

## STAGE: FORMATION 2

Subject Title:

### FINANCIAL ACCOUNTING

Examination Duration: 3.5 Hours

#### Aim

The aim of this subject is to ensure that students understand the role, function and basic principles of financial accounting and master the rules of double-entry bookkeeping. They also develop the ability to prepare, analyse and report on financial statements for basic reporting entities in accordance with current Irish and generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs).

#### Financial Accounting as an Integral Part of the Syllabus

The concepts and principles learnt in this subject are an essential foundation for the later studies of *Corporate Reporting*, *Advanced Corporate Reporting*, *Auditing and Audit Practice and Assurance Services*.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws and Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1			Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

The above table shows the linkages between *Financial Accounting* and the subjects highlighted. The capabilities developed will be built upon in the study of the subjects highlighted above.

## Learning Outcomes

On successful completion of this subject students should be able to:

- Identify the users of financial accounts and explain their requirements.
- Discuss and explain accountancy concepts and principles.
- Apply the principles and procedures of double entry bookkeeping.
- Prepare and present financial statements for sole traders, limited companies, partnerships and other organisations in accordance with current standards.
- Discuss, explain and apply the accounting treatment of non-current assets, current assets, events after the reporting period and contingencies in accordance with IFRS.
- Discuss where local GAAP (UK & Ireland) FRS 100 - FRS 102 may be applied.
- Prepare and present statements of cash flow and interpret and reconcile the movements in cash balances.
- Analyse and interpret financial statements and prepare accounting information for management control and decision making.

## Syllabus

1: ACCOUNTING FRAMEWORK CL*	
Terminology, concepts, conventions. The purpose of accounting information and its communication.	
The users of financial accounts, statements and their requirements.	
Nature, principles and scope of financial accounting and its limitations.	1
The accounting profession and the role of the accountant.	1
The ethics and independence of the accounting profession.	1
The regulatory environment.	1

1: ACCOUNTING FRAMEWORK CL*	
The nature, role and significance of IASs, IFRSs and IGAAP.	1
2: BOOK-KEEPING	
Principles and procedures.	3
Original entry, double-entry, supporting records, bank accounts and reconciliation statements. Cash accounts, control accounts, trial balance, adjusting journal entries.	3
Allocation of expenditure and income between capital and revenue, and the treatment of reserves, provisions, accrued expenditure and payments in advance.	3
3: ACCOUNTING TREATMENT OF:	
Non-current assets - property, plant and equipment and intangibles (excluding complex revaluations).	2
Current assets.	2
Events after the reporting period.	2
Contingencies.	2
Inventories.	2
Changes in foreign exchange rates, (for individual companies and transactions only).	2
Revenue recognition.	2
4: PREPARING FINANCIAL STATEMENTS FOR DIFFERENT FORMS OF BUSINESS ENTITIES	
Limited companies in a form suitable for publication or internal use	2
Unlimited companies	

## 4: PREPARING FINANCIAL STATEMENTS FOR DIFFERENT FORMS OF BUSINESS ENTITIES

Sole Traders- including incomplete record situations.

Partnerships

a) Law governing partnership formation and dissolution, Partnership Act 1890. Partnership agreements, relations with third parties, powers and duties of partners. Retirement of partners. Relationship of partners with each other. Dissolution of partnerships. Partnerships and companies compared. Limited Partnership Act 1907. Relevant case law.

b) Partners' capital and current accounts. Valuation of and accounting for goodwill. Preparation of financial statements, accounting for incoming and outgoing partners, dissolution and amalgamation.

Companies 2

- Allotments, issue of shares.
- Preparation of limited company accounts to include statements of profit or loss and other comprehensive income and statements of financial position in accordance with standard international accounting practice.

Preparation of accounts in relation to: 2

- Clubs or Societies

## 5: INTERPRETATION OF FINANCIAL STATEMENTS

Statements of cash flow (for single entities only). Construction, interpretation and reconciliation of movements in cash balances in accordance with IAS 7. 1

Analysis and interpretation of Financial statements and drafting reports thereon. Preparation of accounting information for management control and decision making. 1

## International Financial Reporting Standards:

See Examinable Material Document on pages 92 to 99 for details of the International Financial Reporting Standards etc. applicable to this examination.

## Companies Act:

See Examinable Material Document on pages 92 to 99 for details of the Companies Act applicable to this examination.

## Assessment Strategy

### EXAMINATION APPROACH

This examination seeks to test the students' knowledge and understanding of the application of accounting concepts and principles. Question 1 is compulsory and usually involves the preparation and presentation of financial statements for sole traders, limited companies, partnerships and other organisations in accordance with current standards and guidelines. Other questions provide the opportunity for students to demonstrate their understanding of the role, function and basic principles (including double entry bookkeeping) of financial accounting.

Emphasis in this examination is placed on proper layout and presentation as well as on numerical accuracy. Students must demonstrate sound technical knowledge and presentation skills and the ability to integrate learning from different parts of this and other syllabi, as appropriate.

## EXAMINATION FORMAT

The examination is unseen, closed book and 3.5 hours in duration. Students are required to answer 4 questions out of 5. Question 1 is compulsory and carries 40 marks. Students are required to answer 3 of the remaining 4 questions.

Marks Allocation	Marks
Compulsory question	40
Choice of 3 questions out of 4 (20 marks allocated to each question)	60
Total 100	

[www.ifac.org/](http://www.ifac.org/) - The International Federation of Accountants.

[www.ifrs.org/](http://www.ifrs.org/) - The International Financial Reporting Standards Foundation.

[www.iasplus.com](http://www.iasplus.com) - Deloitte Touche Tohmatsu. Summaries of International Financial Reporting Standards (IFRS).

[www.frc.org.uk/](http://www.frc.org.uk/) - The Financial Reporting Council.

[www.frc.org.uk/About-the-FRC/FRCstructure/Audit-and-Assurance-Council.aspx](http://www.frc.org.uk/About-the-FRC/FRCstructure/Audit-and-Assurance-Council.aspx), FRC - Audit and Assurance Council

[www.frc.org.uk/About-the-FRC/FRCstructure/Accounting-Council.aspx](http://www.frc.org.uk/About-the-FRC/FRCstructure/Accounting-Council.aspx), FRC Accounting Council

[www.frc.org.uk/About-the-FRC/FRCstructure/Conduct-Committee.aspx](http://www.frc.org.uk/About-the-FRC/FRCstructure/Conduct-Committee.aspx), FRC-Conduct Committee

[www.accountingnet.ie/](http://www.accountingnet.ie/) - Irish Accounting and Business Portal.

[www.ec.europa.eu/internal\\_market/accounting/index\\_en.htm](http://www.ec.europa.eu/internal_market/accounting/index_en.htm)

## Learning Resources

### CORE TEXTS

Wood F and Sangster A / Business Accounting Vols 1 and 2 14th Revised Edition / Pearson 2018 / ISBN-13: 978-1292084664 / ISBN-13: 978-1292208626

Connolly / International Financial Accounting and Reporting 5th ed. / CAI 2015 / ISBN-13: 978-1910374290

A new era for Irish & UK GAAP - A quick reference guide to FRS102 – Robert J. Kirk

[www.cpaireland.ie/docs/defaultsource/Members/Publications/a-new-era-for-irish-amp-uk-gaap---a-quick-reference-guide-to-frs102.pdf?sfvrsn=0](http://www.cpaireland.ie/docs/defaultsource/Members/Publications/a-new-era-for-irish-amp-uk-gaap---a-quick-reference-guide-to-frs102.pdf?sfvrsn=0)

### MANUALS

Griffith College CPA F2 Financial Accounting – Latest edition

### SUPPLEMENTARY TEXTS AND JOURNALS

AccountancyPlus

CPA Students' eBulletin

### USEFUL WEBSITES (AS AT DATE OF PUBLICATION)

[www.cpaireland.ie](http://www.cpaireland.ie) - CPA Ireland.

[www.iaasa.ie/](http://www.iaasa.ie/) - Irish Auditing and Accounting Supervisory Authority.