIVE

To provide the students with an in-depth knowledge of financial reporting enabling them to:

- analyse and interpret financial statements and prepare financial reports, and
- submit recommendations to the management for taking decision.

#### OUTCOMES

On completion of this course, students should be able to:

- identify categories of users of financial reports and describe the importance of financial reporting,
- evaluate the uses of international regulatory framework, including international standards of accounting and auditing and comparative accounting systems and analysis in financial reporting,

- Comprehend the calculation of taxable income under tax laws and identify the difference with the taxable income calculated under accounting method.
- prepare group financial statements, in accordance with the requirements of the Companies Ordinance 1984, International Accounting Standards and IFAC Guidelines,
- analyse, interpret and report on financial statements (including cash flow statements) and related information to different groups of users, and
- comprehend how non-controlling interests and inter group trading etc affect group accounts,
- understand how associates and joint ventures are shown in the group accounts,
- get acquainted with complex groups and business combinations with sub-subsidiaries and their accounting treatment in the group accounts,
- be aware of accounting treatment of foreign currencies in the individual and group accounts,
- get acquainted with the development made in financial reporting all over the world,
- Understand the non-financial reporting and different ways of reporting it.
- understand the reporting requirement for SMEs

#### INDICATIVE GRID

PART	SYLLABUS CONTENT AREA	WEIGHTAGE
A	<b>MATTERS RELATED TO RECOGNITION AND MEASUREMENT</b> 1. Financial Instruments 2. Employee Benefits 3. Share-based Payments 4. IAS 12, Income Taxes 5. IFRS 5 Non-Current Assets held for Sale and Discontinued Operations	40%
B	<b>GROUP FINANCIAL STATEMENTS</b> 6. IFRS 3 (Revised) - Business Combinations 7. IFRS 10 – Consolidated Financial Statements 8. Effect of Non-Controlling interests 9. IAS 27 – Separate Financial Statements 10. IFRS 13 – Fair Value Measurement 11. Associates and Joint ventures	15%
C	<b>COMPLEX GROUP TOPICS</b> 12. Changes in group structures 13. Complex group structures 14. Foreign currency 15. Group statements of cash flows	20%
D	<b>PERFORMANCE REPORTING</b> 16. Ratios and trend analysis 17. Earnings per share IAS, 33 18. Segment reporting IFRS, 8	15%
E	<b>EXTERNAL REPORTING</b> 19. Advancement in Financial Reporting 20. Advancement in Non-Financial Reporting	10%
<b>TOTAL</b>		<b>100%</b>

**Note:** The weightage shown against each section indicates, study time required for the topics in that section. This weightage does not necessarily specify the number of marks to be allocated to that section in the examination.

#### CONTENTS

##### PART - A

##### MATTERS RELATED TO RECOGNITION AND MEASUREMENT

1. **Financial instruments (IAS 32, IFRS 7 & IFRS 9)**
  - Definition
  - Classification of Financial Instruments
  - Recognition and Measurement of Financial Assets and liabilities
  - Accounting for factoring receivables

- De-recognition of Financial Instruments
  - Derivatives
  - Hedge Accounting
  - Disclosure of Financial Instruments
2. **IAS 19, Employee Benefits**
    - Types of Employee Benefits
    - Post-Employment Benefits Plans
    - Accounting for Post-Employment Benefits Plans
    - The Asset Ceiling
    - Other Employee Benefits
    - Disclosures

3. **IFRS 2, Share-based Payments**
  - Types of Transaction
  - Equity-Settled Share-Based Payment Transactions
  - Cash-Settled Shared-Based Payment Transactions
  - Modifications, Cancellations and Settlements
  - Disclosure requirements
4. **IAS 12, Income Taxes**
  - Current Tax
  - Deferred Tax
  - Taxation in Company Accounts
  - Presentation and Disclosure of Taxation
5. **IFRS 5, Non-Current Assets held for Sale and Discontinued Operations**
  - Key provisions relating to non-current assets held for sale and discontinued operations
  - Application of IFRS 5

#### PART - B

##### GROUP FINANCIAL STATEMENTS

6. **IFRS 3, (Revised) Business Combinations**
  - Identify the transaction as business combinations
  - Treatment of Goodwill
7. **IFRS 10, Consolidated Financial Statements**
  - Definition of Control
  - Application of IFRS 10
8. **Effects of Non-controlling interests**
  - Intra-Group Trading
  - Intra-Group Sales of Non-Current Assets
  - Fair Value adjustments.
9. **IAS 27, Separate Financial Statements**
  - Application of IAS 27
  - Presentation of Investment in Subsidiaries, Associates and Joint ventures in investing entity's separate financial Statements.
10. **IFRS 13, Fair Value Measurement**
  - The basis of a fair Value Measurement
  - Fair Value Hierarchy
  - Specific Application Principles
  - Disclosures
11. **Associates and Joint ventures**
  - IAS 28 Investment in Associates and Joint Venture
  - IFRS 11 Joint Arrangements
  - IFRS 12 Disclosure of interest in Other Entities

#### PART - C

##### COMPLEX GROUP TOPICS

12. **Changes in group structures**
  - Disposals
  - Business Combination Achieved in Stages
  - Changes in Direct Ownership

#### 13. Complex group structures

- Complex group (Vertical & Horizontal Group structure).
- Consolidating sub-subsidiaries
- Direct holding in sub-subsidiaries
- Indirect associates

#### 14. IAS 21, Foreign currency

- Foreign Currency translation
- Individual company stage
- Consolidated Financial Statements Stage

#### 15. Group statements of cash flows

- IAS 7: Statement of Cash Flows of Single Company
- Consolidated Statement of Cash Flows
- Foreign Exchange and Statement of Cash Flow.

#### PART - D

##### PERFORMANCE REPORTING

#### 16. Ratios and trend analysis

- Interpreting Financial Information (in the form of report writing)
- Profitability Ratios
- Liquidity and Working Capital Ratios
- Long-Term Financial Stability
- Investor Ratios
- Limitations of Financial Statement and Ratio Analysis

#### 17. IAS 33, Earnings per share

- Scope of IAS 33
- Basic EPS
- Diluted Earnings per Share (DEPS).
- Group Earning per Share

#### 18. IFRS 8, Segment reporting

- Defining Reportable Segments
- Disclosing Reportable Segments
- Problem Areas in Segment Reporting

#### PART - E

##### EXTERNAL REPORTING

#### 19. Advancement in Financial Reporting

- International harmonization
- Accounting around the World
- IFRS vs US GAAP and UK GAAP
- Introduction and scope of IFRS for SMEs and affect on other IASs/IFRSs
- Current trends and emerging issues in financial reporting

#### 20. Advancement in Non-Financial Reporting

- Management Commentary
- Environmental Reporting
- Sustainability Reporting
- Social and Ethical Environment

**TEACHING METHODOLOGY:** The faculty is advised to teach the topics in the mode of case studies based on problem solving and decision-making with practical approach.

#### RECOMMENDED BOOKS

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
CIMA, UK Study Text	---	BPP
Relevant Study Text	---	Kaplan Publishing
Intermediate Accounting	Donald E. Kieso / Jerry J. Weygandt / Terry D. Warfield	John Willey & Sons
Modern Advanced Accounting	E. John Larsen	McGraw-Hill
Financial Analysis	PBP	Professional Business Publications, Lahore.
Companies Ordinance, 1984	Govt. of Pakistan.	P.L.D. Publishers Lahore.
International Financial Reporting Standards / IASs	International Accounting Standards Board	IFRS foundation
Gripping: IFRS Pakistan Edition	Cathrynne Sowden-Service	ICAP/ Lexis Nexis
IFRS: Practical Implementation Guide and Workbook	Abbas Ali Mirza, Graham Holt, Liesel Knorr	John Wiley & Sons