

Professional Stage Examination (PSE)

Financial Reporting

Module Outline

FINANCIAL REPORTING

LEARNING OUTCOME

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) Elaborate the concepts related to the measurement of income and capital; and
- (e) Discuss and account for basic transactions/recommend accounting treatment for financial instruments and hedge accounting, fair value measurement and share-based payments.

INTRODUCTION

This paper is designed to ensure that students are able to prepare and present the financial statements of a single entity and a group of companies 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
1. Overview of the Malaysian Financial Reporting Framework	10%
2. Conceptual Framework: Preparation and Presentation of Financial Statements	
3. Preparation and Presentation of Financial Statements (Single Entity)	60%
4. Group financial statements	
5. Changes in company structure	5%
6. The measurement of income and capital	
7. Analysis and interpretation of financial statements	20%
8. Contemporary Issues in Financial Accounting and Reporting	5%
Total:	100%

EXAMINATION FORMAT

A 3-hour written paper comprising 5 compulsory questions

SYLLABUS CONTENT	LEVEL
<p>1. Overview of the Malaysian Financial Reporting Framework</p> <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
<p>2. Conceptual Framework: Preparation and Presentation of Financial Statements</p> <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
<p>3. Preparation and Presentation of Financial Statements</p> <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 property, plant & equipment 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 non-current assets held for sale and discontinued operations xiv events after the reporting period xv disclosure and presentation of financial instruments xvi earnings per share xvii inventories xviii intangible assets 	A
<p>4. Group Financial Statements</p> <p>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</p> <p>This section of the syllabus includes :</p> <ul style="list-style-type: none"> i definition of a subsidiary and need for group financial statements 	A

- 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

5. Changes in Company Structure

A

- a Capital reconstruction and capital reduction scheme
- b Share buybacks
- c Conversion of debt and equity instruments

6. The Measurement of Income and Capital

B

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

7. 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

8. Contemporary Issues in Financial Accounting and Reporting

C

- a Discuss the main principles; and
- b Account for basic transactions/ recommend accounting treatments on the following topics:
 - i Financial instruments and hedge accounting
 - ii Fair value measurement
 - iii Share-based payments

LEVEL

Level A	A thorough and detailed knowledge and substantial comprehension, together with the ability to solve problems where candidates have to select the information required from the fairly unstructured data provided and exercise professional judgement.
Level B	A detailed knowledge of the principles, concepts and techniques with the ability to solve problems where the information is clearly indicated.
Level C	An overview or current awareness only.

EXAMINABLE ACCOUNTING STANDARDS

All extant approved accounting standards and other technical pronouncements in accounting issued by MASB/IASB and MICPA. A detailed list of examinable accounting standards will be communicated to candidates after the module commences.

RECOMMENDED BASIC TEXTS

MICPA	Financial Reporting Candidate Study Guide	MICPA
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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

Financial Accounting and Reporting in Malaysia, Volume 1 (8th Edition) by Tan Liong Tong, Wolters Kluwer, 2022.

Consolidated Financial Statements (10th Edition) by Tan Liong Tong, Wolters Kluwer, 2022.

Consolidated Financial Statements (MFRS Framework) (2nd Edition) by Ng Eng Juan, Wolters Kluwer, 2018.

Company & Group Financial Reporting (9th Edition) by Jane Lazar, Pearson Malaysia Sdn Bhd, 2018.

OTHER REFERENCES

Companies Act 2016

Relevant MASB Standards, IASs and IFRS

Last updated: November 2022