

STAGE-4

S-401 - ADVANCED FINANCIAL ACCOUNTING AND ANALYSIS

i. Introduction:

This course is designed to concentrate on preparation of financial statements, evaluation and interpretation of financial analysis under different business situations. This will help management take appropriate decision on the basis of financial comments and recommendations of management accountant.

ii. Objectives:

To provide the students with a thorough knowledge of advanced aspects of financial accounting to enable them to:

- select and apply appropriate accounting techniques and procedures to specific circumstances, and
- prepare, analyse, interpret financial statements of entities under specific situations.

iii. Outcomes:

On completion of this course, students should be able to:

- prepare accounts and financial statements in connection with amalgamation, absorption, liquidation, reconstruction, banks and financial institutions,
- evaluate financial statements of an entity and provide analysis and comments on its performance,
- discuss the treatment of taxation as per IAS-12,
- explain and demonstrate the accounting treatment of investments and long-term liabilities,
- preparation of accounts and financial statements of construction companies, and
- discuss various issues of business ethics.

INDICATIVE GRID:

SYLLABUS CONTENT AREA	WEIGHTAGE
SECTION - A 1. Group / Consolidated Financial Statements (Balance Sheet & Income Statement) in accordance with relevant IFRs / IASs. [simple groups including subsidiaries & associates] 2. Cash Flow Statement of a Single Company (consolidated cash flow statement is not required) 3. Corporate Financial Analysis (including IAS 33) 4. Amalgamation, Absorption and Reconstruction 5. Final Statement of Liquidator	50%
SECTION - B 6. Accounting for Leases (IAS – 17) 7. Accounting for Taxation IAS – 12 (for a single company) 8. Accounting for Construction Contracts (IAS – 11) 9. Accounting of Insurance Company, Banks & Financial Institutions 10. Accounting treatment of Financial Instruments (Basic understanding of relevant IFRs / IASs) 11. The measurement of Income & Capital (IAS – 18, 29) 12. Ethical requirements from an Accountant	50%
TOTAL	100%

Note: The weightage shown against each section indicates, study time required for the topics in that section. This weightage does not necessarily specify the number of marks to be allocated to that section in the examination.

CONTENTS

SECTION-A

1. Group / Consolidated Financial Statements (Balance Sheet & Income Statement) in accordance with relevant IFRs / IASs. [simple groups including subsidiaries & associates]

Definition of holding, subsidiary and associated undertaking; preparation of company accounts and consolidated financial statements as per IAS-27.

2. Cash Flow Statement of a Single Company (consolidated cash flow statement is not required)

Preparation of the cash flow statement, including relevant notes for an individual company, in accordance with IAS 7.

3. Corporate Financial Analysis (including IAS 33)

Ratio analysis techniques, segment analysis, common size analysis and reporting the result; limitations of ratio analysis; analysis of financial statements and comments on the performance and position of an entity as per IAS –33; principles of substance in measurement of income & capital in accordance with IAS – 1.

4. Amalgamation, Absorption, Liquidation and Reconstruction

Amalgamation by forming a new company; amalgamation by absorption; amalgamation by forming a holding company; reconstruction of companies. Legal aspects of mergers and acquisitions.

5. Final Statement of Liquidator

Statement of affairs and deficiency or surplus account; liquidator's final statement of account.

SECTION-B

6. Accounting for Leases (IAS- 17)

Definition of leases and their importance, difference between operating and financial leases; accounting for operating and finance leases; definition, reporting requirements of finance lease in terms of IAS 17 and relevant IFRS.

7. Accounting for Taxation IAS - 12 (for a single company)

Treatment of current taxation and deferred taxation; entries related to corporate tax in accounting records as per IAS-12.

8. Accounting for Construction Contracts (IAS- 11)

Preparation of contract account (profit and loss account and balance sheet) as per IAS-11.

9. Accounting of Insurance Company, Banks & Financial Institutions

Legal provisions and prudential regulations; preparation of accounts and financial statements of Insurance Companies, banks and financial Institutions.

10. Accounting Treatment of Financial Instruments (Basic understanding of relevant IFRs / IASs)

Short-term and long-term investments; investments in shares; bonds and funds; convertible bonds and debentures; debentures; debentures conversion into shares; redeemable capital Term Finance Certificates (TFCs); (IAS 32, 39, & IFRS 7)

11. The Measurement of Income & Capital (IAS- 18, 29)

12. Ethical Requirements from an Accountant

The nature of ethics: difference between philosophical and professional approach, concepts of integrity, obligation, independence, public expectations, ethics and the professional: social responsibility, ethics and the law; consequences of unethical behaviour to the individual, the profession and society at large; ethics in business.

Recommended Books

CORE READINGS		
TITLE	AUTHOR	PUBLISHER
Intermediate Accounting	Donald E. Kieso / Jerry J. Weygandt & Terry D. Warfield	John Wiley & Sons. Inc., England.
Modern Advanced Accounting	E. John Larsen	McGraw-Hill Company Inc., New York.
Financial Analysis	PBP	Professional Business Publications, Lahore.
An Introduction to Accountancy	S.N. Maheshwari / S. K. Maheshwari	Vikas Publishing House, Pvt. Ltd., 576, Masjid Road, Jangpura, New Delhi.
Companies Ordinance 1984	Govt. of Pakistan.	P.L.D. Publishers Lahore.
International Financial Reporting Standards / IASs	International Accounting Standards Board	International Accounting Standards, Board, 30 Cannon Street, London, EC4M 6XH United Kingdom.
Advanced Accountancy	R. L. Gupta	Sultan Chand & Sons Publishers, 23, Daryaganj, New Delhi.
ADDITIONAL READINGS		
Reading in Financial Analysis	Qaisar Mufti	Royal Book Co., Karachi.
Advanced Accountancy	S.P. Jain / K. L. Narang	Kalyani Publishing, New Delhi, udhiana.
Advanced Accounting	Harry Simons / Wilbert E. Karrenbrock	South Western, Publishing Company N. Y.