

EXAMINATION INFORMATION GUIDE

CORPORATE REPORTING

Structure of examination paper

The syllabus will be assessed in a 3 hours paper plus a 15 minutes reading time. The questions will be in two sections as follows:

Section A:

Section A will be a compulsory 40 marks scenario-based/case study question taken from section C, the core area of the syllabus, which is preparation of complex group's financial statements.

Section B

Section B will be five (5) questions of 20 marks each, out of which candidates will be required to attempt three (3) questions. The five (5) questions will be from sections A (Ethical issues in and regulatory framework of corporate reporting), B (Reporting of entity's performance to stakeholders), D (Current developments in and beyond financial reporting) and E (Analysis of financial and other reports to appraise entity's financial performance and position) of the syllabus, based on the weight attached to each section in the syllabus.

Detailed contents of the syllabus

A. Ethical issues in and regulatory framework of corporate reporting 10%

1. Ethical issues in corporate reporting
 - (a) Discuss professional accountants' code of ethics as it relates to corporate reporting.
 - (b) Discuss and evaluate the ethical considerations that may arise in corporate reporting, including ethical dilemmas.
 - (c) Assess, recommend and justify actions to be taken where ethical issues arise in given corporate reporting scenarios.
2. **Regulatory framework of corporate reporting**
 - (a) Discuss the need for convergence in international regulatory frameworks of financial reporting standards.
 - (b) Evaluate the desirability, feasibility and implications of global financial reporting convergence using International Financial Reporting Standards (IFRS).
 - (c) Differentiate between rules-based and principles-based accounting standards;
 - (d) Assess the applicable regulations as sources of Nigerian GAAP;
 - (e) Discuss the merits and demerits of international convergence of financial reporting standards;

- (f) Evaluate disclosures of corporate governance and chairman's report as they relate to a company's annual report; and
- (g) Discuss the roles of Financial Reporting Council of Nigeria (FRCN) in financial reporting regulations and enforcement including IFRS compliance.

B. Reporting of entity's performance to stakeholders 20%

1. Performance reporting

- (a) Evaluate how different bases of measurement and recognition of assets and liabilities affect reported financial performance.
- (b) Apply accounting standards relating to performance reporting such as IFRS 15; IFRS 8; IFRS 5; IAS 33; and IAS 34 to the preparation of financial statements.
- (c) Formulate and evaluate entity's accounting policies (including group entities) in accordance with the provisions of IAS 8.
- (d) Prepare entity's financial statements in accordance with legal requirements and applicable financial reporting standards.

2. Non-financial assets

- (a) Assess the effects of different recognition and measurement methods and timing of recognition of non-financial assets on reported financial position.
- (b) Discuss and appraise accounting treatments of non-current assets, such as: Property, Plant and Equipment - IAS 16; Intangible Assets - IAS 38; Investment Properties - IAS 40; Leases - IFRS 16; Non-current Assets Held for Sale - IFRS 5; Inventories - IAS 2; Agriculture – IAS 41; Accounting for Government Grants and Disclosure of Government - IAS 20; and Borrowing Costs - IAS 23.

3. Non-financial liabilities

- (a) Evaluate how different methods and timing of recognition and measurement of non-financial liabilities affect reported financial position.
- (b) Appraise accounting treatments of non-financial liabilities, such as: Employees' Benefits – IAS 19; Share-based Payment – IFRS 2; Income Tax – IAS 12; Provisions, Contingent Liabilities and Contingent Assets – IAS 37; and Leases - IFRS 16.
- (c) Appraise the effect of related parties' transactions and disclosures on reported performance in line with relevant accounting standards.

4. Financial assets and liabilities

- (a) Determine and assess how different bases for recognition, measurement and classification of financial assets and financial liabilities impact on reported performance and position.
- (b) Appraise the accounting treatment of financial instruments (IFRS 7 and IFRS 9); borrowing costs (IAS 23); and government grant (IAS 20) including impairment and hedge accounting under IFRS 9 for financial assets and liabilities.

5. Segment reporting

- (a) Determine and assess the nature and extent of reportable segments (IFRS 8).
- (b) Discuss the nature of segment information to be disclosed and its overall impact on reported performance of the reporting entity.

C. Group financial statements 30%

1. Introduction to consolidating complex group structure

- (a) Identify and discuss complex group relationships including the criteria used to identify a subsidiary and an associate.
- (b) Identify and discuss the circumstances in which a group is required to prepare group financial statements and when an exemption can be granted.
- (c) Identify and discuss the criteria used to determine how different types of investment are recognised and measured.
- (d) Discuss and apply the treatment given to a subsidiary acquired exclusively with a view to its subsequent disposal.
- (e) Discuss why directors may not wish to consolidate a subsidiary and when this will be permitted.
- (f) Outline and apply the key definitions and accounting methods relating to interests in associates and joint arrangements.

2. Preparation of group financial statements of complex group

- (a) Apply the provisions of relevant standards in determining the cost of acquisition in business combination under different scenarios.
- (b) Determine and apply appropriate procedures to be used in preparing group financial statements.
- (c) Determine, apply and disclose from financial information or other data in a given scenario, the amounts to be included in group financial statements in respect of acquisitions achieved one time or in stages involving subsidiaries, associates and joint ventures.

- (d) Calculate, determine and disclose, from financial information or other data in a given scenario, the amounts to be included in group financial statements in respect of full or partial disposals involving subsidiaries, associates and joint ventures.
- (e) Discuss and appraise how foreign currency transactions of a single entity or group entities are measured and accounted for in the financial statements.
- (f) Discuss and appraise how the financial statements of overseas entities are translated and consolidated.
- (g) Calculate, determine and disclose, from financial information or other data in a given scenario, the amounts to be included in group financial statements relating to part of a group, the activities of which have been discontinued, or have been acquired or disposed of in the period.
- (h) Prepare group financial statements where necessary in (c) to (g) above.
- (i) Application of IFRS 3; IFRS 10; IFRS 11; IFRS 12; IFRS 13; IAS 1; IAS 2; IAS 7; IAS 27; IAS 28 where necessary in (a) to (h) above.

D. Current developments in and beyond financial reporting

20%

1. Global convergence of financial reporting and Nigerian Generally Accepted Accounting Principles (NGAAP)

- (a) Determine, discuss and apply the accounting treatment of issues arising from the first-time transition to international accounting standards, such as IFRS from NGAAP.
- (b) Discuss accounting issues relating to applicable Nigerian accounting standards after IFRS adoption.

2. New international accounting standards and exposure drafts

- (a) Discuss and apply newly issued international financial reporting standards that are effective 6 months from examination date.
- (b) Discuss and apply newly issued exposure drafts.
- (c) Discuss any current issue in relation to the conceptual framework for financial reporting.

3. Social, environmental and ethical reporting

- (a) Discuss the need for social, environmental and ethical reporting and why companies may engage in these types of reporting.
- (b) Appraise the impact of social, environmental and ethical factors on corporate performance measurement.

4. Sustainability and integrated reporting

- (a) Discuss the progress from social and environmental accounting to sustainability reporting.
- (b) Discuss the principles and content elements of Global Reporting Initiative (GRI) and United States (US) Sustainability Accounting Standards Board (SASB) frameworks for sustainability reporting.
- (c) Evaluate the impact of sustainability reporting on corporate performance measures.
- (d) Discuss the principles and contents of International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework.
- (e) Discuss the need for and advantages of integrated reporting.
- (f) Discuss the progress towards global adoption of integrated reporting.

E. Analysis of financial and other reports to appraise entity's financial performance and position 20%

1. Suitability of accounting policies and reported numbers

- (a) Assess the suitability of an entity's accounting policies to meet their reporting requirements.
- (b) Assess accounting treatments adopted in financial statements and assess their validity, suitability and acceptability.
- (c) Appraise the nature and validity of information disclosed in annual reports, including integrated reporting and other voluntary disclosures.
- (d) Appraise the nature and validity of items included in published financial statements.

2. Analyses, interpretation and appraisal of financial and other reports

- (a) Evaluate relevant indicators of financial and non-financial performance.
- (b) Analyse and evaluate the performance, including stock market performance, liquidity, efficiency and solvency of an entity using different techniques of analysis, such as: horizontal; vertical; ratios; trends; and common size.
- (c) Adjust reported earnings of an entity to make it comparable over time, with similar entities and industry average.
- (d) Assess the potential complex economic environment in which an entity operates, and its strategies based on financial and operational information contained within the annual report (such as Chairman and CEO/CFO business

and performance reports, management commentary, corporate governance disclosures, financial summaries and highlights).

- (e) Make inferences from the analyses of information taking into account the limitations of the information, the analytical methods used and the business environment in which the entity operates.
- (f). Discuss and evaluate earnings management and creative accounting and assess their impact on the usefulness of ratios.

3. **Limitations of financial analyses**

- (a) Appraise the limitations of financial analyses.
- (b) Appraise the significance of inconsistencies and omissions in reported information in evaluating performance.

Applicable Accounting Standards:

- ✦ Preface to IFRS
- ✦ The Conceptual Framework for Financial Reporting
- ✦ IAS 1 - Presentation of Financial Statements
- ✦ IAS 2 - Inventories
- ✦ IAS 7 - Statement of Cash Flows
- ✦ IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- ✦ IAS 10 - Events after the Reporting Period
- ✦ IAS 12 - Income Taxes
- ✦ IAS 16 - Property, Plant and Equipment
- ✦ IAS 19 - Employee Benefits
- ✦ IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance
- ✦ IAS 21 - The Effects of Changes in Foreign Exchange Rates
- ✦ IAS 23 - Borrowing Costs
- ✦ IAS 24 - Related Party Disclosures
- ✦ IAS 26 - Accounting and Reporting by Retirement Benefit Plans
- ✦ IAS 27 - Separate Financial Statements
- ✦ IAS 28 - Investments in Associates and Joint ventures
- ✦ IAS 33 - Earnings per Share
- ✦ IAS 34 - Interim Financial Reporting
- ✦ IAS 36 - Impairment of Assets
- ✦ IAS 37 - Provisions, Contingent Liabilities and Contingent Assets
- ✦ IAS 38 - Intangible Assets
- ✦ IAS 40 - Investment Property
- ✦ IAS 41 - Agriculture

- ✦ IFRS 1 - First-Time Adoption of IFRS
- ✦ IFRS 2 - Share-based Payment
- ✦ IFRS 3 - Business Combinations
- ✦ IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- ✦ IFRS 6 - Exploration for and Evaluation of Mineral Resources
- ✦ IFRS 7 - Financial Instruments: Disclosures
- ✦ IFRS 8 - Operating Segments
- ✦ IFRS 9 - Financial Instruments
- ✦ IFRS 10 - Consolidated Financial Statements
- ✦ IFRS 11 - Joint Arrangements
- ✦ IFRS 12 - Disclosure of Interest in other entities
- ✦ IFRS 13 - Fair Value Measurement
- ✦ IFRS 14 - Regulatory Deferral Accounts
- ✦ IFRS 15 - Revenue from Contract with Customers
- ✦ IFRS 16 - Leases
- ✦ IFRS for SMEs
- ✦ NGAAP-SAS 32 – Statement for not-for-profit

Candidates should understand that new standards may be examined six months after date of issue.

Also, applicable laws may be examined six months after date of amendment or enactment.