

## MICPA Conversion Programme

# Financial Accounting 2

## FINANCIAL ACCOUNTING 2

### AIM

To ensure that students are able to apply appropriate accounting principles to account for:

1. Revenue from Contracts with Customers
2. Property, Plant and Equipment
3. Intangible Assets and Impairment of Assets
4. Provisions, Contingent Liabilities and Contingent Assets
5. Accounting Policies, Changes in Accounting Estimates and Errors
6. Investment Property
7. Leases and Borrowing Costs
8. Income Taxes
9. The Effects of Changes in Foreign Exchange Rates
10. Financial Instruments

### INTRODUCTION

This course builds on accounting concepts and principles that was learned in the previous course, Financial Accounting 1 (FA 1). Students will be introduced to the requirements of financial reporting, particularly, International Financial Reporting Standards (IFRS) and Malaysian Financial Reporting Standards (MFRS) in Malaysia. This course emphasises on financial reporting for companies. Students are required to prepare financial statements and related disclosures in accordance with the approved accounting standards in Malaysia.

### EXAMINATION FORMAT

A 3-hour written paper comprising 5 compulsory questions.

### SYLLABUS WEIGHTING

SYLLABUS CONTENT AREA	WEIGHTING
Revenue from Contracts with Customers (MFRS 15)	20%
Property, Plant and Equipment (MFRS 116) Intangible Assets (MFRS 138) Impairment of Assets (MFRS 136) Investment Property (MFRS 140)	20%
Provisions, Contingent Liabilities and Contingent Assets (MFRS 137) Income Taxes (MFRS 112)	15%
Accounting Policies, Changes in Accounting Estimates and Errors (MFRS 108)	15%
Leases (MFRS 16) Borrowing Costs (MFRS 123)	15%

The Effects of Changes in Foreign Exchange Rates (MFRS 121)  
Financial Instruments (MFRS 9)

15%

## SYLLABUS CONTENT

NO	TOPIC
1	Revenue from Contracts with Customers (MFRS 15)  a) Objective and scope b) Definition of revenue c) Measurement of revenue d) Identification of transactions e) Sale of goods f) Rendering of services g) Customer loyalty programs h) Interest, royalties and dividends i) Combining and segmenting construction contracts j) Definition of contract revenue and contract costs k) Recognition of contract revenue and expenses l) Recognition of expected losses m) Changes in estimates n) Disclosure
2	Property, Plant and Equipment (MFRS 116)  a) Objective and scope b) Definition of property, plant and equipment c) Recognition d) Measurement at recognition e) Measurement after recognition f) Depreciation g) Impairment h) Derecognition i) Disclosure
3	Intangible Assets (MFRS 138)  a) Objective and scope b) Definition of intangible asset c) Recognition and measurement d) Recognition of internally generated intangible assets e) Recognition of an expense f) Measurement after recognition g) Useful life h) Intangible asset with finite useful life i) Intangible asset with indefinite useful life j) Impairment loss k) Retirement and disposal l) Disclosure
4	Impairment of Assets (MFRS 136)  a) Objective and Scope

	<ul style="list-style-type: none"> <li>b) Definitions</li> <li>c) Identifying Any Indication of Impairment</li> <li>d) Measuring Recoverable Amount</li> <li>e) Recognising an Impairment Loss</li> <li>f) Cash-generating Units</li> <li>g) Disclosure</li> </ul>
5	<p>Investment Property (MFRS 140)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Property classified as investment property</li> <li>c) Recognition</li> <li>d) Measurement at recognition</li> <li>e) Measurement after recognition</li> <li>f) Transfers</li> <li>g) Derecognition</li> <li>h) Disclosure</li> </ul>
6	<p>Provisions, Contingent Liabilities and Contingent Assets (MFRS 137)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Provisions and other liabilities</li> <li>c) Recognition of provisions</li> <li>d) Contingent liabilities</li> <li>e) Contingent assets</li> <li>f) Measurement</li> <li>g) Reimbursements</li> <li>h) Changes in provisions</li> <li>i) Use of provisions</li> <li>j) Application of the recognition and measurement rules</li> <li>k) Disclosure</li> </ul>
7	<p>Income Taxes (MFRS 112)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Recognition and measurement of current tax assets and liabilities</li> <li>c) Balance sheet liability method and tax base</li> <li>d) Temporary differences</li> <li>e) Recognition of deferred tax liabilities</li> <li>f) Recognition of deferred tax assets</li> <li>g) Measurement of deferred tax</li> <li>h) Recognition of current and deferred tax</li> <li>i) Disclosure</li> </ul>
8	<p>Accounting Policies, Changes <i>in Accounting Estimates and Errors</i> (MFRS 108)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Selection and application of accounting policies</li> <li>c) Changes in accounting policies</li> <li>d) Changes in accounting estimates</li> <li>e) Errors</li> </ul>
9	<p>Leases (MFRS 16)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> </ul>

	<ul style="list-style-type: none"> <li>b) Classification of leases</li> <li>c) Classification of leases of land and of buildings</li> <li>d) Leases in the Financial Statements of Lessees</li> <li>e) Leases in the Financial Statements of Lessors</li> <li>f) Sale and leaseback transactions</li> </ul>
10	<p>Borrowing Costs (MFRS 123)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Transitional arrangement</li> <li>c) Recognition</li> <li>d) Borrowing costs eligible for capitalisation</li> <li>e) Commencement of capitalisation</li> <li>f) Suspension of capitalisation</li> <li>g) Cessation of capitalisation</li> <li>h) Excess of carrying amount</li> <li>i) Disclosure</li> </ul>
11	<p>The Effects of Changes in Foreign Exchange Rates (MFRS 121)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Summary of the approach required by MFRS 121</li> <li>c) Determining functional currency</li> <li>d) Translating foreign currency transactions</li> <li>e) Use of a presentation currency other than the functional currency</li> <li>f) Tax effects of all exchange differences</li> <li>g) Disclosure</li> </ul>
12	<p>Financial Instruments (MFRS 9)</p> <ul style="list-style-type: none"> <li>a) Objective and scope</li> <li>b) Definition of financial instruments</li> <li>c) Initial Recognition of financial assets and financial liabilities</li> <li>d) Initial measurement of financial assets and financial liabilities</li> </ul>

### RECOMMENDED REFERENCE TEXTS

- 1) Harrison, W.T., Horngren, C. T., Thomas, C. W., & Suwardy, T. (2014). Financial Accounting: International Financial Reporting Standards. Global edition, 9th ed., Pearson.
- 2) Spiceland, J. D., Sepe, J.F., Nelson, M.W., Tan, P., Low, Irwin B. and Low, K.Y. (2013). Intermediate Accounting: IFRS edition; Global edition, McGraw Hill.
- 3) Lazar, J. and Huang, C.C. (2012). Malaysian Financial Reporting Standards. Revised 3rd ed., McGraw Hill.

### OTHER REFERENCES

Malaysian Financial Reporting Standards (MFRSs). Approved and issued by MASB; available at [www.masb.org.my](http://www.masb.org.my)