

# PROFESSIONAL ACCOUNTANCY QUALIFICATION DETAILED SYLLABUS

## CERTIFICATE STAGE FINANCIAL ACCOUNTING

### 1. INTRODUCTION AND SCOPE

CIPFA's Statement of Expertise (SOE) identifies the key areas of competence and standards of performance expected of a CPFA within 5 years of initial qualification. The CIPFA Professional Accountancy Qualification is designed to provide the professional education element of CIPFA's qualification scheme, equipping newly-qualified CPFAs with the technical and managerial knowledge and skills which underpin the competences described in the Statement of Expertise. Each module of the Professional Accountancy Qualification contributes to the attainment of a range of these competences.

This module is part of the Certificate stage of the CIPFA scheme. The module will deliver a series of Objectives (see below) which represent the standard of attainment expected of a newly-qualified CPFA. This level of attainment, coupled with initial professional development activities will enable the CPFA to perform to the standards specified in areas of the Statement of Expertise as described below.

### 2. LINKAGES

All the content of this module is necessary for the effective study of Financial Reporting (Certificate level) and Financial & Performance Reporting (Diploma level). It also supports studies in other papers including, in particular, Audit and Assurance, Taxation and the Final Test of Professional Competence.

### 3. OBJECTIVES

On completion of the module, a successful candidate will be able to:

- A) Explain the environment in which financial accounting operates and the ethical standards expected of professional accountants.** (SOE: SOFM1&2, FPR1) (10%)<sup>1</sup>
- B) Explain basic accounting concepts and principles.** (SOE: SOFM2, SOFM5, FPR1) (20%)
- C) Make entries in financial accounting records based on the principles of double entry bookkeeping.** (SOE: SOFM5) (25%)
- D) Prepare financial statements for a variety of organisations.** (SOE: SOFM2, SOFM5, FPR1, FPR2, A&A3) (30%)
- E) Prepare accounting ratios and provide basic interpretation of those ratios.** (SOE: SOFM2, SOFM5, FPR1, FPR2, A&A3) (15%)

### 4. LEARNING OUTCOMES

- A) Explain the environment in which financial accounting operates and the ethical standards expected of professional accountants.**

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<sup>1</sup> Note that these references link to specific areas of expertise described in the Statement of Expertise.

*The successful candidate will be able to:*

**ACCOUNTING ENVIRONMENT AND ETHICS (10%)**

- A1) Explain the development, purpose and context of the accounting framework:
- The structure of the accounting profession and its role in society
  - The functions of accounting
  - The difference between financial and management accounting
  - The role of the accountant, auditor and financial manager
  - The objectives of financial statements
  - The users of financial statements and their needs
  - The ethical requirements for an accountant as imposed by statute and professional bodies
- A2) Explain the consequences of unethical behaviour in the accounting profession:
- The ethical threats in accounting and associated safeguards
  - Private and public sector accounting failures and their effects

**B) Explain basic accounting concepts and principles.**

*The successful candidate will be able to:*

**ACCOUNTING CONCEPTS AND PRINCIPLES (20%)**

- B1) Explain the theoretical framework of accounting and its effect on financial statements:
- The methods by which accounting standards are developed
  - The concepts and principles of present accounting practice and explain how these are expressed in financial statements
  - The need for accounting principles and the content and purpose of the International Accounting Standards Board's (IASB) Framework for the Preparation and Presentation of Financial Statements
  - The role of the International Accounting Standards Board and its influence on financial reporting
  - The use of financial statements to address an organisation's financial objectives
  - The principal methodologies used to recognise income and expenditure, assets and liabilities, and how each of these can be used to address the financial objectives of different organisations
  - The role of regulatory bodies in establishing and maintaining the framework of accounting through professional standards of practice

**C) Make entries in financial accounting records based on the principles of double entry bookkeeping.**

*The successful candidate will be able to:*

**ACCOUNTING RECORDS (25%)**

- C1) Explain the concepts and principles of double entry bookkeeping:
- The accounting equation, principle of duality and effect of transactions
  - Main sources of data
  - Books of prime entry
  - The use of computer software in the processing of data

- The role of the journal
  - The key purposes of reconciliation and control systems.
  - the application of electronic data processing to bookkeeping
- C2) Make entries based on the principles of double entry bookkeeping:
- in the books of prime entry
  - from books of prime entry to ledgers (nominal, receivables and payables)
  - from other sources, including those relating to the acquisition and disposal of assets, bad and doubtful debts and accruals and prepayments
  - journal entries, including removal of errors
  - to ledger accounts including all closing entries
  - to the trial balance from ledgers, including removal of errors
  - to control accounts for receivables and payables
  - to bank reconciliation statements
  - to suspense accounts, including removal of errors
  - to record the issue of shares, including rights issues and bonus (capitalisation) issues

**D) Prepare financial statements for a variety of organisations.**

*The successful candidate will be able to:*

**PREPARATION OF FINANCIAL STATEMENTS 30%**

- D1) Prepare financial statements for a variety of organisations in accordance with relevant standards (*Note 1*) and legislation:
- Income and expenditure accounts and statements of financial position for clubs and societies
  - Income statements and statements of financial position from incomplete records
  - Income statements and statements of financial position for sole traders and partnerships
  - Income statements and statements of financial position for limited companies for internal use, ignoring tax
  - Statements of cash flow for limited companies (basic and using the indirect method only and ignoring tax)

**E) Basic analysis of financial statements**

*The successful candidate will be able to:*

**ANALYSIS OF FINANCIAL STATEMENTS (15%):**

- E1) Prepare accounting ratios covering profitability, solvency, performance, investors and capital gearing ratios, for a variety of stakeholders
- E2) Describe the uses and limitations of financial ratios, and the supplementary information which could enhance the user's understanding of financial statements and ratios derived from them

*Note 1*

*In addition to the IASB's Framework for the Preparation and Presentation of Financial Statements a list of specific accounting standards expected to be studied for this paper is available. The above should be read in the light of this list.*

**Notes on Assessment**

*A pro-forma giving the headings for the statement of cash flows as in IAS 7 will accompany the examination paper.*

EXAMINATION STATUS OF INTERNATIONAL ACCOUNTING STANDARDS								
INTERNATIONAL STANDARD TO BE EXAMINED	EQUIVOLENT UK STANDARD	NOT EXAMINABLE	EXAMINABLE IN FA			EXAMINABLE IN FR		
			KNOWLEDGE LEVEL TO BE EXAMINED AT:			KNOWLEDGE LEVEL TO BE EXAMINED AT:		
			A	B	C	A	B	C
IFRS1 First -Time Adoption of IFRS	-							X
IFRS2 Share-based payment	FRS20	X						
IFRS3 Business combinations (note 1)	FRS6 FRS7						X	
IFRS4 Insurance contracts	-	X						
IFRS5 Non-current assets held for sale and discontinued operations	FRS3					X		
IFRS6 Exploration for and evaluation of mineral resources	-	X						
IFRS7 Financial Instruments – disclosures	FRS29							X
IFRS8 Operating segments	SSAP25							X
IAS1 Presentation of financial statements (note 2)	-					X		
IAS2 Inventories (note 3)	SSAP9		X					
IAS7 Statements of cash flow (note 4)	FRS1		X			X		
IAS8 Accounting policies, changes in accounting estimates and errors	FRS3 FRS18					X		
IAS10 Events after the reporting period	FRS21 (SSAP17)					X		
IAS11 Construction contracts (note 3)	SSAP9						X	
IAS12 Income taxes (note 5)	FRS16 FRS19 SSAP5					X		
IAS16 Property, plant and equipment	FRS15		X			X		
IAS17 Leases	SSAP21						X	
IAS18 Revenue	-						X	
IAS19 Employee Benefits	FRS17							X

EXAMINATION STATUS OF INTERNATIONAL ACCOUNTING STANDARDS								
INTERNATIONAL STANDARD TO BE EXAMINED	EQUIVOLENT UK STANDARD	NOT EXAMINABLE	EXAMINABLE IN FA			EXAMINABLE IN FR		
			KNOWLEDGE LEVEL TO BE EXAMINED AT:			KNOWLEDGE LEVEL TO BE EXAMINED AT:		
			A	B	C	A	B	C
IAS20 Accounting for government grants and disclosure of government assistance	SSAP4						X	
IAS21 The effects of changes in foreign exchange rates	FRS23	X						
IAS23 Borrowing costs						X		
IAS24 Related party disclosures	FRS8						X	
IAS26 Accounting and reporting by retirement benefit plans	-	X						
IAS27 Consolidated and separate financial statements	FRS2						X	
IAS28 Investments in associates	FRS9	X						
IAS29 Financial reporting in hyperinflationary economies	FRS24							X
IAS31 Interests in joint ventures	FRS9	X						
IAS32 Financial instruments: presentation	FRS25							X
IAS33 Earnings per share	FRS22						X	
IAS34 Interim financial reporting	-	X						
IAS36 Impairment of assets	FRS11						X	
IAS37 Provisions, contingent liabilities and contingent assets	FRS12					X		
IAS38 Intangible assets	FRS10 SSAP13						X	
IAS39 Financial instruments: recognition and measurement	FRS26							X
IAS40 Investment property	SSAP19							X

EXAMINATION STATUS OF INTERNATIONAL ACCOUNTING STANDARDS								
INTERNATIONAL STANDARD TO BE EXAMINED	EQUIVOLENT UK STANDARD	NOT EXAMINABLE	EXAMINABLE IN FA			EXAMINABLE IN FR		
			KNOWLEDGE LEVEL TO BE EXAMINED AT:			KNOWLEDGE LEVEL TO BE EXAMINED AT:		
			A	B	C	A	B	C
IAS41 Agriculture	-	X						
Framework for the preparation and presentation of financial statements (note 7)	Statement of principles		X			X		

### Knowledge levels

Level A (professional): A thorough knowledge with a solid understanding of the subject matter and some experience in its application in practice sufficient to: exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered in practice; and recognise when the assistance of a specialist may be required. This level of knowledge is lower than that of a specialist.

Level B (technician): A working knowledge with a broad understanding of the subject matter and a modicum of experience in its application sufficient to: apply the subject matter in straightforward circumstances; and identify issues requiring professional attention in more complex situations.

Level C (generalist): a general knowledge with a basic understanding of the subject matter and training in its application sufficient to: identify significant issues; evaluate their potential implications or impact; and recognise that additional work or advice may be required to be performed by a person technically competent in this area of expertise. This level of knowledge is significantly greater than that of a layperson.

### Notes

1. IFRS3 Business combinations. Only the provisions relating to goodwill (paragraphs 51 to 56) are examinable.
2. IAS1 Presentation of financial statements is examinable in Financial Reporting only, because its requirements relate almost entirely to published financial statements
3. IAS2 Inventories and IAS11 Construction contracts. IAS2 deals only with inventories, not long-term contracts. It is examinable at FA level only, with construction contracts (IAS11) dealt with in FR only.
4. IAS7 Statements of cash flow is included in both FA and FR. The difference will be in the level of question set. In FA, questions will only require the indirect method
5. IAS12 Income taxes. In FR, current tax is examinable at level A and deferred tax at level C.
6. IFRS8 Operating segments. IFRS8 is considerably more demanding than the equivalent UK standard SSAP25. It is thus examinable at level C only.
7. Framework for the preparation and presentation of financial statements. Paragraphs 1 to 46 are examinable in FA and the whole statement in FR.