

CPA FOUNDATION: FINANCIAL ACCOUNTING

Aim

The aim of this module is that students will understand the role, function and basic principles of financial accounting and master the rules of double-entry book-keeping. They will develop the ability to prepare and interpret the financial statements for specified reporting entities in accordance with current Irish generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS).

Financial Accounting as an Integral Part of the Syllabus

Financial Accounting is a prerequisite for the study of Financial Reporting. The concepts and principles learnt in this subject are an essential foundation for the later studies of Financial Reporting, Advanced Financial Reporting, Audit & Assurance and Advanced Audit & Assurance.

Syllabus and Subject Dependencies

| LEVEL | SUBJECT | | | | | |
|------------------|-------------------------------------|-------------------------|-----------------------|---------------------------------------|----------------------------|-----------------------------|
| CPA Foundation | Financial Accounting | Management Fundamentals | Taxation | | Management Accounting | |
| CPA Professional | Financial Reporting | Corporate Law | Advanced Taxation | Audit & Assurance | Performance Management | Managerial Finance |
| CPA Strategic | Advanced Financial Reporting | Strategy & Leadership | Advanced Tax Strategy | Advanced Audit & Assurance | Data Analytics for Finance | Strategic Corporate Finance |

Minimum Intended Learning Outcomes

On successful completion of this module, students will be able to:

- Discuss the conceptual and regulatory frameworks applicable to financial reporting
- Identify the users of financial statements and explain their requirements
- Record financial transactions using double entry bookkeeping
- Apply financial accounting control techniques
- Prepare financial statements for sole traders, partnerships and single entity businesses in accordance with current standards
- Prepare and present statements of cash flow and interpret and reconcile movements in cash balances
- Interpret financial statements and provide informed commentary tailored to the technical understanding of specified user groups.

Indicative Syllabus

| | | Competency Level |
|--|--|---------------------------------|
| The Conceptual & Regulatory Frameworks Applicable to Financial Reporting | <ul style="list-style-type: none"> Terminology, concepts, conventions & conceptual framework Users of financial accounts Regulatory framework CPA Ireland code of ethics | 1 1 1 1 |
| Double Entry Bookkeeping | <ul style="list-style-type: none"> Sources of information Books of prime entry and ledger accounts Capital & revenue expenditure Journals, accruals & prepayments Issue & allotment of shares | 2 2 2 2 2 |
| Accounting Treatment of the Following: | <ul style="list-style-type: none"> Non-current assets – property, plant and equipment and intangibles (excluding complex revaluations) Events after the reporting period Provisions & contingencies Inventories Changes in foreign exchange rates, (for individual companies and transactions only) Revenue recognition Accounting for government grants & assistance | 2 2 2 2 2 2 2 |
| Financial Accounting Control Techniques | <ul style="list-style-type: none"> Trial balance Control accounts Reconciliation – bank, cash & control accounts Suspense accounts | 2 2 2 2 |
| Financial Statements for Sole Traders, Partnerships & Single Entity Business | <ul style="list-style-type: none"> Financial statements for single entity business excluding SOCE Partnership accounts Clubs & society accounts Incomplete records Differences between IFRS & local GAAP (FRS 100 to 105) | 2 2 2 2 1 |
| Statements of Cash Flow | <ul style="list-style-type: none"> Statements of Cash Flow for single entities Construction, interpretation and reconciliation | 2 2 |
| Interpretation of Accounts | <ul style="list-style-type: none"> Financial statements analysis for specific user groups Ratio analysis | 2 2 |

Learning Guide

The Conceptual and Regulatory Frameworks applicable to Financial Reporting

- Discuss accounting terminology, concepts, conventions and the conceptual framework for financial reporting. Advise stakeholders of the purpose and limitations of accounting information
 - Identify the users of financial accounts, statements and their requirements. Discuss the role of the accountant, in the context of the accounting profession
 - Discuss the regulatory framework of financial reporting, legislation, local and international GAAP, the role of IAASA, IASB, FRC and IFRSF
 - Record financial transactions and events in accordance with the CPA Ireland code of ethics
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Double Entry Bookkeeping

- Identify the sources of information for the preparation of accounting records and statements
 - Record transactions appropriately in the books of prime entry and ledger accounts
 - Allocate expenditure between capital and revenue
 - Prepare journals and discuss their use in recording accruals and prepayments and other adjustments
 - Record the transactions for the issue and allotment of shares
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Accounting Treatment

- Apply the correct accounting treatment for the following:
 - Non-current assets – property, plant and equipment and intangibles (excluding complex revaluations) in accordance with IAS 16 and IAS 38
 - Events after the reporting period, in accordance with IAS 10
 - Provisions, contingent liabilities and contingent assets in accordance with IAS 37
 - Inventories, in accordance with IAS 2
 - Changes in foreign exchange rates, (for individual companies and transactions only) in accordance with IAS 21
 - Revenue from contracts with customers in accordance with IFRS 15
 - Accounting for government grants and disclosure of government assistance in accordance with IAS 20 (Examinable for Individual transactions)
 - Review IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and discuss its application in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors
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Financial Accounting Control Techniques

- Extract a trial balance. Discuss common errors in trial balances, how they are identified and corrected
 - Prepare control accounts and discuss their purpose
 - Prepare contra entries and explain their use
 - Reconcile control and ledger accounts correcting any errors identified
 - Reconcile bank statements and cash accounts
 - Discuss the use of suspense accounts. Record entries into and out of suspense accounts
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Financial Statements for Sole Traders, Partnerships and Single Entity Businesses

- Prepare financial statements (excluding SOCE) for single entity businesses in accordance with IFRS
 - Prepare financial statements (excluding SOCE) for single entity businesses for internal use
 - Prepare partnership accounts
 - Prepare accounts for clubs and societies
 - Prepare accounts from incomplete records
 - Discuss where local GAAP (UK & Ireland) FRS100-FRS102 may be applied
 - Discuss key differences between IFRS and Local GAAP (FRS 100 to 102)
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Statements of Cash Flow

- Prepare statements of cash flow in accordance with IAS 7 (Cash flow statements for groups will be examined at Professional and Strategic levels only)
 - Reconcile movements in cash balances in statements of cash flow, correcting any errors identified
 - Analyse statements of cash flow providing relevant commentary tailored to the technical understanding of specified user groups
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Interpretation of Accounts

- Analyse financial statements to provide relevant commentary tailored to the technical understanding of specified user groups
 - Calculate key accounting ratios relating to Profitability, Liquidity, Efficiency, Position
 - Discuss the usefulness of ratio analysis as a tool for the interpretation of financial statements
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International Financial Reporting Standards

See Examinable Material Document on pages 84 - 89 for details of the International Reporting Standards etc. applicable to this examination.

Companies Act

See Examinable Material Document on pages 84 - 89 for details of the Companies Act applicable to this examination.

Learning Resources

Core Texts

Sangster A / Frank Wood's Business Accounting Vols 1 and 2 14th Revised Edition / Pearson 2018 / ISBN-13: 98-1292208626 / ISBN-13: 978-1292209173

Connolly / International Financial Accounting and Reporting 6th edition (2018). / CAI 2018 / ISBN: 978-1-912350-02-5

Manuals

Griffith College CPA Foundation Level Financial Accounting – Latest edition

Supplementary Texts and Journals

Accountancy Plus

CPA Student News e-Bulletin

Useful Websites (as at date of publication)

www.cpaireland.ie - CPA Ireland

www.iaasa.ie - Irish Auditing and Accounting Supervisory Authority

www.ifac.org - The International Federation of Accountants

www.ifrs.org - The International Financial Reporting Standards Foundation

www.iasplus.com/en/standards - Deloitte : Summaries of International Financial Reporting Standards (IFRS)

www.frc.org.uk - The Financial Reporting Council

www.frc.org.uk/about-the-frc/structure-of-the-frc/conduct-committee - FRC-Conduct Committee

www.accountingnet.ie - Irish Accounting and Business Portal