Financial Reporting and Analysis

Study guidance for the 15th Edition of the recommended text


We have worked closely with the examiner to ensure that the syllabus, as outlined below, will make it easier for you to work through the relevant areas of the text. For this reason, the syllabus is shown below with some items re-ordered so that they follow the order of the text.

Additional guidance

Also as a result of changes made to the Elliott and Elliott text, we have additional suggestions on some specific syllabus areas:

1. In the first section of the syllabus, there are two items which are not covered within the recommended text. As indicated below, you can find reference to these areas in another text, ‘Comparative International Accounting 11th Edition’ by Nobes and Parker, as well as locating online sources. See the ‘Studying for CSQS’ booklet, pages 11 – 12 and 17 – 20, for advice on wider reading and using online sources.

2. Some sections of the recommended text on preparation of accounts are now too complex for the purposes of this module, and it is suggested that you refer to another text, ‘Introduction to Accounting 3rd Edition’, by Marriott, Edwards and Mellett, as a more suitable guide to the level required. You can preview sections of this text at the Google Books site.

Review questions and exercises

If you would like to do practice questions with answers, you should register for the ‘My Accounting Lab’ resource which comes with the text. This offers 450 extra questions with answers, some with guided solutions.

For previous editions Pearson has made a ‘Student Solutions’ handbook available containing answers to asterisked questions at the end of each chapter in the text. It appears that this resource is not available for this edition and so it is suggested that you use My Accounting Lab for practice.
**Syllabus content**

The regulatory and conceptual frameworks for the preparation and presentation of financial statements – weighting 15%

**The regulatory framework for the preparation and presentation of financial statements**

- National differences in financial reporting practices
  Not covered in the recommended text (See Nobes & Parker pages 42 – 50)

- Reasons for national differences in financial reporting practices
  Recommended text pages 219 – 223

- Classification of national accounting systems
  Not covered in the recommended text (See Nobes & Parker pages 55 – 57)

- Attempts to standardise financial reports and the work of the international standard setters
  Recommended text pages 217 and pages 223 – 228

- Arguments for and against accounting standards
  Recommended text page 213 – 214 and 228 - 229

**The conceptual framework for the preparation and presentation of financial statements**

The Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board ('IASB') sets out the concepts that underlie the preparation and presentation of financial statements for external users.

The Framework deals with:
Recommended text pages 246 – 247

- The objective and users of financial statements
  Recommended text pages 247 – 249

- The reporting entity
  Recommended text pages 249 – 250

- The qualitative characteristics that determine the usefulness of information in financial statements
  Recommended text pages 250 – 251

- The definition of the elements of financial statements
  Recommended text page 251 – 252

- The recognition of the elements from which financial statements are constructed
  Recommended text pages 252 – 253

- The measurement of assets and liabilities reported in financial statements
  Recommended text pages 253 – 254
The preparation and presentation of financial statements in compliance with legal and regulatory requirements for single companies, groups, not for profit and public sector entities – weighting 40%

**The preparation and presentation of financial statements for single companies in compliance with legal and regulatory requirements, including the relevant International Accounting Standards**

- Concepts of capital and capital maintenance
  
  *Recommended text page 247*

- The preparation and presentation of financial statements for single companies in compliance with legal and regulatory requirements, including the relevant International Accounting Standards

  - Statement of comprehensive income in accordance with IAS1
    
    *Recommended text pages 37 – 42*

  - Balance sheet in accordance with IAS1
    
    *Recommended text page 45*

  - Statement of changes in equity in accordance with IAS1
    
    *Recommended text pages 46 – 47*

  An understanding of the basic procedures involved in the preparation of the above financial statements will be required but you will not be expected to have knowledge of the detail of relevant international accounting standards. The level of knowledge required is reflected in chapters 6, 7 and 8 of ‘Introduction to Accounting 3rd Edition’, by Marriott, Edwards and Mellett.

- Segmental reporting
  
  *Recommended text pages 75 – 84*

- Accounting principles and policies
  
  *Recommended text pages 48 – 50*

- Fair view treatment
  
  *Recommended text pages 59 – 60*

- Chairman’s statement and directors’ report
  
  *Recommended text pages 54 – 56*

- Cash flow statements
  
  *Recommended text pages 107 – 114*

**The preparation and presentation of financial statements for groups in compliance with legal and regulatory requirements, including the relevant International Accounting Standards**

- Requirements for preparation of consolidated financial statements
  
  *Recommended text pages 585 – 591*

- Consolidated balance sheet
  
  *Recommended text pages 591 – 597 and 605 – 615*

- Consolidated income statement
  
  *Recommended text pages 620 – 627*
- Investment in associates
  **Recommended text pages 640 – 645**

- Interest in joint ventures
  **Recommended text pages 645 – 647**

- Consolidated cash flow statement
  **Recommended text pages 628 – 630**

**Analysis and interpretation of accounts, the limitations of published accounts, and current issues – weighting 45%**

**Analysis and interpretation of accounts**

- Accounting ratios and ratio analysis
  **Recommended text pages 706 – 708**

- Primary investment, operative and liquidity level ratios
  **Recommended text pages 708 – 715**

- Subsidiary ratios including investment performance indicators such as price/earnings ratio
  **Recommended text pages 715 – 726**

- Inter-firm comparisons and industrial averages
  The material relevant to this syllabus section has been excised from the 15th edition of the text. Relevant material can be obtained by contacting studentsupport@icsa.co.uk or by referring to online sources

- Pyramid of ratios
  **Recommended text page 709**

- Segmental analysis
  **Recommended text pages 75 – 84**

- Trend or horizontal analysis and common size statements
  **Recommended text pages 742 – 749**

- Analysing a cash flow statement
  **Recommended text pages 114 – 118**

- Earnings per share
  **Recommended text pages 679 – 697**

- Limitations of analytical and interpretative techniques
  **Recommended text pages 726 – 731**

**Limitations of published accounts**

- Creative accounting including the treatment of inventories
  **Recommended text pages 541 – 546**
– Off-balance sheet finance and reporting the substance of transactions
  Recommended text pages 317 – 333 (text chapter re-titled ‘Liabilities’)

– Leasing
  Recommended text pages 472 – 488

– Corporate governance and the external audit process
  Recommended text pages 812 – 817

**Current issues**

– Financial reporting on the internet
  Recommended text pages 786 – 799

– Environmental and social reporting
  Recommended text pages 842 – 869

– Ethics for accountants
  Recommended text pages 262 – 282