



SYLLABUS FINANCIAL ACCOUNTING 3

INTRODUCTION

In Financial Accounting 2, students are required to show familiarity with and competence in certain topics, mostly related to company accounts. With the expected admission of the Institute into the Zimbabwe Public Accountants and Auditors Board, IAC graduates in Accounting should show that they are at par with the graduates of other institutes represented on the Board. Financial Accounting 3, as the last paper in this specialization, will require an in-depth knowledge of accounting policies and procedures as outlined in relevant legislation and international financial reporting standard.

THIS IS A 4 HOUR PAPER

OBJECTIVES

After completing this course students should be able to:

- Demonstrate their ability to prepare consolidated financial statements where subsidiaries are wholly and partially owned.
- Properly interpret the requirements of the Companies Act and Financial Regulations with regard to consolidated financial statements.
- Demonstrate their ability to prepare and interpret financial reports for the benefit of the Board of Directors, Management and Shareholders.
- Act as advisors in mergers, acquisitions, deceased estates and other situations requiring specialist accounting knowledge.
- Show an appreciation of current and emerging issues in Financial Accounting.

DETAILED SYLLABUS/ COURSE OUTLINE

Section 1 The Regulatory Framework

- (i) International
 - The objectives of the International Accounting Standards Board (IASB).
 - Framework for the preparation and presentation of financial statements
 - The development of international financial reporting standards and interpretations
 - Benchmark and allowed alternative treatments
- (ii) Local
 - The functions of the Zimbabwe Public Accountants and Auditors Board.

- The development of local accounting standards
- The status of international financial reporting standards in Zimbabwe.

Section 2 Consolidated Financial Statements

Components of consolidated financial statements

- : the income statement
- : the statement for changes in equity
- : the balance sheet
- : the cash flow statement
- : accounting policies and notes to the financial statements

Consolidation of partly owned subsidiaries at and after date of acquisition

Treatment of goodwill in subsidiaries

Intercompany transactions: indebtedness and unrealized profit in stocks.

Section 3 Consolidated Financial Statements 2

Accounting for investment in associates

Proposed dividends and dividends paid out of pre-acquisition profits

Preference share capital in the subsidiary

Depreciation of non current assets

Changes in control levels for subsidiaries and associates.

Section 4 Valuation of Shares and Other Business Interests

Rationale for the valuation of company securities

Different approaches to valuation

- : earnings basis
- : assets basis
- : dividend models

Valuation of individual securities

- : ordinary shares
- : preference shares
- : debentures

Valuation from the perspective of investor without control

Share exchange terms

Section 5 Capital Re-organization and Reconstructions

Circumstances giving rise to reorganizations and reconstructions

Power of company to purchase own shares

Voluntary and Involuntary winding up

Liability of members in respect of reduced shares
Consolidation of share capital, reduction of share capital and conversion of shares into stock.
Preparation of consolidated financial statements after reorganization or Reconstruction.

Section 6 Advanced Interpretation of Financial Statements

Revision of basic ratio analysis
Common size financial statements
Pyramid of ratios
Gearing and investment ratios
Prediction of company failure

Section 7 Current and Emerging Issues in Accounting

Headline earnings
Value added tax
Deceased estates
Creative accounting
Social responsibility accounting
Forensic accounting

Section 8 Preparation and Presentation of financial Statements according to the following International Accounting Standards (IAS's) and International Financial Reporting Standards (IFRS)

FINANCIAL ACCOUNTING 3 ACCOUNTING STANDARDS

1. The regulatory framework (international and local)

- IASB standard setting process
- The IFRIC due process
- Scope and authority of IFS's and interpretations

IAS 12 Income taxes
17 Leases
18 Revenue
19 Employee benefits/ Accounting and reporting by retirement
21 The effects of changes in foreign exchange rates
28 Investment in associates
29 Financial reporting in hyperinflationary economies

- IFRS 1 First time adoption of IFRS's
- 2 Share based payment
- 3 Business combinations
- 5 Non- current assets held for sale and discontinued operations.
- 7 Financial instruments disclosures
- 8 Operating segments

REFERENCES

Prescribed Material

- IAC Study Pack (Financial Accounting 3)

Essential Reference Material

- I. International Financial Reporting Standards (latest edition) IASB
- II. Companies Act (Chapter 24:03)
- III. Companies (Financial Statements) Regulations 1996

Recommended Material

- I. Accounting Standards- Questions & Solutions by C.S Binnekale et al (latest edition)
- II. Group Statements by Cilliers et al (latest edition)