

FINANCIAL REPORTING

AIM

To ensure that students are able to:

- (a) Prepare and present financial statements of single entity and simple groups
- (b) Account for changes in company structure
- (c) Evaluate company financial statements and recognise their limitations
- (d) Understand the concepts related to the measurement of income and capital

INTRODUCTION

This paper is designed to ensure that students are able to prepare and present the financial statements of single entity and groups in accordance with approved accounting standards, statutory requirements and generally accepted accounting principles in Malaysia and to recommend accounting treatments for items in the financial statements. Students will be able to analyse and interpret financial statements and other financial information and make appropriate conclusions.

SYLLABUS WEIGHTING

SYLLABUS CONTENT AREA	WEIGHTING
Overview of the Malaysian Financial Reporting Framework Conceptual Framework : Preparation and Presentation of Financial Statements	10%
Limited company financial statements Group financial statements	60%
Changes in company structure The measurement of income and capital	10%
Analysis and interpretation of financial statements	20%
Total:	100%

EXAMINATION FORMAT

A 3-hour written paper comprising 5 – 6 compulsory questions

SYLLABUS CONTENT	LEVEL
1. Overview of the Malaysian Financial Reporting Framework <ul style="list-style-type: none"> a The regulatory framework b The financial reporting framework c Exempt enterprises d Role of the professional accountancy bodies e Role of the Financial Reporting Foundation (FRF) and the Malaysian Accounting Standards Board (MASB) 	B
2. Conceptual Framework: Preparation and Presentation of Financial Statements <ul style="list-style-type: none"> a Purpose of financial statements b Assumptions and concepts c Elements and components of financial statements d Presentation of financial statements 	B
3. Preparation of Financial Statements <ul style="list-style-type: none"> a Prepare and present the financial statements of single entity in conformity with legal requirements, approved accounting standards and generally accepted accounting principles b Identify and recommend accounting treatments for items in financial statements <p>This section of the syllabus focuses in particular on:</p> <ul style="list-style-type: none"> i revenue recognition ii accounting policies, changes in accounting estimates and errors iii the effects of foreign exchange rates in relation to foreign currency transactions iv construction contracts and property development activities v leases vi investment properties vii impairment of assets viii provisions and contingencies ix taxes on income x reporting of financial information by segments xi employee benefits xii borrowing costs xiii discontinuing operations xiv post balance sheet events xv disclosure and presentation of financial instruments xvi earnings per share 	A
4. Changes in Company Structure <ul style="list-style-type: none"> a Capital reconstruction and capital reduction scheme b Share buybacks c Conversion of debt and equity instruments 	A

LEVEL

5. Group Financial Statements

A

Prepare and present consolidated financial statements in conformity with legal requirements, approved accounting standards and generally accepted accounting principles in situations that may involve one or more direct subsidiaries, associates and joint ventures

This section of the syllabus includes :

- i definition of a subsidiary and need for group financial statements
- ii business combinations
- iii consolidated financial statements
- iv treatment of intra-group transactions and balances, pre-acquisition dividends, and fair value adjustments
- v goodwill
- vi treatment of non-controlling interests
- vii accounting for associates and joint ventures
- viii acquisitions and disposals of subsidiaries (excluding piecemeal acquisitions)
- ix exclusion of subsidiaries and associates from the consolidated financial statements
- x foreign operations

6. Analysis and Interpretation of Financial Statements

A

- a Evaluate and report on the financial position and performance of companies (in non-group and group situations) through the use of ratios, including stock market ratios and cash flows
- b Comment on the limitations of financial statements and financial statement analysis

7. The Measurement of Income and Capital

B

Understand the concepts of capital maintenance, income measurement and asset valuation

EXAMINABLE ACCOUNTING STANDARDS

All extant approved accounting standards and other technical pronouncements in accounting issued by MASB and MICPA excluding FRS 1, FRS 2, FRS4, FRS6, FRS7, FRS126, FRS132, FRS134, FRS139, FRS202, FRS203, FRS204.

RECOMMENDED BASIC TEXTS

MICPA	Financial Reporting Study Manual	MICPA
Tan Liong Tong (2009)	Consolidated Financial Statements	PAAC 5 th Edition

RECOMMENDED REFERENCE TEXTS

Ng Eng Juan	Consolidated Accounts	Pearson Professional Singapore
Ernst & Young	International GAAP	LexisNexis
Glautier, M.W.E. & Underdown, B.	Accounting Theory and Practice	Pitman

OTHER REFERENCES

Companies Act, 1965 (as amended)
Relevant MASB Standards and IASs