

THE CPA LICENSURE EXAMINATION SYLLABUS

ADVANCED FINANCIAL ACCOUNTING AND REPORTING

Effective May 2016 Examination

This subject covers the candidates' knowledge of the concepts and principles in advanced financial accounting and reporting and the application of these accounting concepts including techniques and methodology to problems likely to be encountered in practice. Candidates should know and understand problems involving accounting of special transactions and their effects and presentation in the financial statements including among others: accounting for partnerships, corporate liquidation, joint arrangements, revenue recognition, home office and branch/ principal and agency transactions, business combinations and consolidations, foreign currency transactions and translations, not-for-profit organizations, including government accounting and cost accounting and treatment and presentation of consolidated financial statements,. Also, a working knowledge of the standards related to these special topics is expected of the candidates.

The candidates must also be able to communicate effectively matters pertaining to these special accounting topics and the related work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

Only new standards and other issuances shall be included in the examinations if these are in effect for at least six (6) months at the date of the examination..

The examination shall have seventy (70) multiple choice questions.

The syllabus for the subject is presented below.

1.0 Partnership Accounting

- 1.1 Formation
- 1.2 Operations
- 1.3 Dissolution / changes in ownership interest
 - 1.3.1 Admission of a new partner
 - 1.3.1.1 By purchase of interest
 - 1.3.1.2 By investment
 - 1.3.1.3 Withdrawal, retirement or death of a partner
 - 1.3.1.4 Incorporation of a partnership
- 1.4 Liquidation
 - 1.4.1 Lump – sum method
 - 1.4.2 Installment method

2.0 Corporate Liquidation

- 2.1 Statement of Affairs
- 2.2 Deficiency Statement

2.3 Statement of realization and Liquidation

3.0 Joint Arrangements (PFRS 11)

- 3.1 Joint Operations
- 3.2 Joint Venture (Equity method)
- 3.3 Accounting for SME

4.0 Revenue Recognition

- 4.1 Installment Sales
 - 4.1.1 Recognition of gross profit – regular sales versus installment sales
 - 4.1.2 Default and Repossession and Trade – in merchandise:
 - 4.1.3 IAS 18 / PFRS 15
 - 4.1.4 Financial Statement Presentation
- 4.2 Long – term Construction Contracts – IAS 11 / PFRS 15
 - 4.2.1 Journal entries and determination of revenue, costs and gross profit
 - 4.2.1.1 Percentage of completion
 - 4.2.1.1.1 The proportion that contract costs incurred for work performed to date bear to the estimated total contract costs;
 - 4.2.1.1.2 Surveys of work performed; or
 - 4.2.1.1.3 Completion of a physical proportion of the contract work
 - 4.2.1.2 Cost Recovery Method
 - 4.2.2 Computation of gross amount due from / to customers
 - 4.2.3 Financial Statement Presentation
 - 4.2.4 Accounting for SME
- 4.3 Franchise Operations – Franchisor's point of view - IAS 18 / IFRS 15
 - 4.3.1 Journal entries and determination or revenue, costs and gross profit
 - 4.3.1.1 Initial Franchise Fee (use of accrual method, installment sales method and cost recovery method)
 - 4.3.1.2 Continuing Franchise Fee, Bargain Purchase (Option), and Commingled Revenue
 - 4.3.1.3 Repossessed Franchise
 - 4.3.1.4 Option to Purchase the Franchise Outlet
 - 4.3.2 Financial Statement Presentation
 - 4.3.3 Accounting for SME
- 4.4 Consignment Sales - IFRS 15

5.0 Accounting for Home Office, Branch and Agency Transactions

- 5.1 Transactions on the books of the home office and the branch
- 5.2 Reconciliation of reciprocal accounts
- 5.3 Preparation of individual and combined financial statements
- 5.4 Special procedures in home office and branch transactions (inter – branch transfer of cash and merchandise at cost or at billed price)
- 5.5 Accounting for Agency transactions

6.0 Accounting for Business Combination (PFRS 3)

- 6.1 Acquisition of assets and liabilities (acquisition method)
 - 6.1.1 Determination of Consideration Transferred
 - 6.1.2 Recognition of Acquired Assets and Liabilities
 - 6.1.3 Recognition and Measurement of Goodwill and Gain from a Bargain Purchase
 - 6.1.4 Journal Entries
- 6.2 Financial Statement Presentation
- 6.3 Accounting for SME

7.0 Separate Financial Statement (PAS 27)

- 7.1 Accounting for Investment in Subsidiary
 - 7.1.1. Cost
 - 7.1.2. In accordance with PAS 39/PFRS 9 (effective January 1, 2018)
 - 7.1.3. Equity method
- 7.2 Accounting for SME

8.0 Consolidated Financial Statements (PFRS 10)

- 8.1 Consolidated Financial Statement in Subsidiary
 - 8.1.1 Date of acquisition
 - 8.1.2 Subsequent to date of acquisition (At cost, in accordance with PAS 39, and equity method)
 - 8.1.2.1 Net income, dividends, amortization and impairment of goodwill
 - 8.1.2.2 With intercompany transactions (inventories, land and depreciable assets)
 - 8.1.3 Determination of:
 - 8.1.3.1 Net income
 - 8.1.3.1.1 Attribution to Equity Holders of Parent/ Controlling or Parent's Interest
 - 8.1.3.1.2 Non-controlling Interest
 - 8.1.3.1.3 Consolidated/ Group
 - 8.1.3.2 Total Comprehensive Income
 - 8.1.3.2.1 Attributable to Equity Holders of Parent/ Controlling or Parent's Interest
 - 8.1.3.2.2 Non – controlling Interest
 - 8.1.3.2.3 Consolidated/ Group
 - 8.1.3.3 Equity
 - 8.1.3.3.1 Attributable to Equity Holders of Parent/ Controlling or Parent's interest
 - 8.1.3.3.2 Non – controlling Interest
 - 8.1.3.3.3 Consolidated / Group
 - 8.1.3.4 Retained Earnings/ Capital stock / Dividends
 - 8.1.3.4.1 Attributable to Equity Holders of Parent /Controlling or Parent's Interest / Consolidated / Group
- 8.2 Accounting for SME

9.0 Foreign Currency Transactions

- 9.1 Without hedging activities (import, export, lending, and borrowing transactions)
- 9.2 Hedging Activities: Hedging Foreign Currency Exposures

- 9.2.1 Foreign Currency Forward Contracts
 - 9.2.1.1 Hedges where hedge accounting is Not Required (Undesignated Hedges)
 - 9.2.1.1.1 Exposed Asset (Import) or Liability (Export) Position
 - 9.2.1.1.2 Speculation
 - 9.2.1.2 Hedge that requires a Hedge Accounting:
 - 9.2.1.2.1 Fair value hedge
 - 9.2.1.2.1.1 Hedge of a Firm Commitment (Purchase or Sale Transaction)
 - 9.2.1.2.2 Cash flow hedge
 - 9.2.1.2.2.1 Hedge of a Firm Commitment (Purchase or Sale Transaction)
 - 9.2.1.2.2.2 Hedge of a Forecasted transaction (Purchase or Sale Transaction)
 - 9.2.1.2.3 Hedge of a net investment in foreign entity
- 9.3 Accounting for SME

10.0 Translation of Foreign Currency Financial Statements (PAS 21/PAS 29)

- 10.1 Translation from the Functional Currency to the presentation Currency (Closing/ Current Rate Method)
- 10.2 Remeasurement from a Foreign Currency to the Functional Currency (Temporal Method)
- 10.3 Restatement of financial statements (Functional currency is the currency of a hyperinflationary economy)

11.0 Not – for – profit organizations

- 11.1 Voluntary health and welfare organizations (VHWO)
- 11.2 Hospitals and other health care organizations
- 11.3 Colleges and Universities
- 11.4 Other not – for – profit organizations such as churches, museums, fraternity association, etc.

12.0 Government Accounting – General Fund

- 12.1 Basic Concepts in Government Accounting
- 12.2 Budget Process
- 12.3 Journal Entries – Books of National Government Agency

13.0 Other special Topics (Basic knowledge)

- 13.1 Accounting for insurance contracts by insurers (PFRS 4)
- 13.2 Accounting for build, operate & transfer (IFRIC 12)

14.0 Cost Accounting

- 14.1 System of cost Accumulation or Costing System
 - 14.1.1 Comparison between Actual Costing, Normal Costing and Standard Costing
- 14.2 Job – order costing system
 - 14.2.1 Cost accumulation procedures – materials, labor and overhead
 - 14.2.2 Journal entries
 - 14.2.3 Preparation of statement of goods manufactured and sold

- 14.2.4 Accounting for scrap, waste, spoilage and rework
- 14.3 Process costing system
 - 14.3.1 Cost accumulation procedures – materials, labor and overhead
 - 14.3.2 Journal entries
 - 14.3.3 Preparation of cost of production report
 - 14.3.3.1 First – in, first –out (FIFO) method
 - 14.3.3.2 Average method
 - 14.3.4 Accounting for lost units
 - 14.3.4.1 Normal lost units
 - 14.3.4.2 Abnormal lost unit
- 14.4 Backflush costing system (JIT system)
 - 14.4.1 Cost Accumulation procedures – materials, labor and overhead
 - 14.4.2 Journal entries
- 14.5 Service Cost Allocation
 - 14.5.1 Direct method
 - 14.5.2 Step – down
 - 14.5.3 Reciprocal method
- 14.6 Activity – based costing system (ABC costing)
 - 14.6.1 Allocation of costs: Traditional Costing versus ABC Costing
 - 14.6.2 Determination of Total Product Costs: Traditional Costing versus ABC costing
- 14.7 Accounting for joint and by – products
 - 14.7.1 Methods of allocating joint cost to products
 - 14.7.1.1 Market (sales) value method:
 - 14.7.1.1.1 Market value at split – off point approach
 - 14.7.1.1.2 Hypothetical Market Value Approach or Approximated Net Realizable Value Approach or Net Realizable Value Method
 - 14.7.1.1.3 Average unit (production output) method
 - 14.7.1.1.4 Weight average method
 - 14.7.1.2 Methods of allocating Joint Cost to By – products
 - 14.7.1.2.1 No joint cost allocated to by – product
 - 14.7.1.2.2 With joint costs allocated to by – product
 - 14.7.1.3 Treatment of by - products
- 14.8 Standard Costing (two-way variance excluding mix and yield variances)
 - 14.8.1 Computation of Variances
 - 14.8.2 Journal Entries and reporting