

TRANSITION FROM FINANCIAL REPORTING TO CORPORATE REPORTING:
IMPLICATIONS FOR LEARNING AND DEVELOPMENT

Objectives, requirements & Approach	Financial Reporting paper F7	Corporate Reporting paper P2 (Read in conjunction with the Competency Guide for P2 and Studying P2 efficiently - adopt learning style appropriate to skill development)
Syllabus rationale	<p>The financial reporting syllabus for paper F7 assumes knowledge acquired in Paper F3, Financial Accounting, and develops and applies this further and in greater depth.</p> <p>Not contextualised.</p>	<p>The syllabus for Paper P2, <i>Corporate Reporting</i>, assumes knowledge acquired at the Fundamentals level including the core technical capabilities to prepare and analyse financial reports for single and combined entities.</p> <p>The Paper P2 syllabus takes the subject into greater depth and contextualises the role of the accountant as a professional steward and adviser/analyst by initially exploring the wider professional duties and responsibilities of the accountant to the stakeholders of an organisation.</p> <p>“...greater depth...” discerning the examiner’s meaning and the requirements or levels of depth</p> <p>Learning (cognitive) depth (see Competency Guide):</p> <ul style="list-style-type: none"> - Conceptualised understanding of issues. Abstract and link (supra-ordinate, co-ordinate, sub-ordinate). - Synthesis and evaluation (Level 3) q1b, c, q4 - Insightful exploration (why does the standard exist? How well does it work?) <p>Analytical depth</p> <p>What kind of analysis would be required to reflect appropriate depth. (Purpose/scope/method/outcomes)</p> <ul style="list-style-type: none"> - Demonstrate depth of <i>commercial awareness</i> of the relationships that create value and the interaction of the variables within the environment - Strategic e.g. analysis of cash flow must set in context of financial strategy and the financial strategy must reflect value drivers - Horizontal and vertical analysis of performance - Interaction of IFRS e.g. contingent consideration involves: IFRS 3 (measurement basis), IAS 39 Scope/IAS 37, etc, IFRS 7 (disclosure) - Conceptual and contextual e.g. defining leases, evaluating financial position in the context of macroeconomic factors <p>Application depth (reflecting learning depth and versatile ability to extend learning to unfamiliar situations by conceptualising solutions)</p> <ul style="list-style-type: none"> - Analyst (linked to P5 Advanced performance management) - Adviser on appropriate practice (q1b,c,2,3 type) - Steward (prepare and present to internal stakeholders) - Internal or external focus: sophisticated student perspective - Versatile application: extend learning by applying knowledge and skills to varied contexts and by forming good practice. - Contributing to good practice formation: e.g. appraisal of current practice and

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		<p>potential remedies offered in EDs.</p> <p>Ethical depth (cognitive task conflict)</p> <ul style="list-style-type: none"> - Understand opportunities for intentional manipulation e.g. allowing optional presentations creates opportunities for management to select the option that allows intentional manipulation as in the case of Jockat in December 2010 question 1bi,ii - Understand ethical standards e.g. integrity, independence, competence and the responsibilities of the profession to the public (not just to the company) - Understand issues raised by ethical standards - Able to analyse context to identify key ethical issues in relation to commercial priorities and to discuss and reach conclusions as to whether ethics have been breached. To articulate an appropriate professional response. Examples of contentious transactions, conditions and other events: transfer pricing, loans to directors, management and reward of performance. Q1c June 2008; June 2010 q1b.c
<p>Approach</p>	<p>An individual question may often involve elements that relate to different subject areas of the syllabus. For example, the preparation of an entity's financial statements could include matters relating to several accounting standards.</p>	<p>Greater depth Integration also involves evaluation e.g. q1b,c</p> <p>Implications for learning</p> <p>Minimum competences to be exam sharp</p> <ul style="list-style-type: none"> - Dealing with any particular corporate reporting issue e.g. the recognition of revenue has many aspects to it. For example, the asset quality may be impaired necessitating the recognition of an allowance for risk of default. - Often related issues interact and affect the recognition and or measurement and presentation. It may be necessary to prioritise issues e.g. impairment of assets must be prioritised over measurement of depreciation or provision for onerous liability. Make a list of these types of interactions and practise thinking them through with self explanations focusing on principles, concepts and applications. Repeated practice in smart ways using feedback can improve competence. See study text on leases and ED2010/06 - Therefore learning isolated knowledge is not smart. Smart study should integrate all related aspects of the issue being examined. Elaborative learning with clear linking of ideas is essential to effective and efficient learning. - Practice should be elaborate and extensive involving deep processing and self - explanations of worked examples. - Review and reflect on learning meta-cognitively. - Case study type questions are top on the list of practise exercises. <p>Exemplify this. Use the Cash flow statement (integrating many elements)</p>
	<p>Questions may ask candidates to comment on the <u>appropriateness or acceptability of management's opinion or chosen accounting treatment</u>. An understanding of accounting principles and concepts and how these are applied to practical examples will be tested.</p>	<p>Students will be examined on concepts, theories, and principles, and on their ability to question and comment on proposed accounting treatments.</p> <p>Greater depth: “...ability to question and comment on proposed accounting treatments.”</p>

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		<p>Implications for learning</p> <p>“Candidates often had differing views as to the nature of the environmental provision and markers were instructed to <u>give credit for a well argued case</u>. This is a good example of a case where a brief discussion of the issues would have been useful.” <i>Examiners’ Report, Dec 2007 q1a</i></p> <p>Minimum competences to be exam sharp</p> <ul style="list-style-type: none"> - Identify and learn accounting principles and practise applications (see examples) - Practise analysing issues (see examples...) - Practise writing to advise/discuss with evaluation of options (See writing for P2) - Practise critical thinking (See Critical Thinking)
	<p>Questions on topic areas that are also included in Paper F3 will be examined at an <u>appropriately greater depth</u> in this paper.</p>	<p>The Paper P2 syllabus takes the subject into greater depth and contextualises the role of the accountant as a professional steward and adviser/analyst by initially exploring the wider professional duties and responsibilities of the accountant to the stakeholders of an organisation.</p> <p>Greater depth</p> <p>Implications for learning</p>
	<p>Candidates will be expected to have an appreciation of the need for specified accounting standards and why they have been issued. For detailed or complex standards, candidates need to be aware of their principles and key elements.</p>	<p>Students should be capable of relating professional issues to relevant concepts and practical situations. The evaluation of alternative accounting practices and the identification and prioritisation of issues will be a key element of the paper.</p> <p>Professional and ethical judgement will need to be exercised, together with the integration of technical knowledge when addressing corporate reporting issues in a business context.</p> <p>Greater depth</p> <ul style="list-style-type: none"> - “The evaluation of alternative accounting practices and the identification and prioritisation of issues will be a key element of the paper.” This is an example of extending learning to add value by improving accounting practice as required in q4 where current developments are assessed. Examinable documents include EDs. EDs are not examined at F7. - “Students should be capable of relating professional issues to relevant concepts and practical situations.” This is an example of level 3 cognitive ability not examined at F7. Give examples from past questions. <p>Implications for learning</p> <ul style="list-style-type: none"> - What are the skills and insights required for this? - What is the approach to learning that best equips candidates for this?

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		<p>“Parts b/c required the use of the information in the question to discuss the advantages to the company of an environmental report and to discuss the ethical and social responsibilities of the company. The question was quite well answered although <u>many candidates did not spend long enough on this part of the question, only writing a few lines.</u> The main problem with the answers to this part was that many candidates did not consider the ethical issues involved. Two professional marks were awarded for the quality of the appraisal and analysis of the position of the company in respect of its environmental and social policy. This would mean not simply regurgitating the facts of the case but having the ability to conceptualise the facts and produce key conclusions from those facts.”</p> <p><i>Examiners’ Report, Dec 2007 q1a</i></p> <p>Minimum competences to be exam sharp</p> <p>i) Insert extracts from ER Dec 07, q1b, p2 (2 extracts). Ponder requirements and relate to Efficiency in learning (be specific)</p> <p>ii) Illustrate learning process with examples from past paper e.g. Dec 2012, IFRS13; June 2012 IAS 37 (ED)</p>
<p>Syllabus Domain requirements (<i>Bloom’s Taxonomy</i>)</p>	<p>Must be mastered before progressing to higher levels. Reflects learned knowledge and skills from existing bodies of knowledge (IFRS, conceptual Frmwrk, not EDs). Answers tend to be correct or incorrect.</p> <p>No requirement to tackle unstructured problems as in EDs, IFRIC, IAS 8 type problems requiring exploration based on application of accounting principles to unfamiliar situations (the unstructured problems). E.g. Q3b June 2012, Q2b June 2010</p>	<p>Higher levels reflect learner generated meaning and innovative solutions involving a high degree of interpretation and judgement to transform information into useful added value advice, recommendations, ethically sound and socially responsible practices. EXAMPLE from P2 past question compared with example from F7 past question on the same topic e.g. cash flow, conceptual framework, NCA, etc highlighting the extended learning approach and cognitive implications.</p> <p>Examples:</p> <ul style="list-style-type: none"> - ACCA June 2010 Kate & Date q2b - Schedule past questions by requirements e.g. compute, discuss, explain, analyse, describe, etc - Indicate marks by type of question - Describe and explain the approach to learning implied by the requirements as reflected in the marking allocation and syllabus rationale - Principles, concepts, theories, applications, contexts - Explain the relevance of the intellectual levels with integrated examples - <p>How to learn:</p> <ul style="list-style-type: none"> - Recreate knowledge e.g. concept maps for cognitive structuring - 5Ps, 5Rs, Bloom’s taxonomy, - Negotiate, explore, consider alternative viewpoints

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		<ul style="list-style-type: none"> - Communicate effectively - Elaborative rehearsal aided by self-explanations of worked examples - Practise evaluation of EDs, developing evaluative synthesis of EDs, IFRS - Elaborate and extend knowledge through extensive reading to i) develop in-depth understanding and insights, ii) develop versatility in application, iii) develop positive attitudes e.g. stakeholder expectations and contributions exemplified by ED contributions.
	<p>Reflects learned knowledge in answers. E.g. required to describe or state ethical rules (without requirement to apply them)</p>	<ul style="list-style-type: none"> - Extends learned knowledge and adds value: adviser, analyst, steward (corporate governance), - Contributes to good practice formation through ED responses (“students will be examined on ...their ability to question and comment on proposed accounting treatments”) - Advocates for ethical and socially responsible practices. E.g. required to prove a thesis, state ethical rules and explain their role; state ethical rules and apply them to specific scenarios: (“Students should be capable of relating professional issues to relevant concepts and practical situations.” e.g. revenue recognition practices that are questionable).
<p>LEARNING</p>		
<p>Basic to Difficult</p>	<ul style="list-style-type: none"> - Computations based on formulas are significant (%) - Compliance seeking - Increasing procedural difficulty 	<ul style="list-style-type: none"> - Computation based on formula (40%) - Comply and evaluate practice e.g. q4 Current development - Difficult: requirements above Level 1 Knowledge level
<p>Difficult to Complex</p>	<ul style="list-style-type: none"> - Tasks examined at level 1, 2 and rarely at level 3. - Calculate contingent consideration based on discount rate given often without requiring comment. 	<ul style="list-style-type: none"> - Increasing complexity. Tasks examined at level 2, 3 only! E.g. no marks for “describe” except in June 2012 question 4a (IFRS 13). Emphasis on Discuss, comment, explain, advise. - Example, calculation of fair value of contingent consideration may involve evaluating the issues around choice of discount rate. This would entail discussing the use of significant assumptions and judgement about the choice of rate based on credit risk, risk of outcomes, etc. - Explain why the method chosen gives the best estimate of contingent consideration. - Explain why the measurement and recognition of goodwill is a contentious issue
<p>Isolated to Integrated</p>	<ul style="list-style-type: none"> - Calculate revenue in accordance with IAS 18 principles 	<ul style="list-style-type: none"> - Identify revenue based on analysis of core features from a complex transaction often involving judgement about issues such as uncertainty, percentage completion, risk, etc. - Linking concepts e.g. revenue and lease linked by the concept of control that is inherent in the recognition of an asset being a resource controlled by an entity - Synthesis: combining ideas, arguments into an enriched insight about the commercial substance of a transaction that underpins recommended practice. - Hence Q3 type questions “industry question” exploring various aspects to a complex transaction such as issue of a compound financial instrument, lease transaction

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