



ACA syllabus and technical knowledge grids

**PROFESSIONAL LEVEL
FINANCIAL ACCOUNTING AND REPORTING: UK GAAP**

For exams in 2018

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ACA overview

The ICAEW chartered accountancy qualification, the ACA, is one of the most advanced learning and professional development programmes available. Its integrated components provide an in-depth understanding across accountancy, finance and business. Combined, they help build the technical knowledge, professional skills and practical experience needed to become an ICAEW Chartered Accountant.

Each component is designed to complement each other, which means that students can put theory into practice and can understand and apply what they learn to their day-to-day work. The components are:

- Professional development
- Ethics and professional scepticism
- Three to five years practical work experience
- 15 accountancy, finance and business exams

PROFESSIONAL DEVELOPMENT

ICAEW Chartered Accountants are known for their professionalism and expertise. Professional development prepares students to successfully handle a variety of different situations that they encounter throughout their career. The ACA qualification improves students' ability and performance in seven key areas:

- adding value
- communication
- decision making
- ethics and professionalism
- problem solving
- teamwork
- technical competence.

ETHICS AND PROFESSIONAL SCEPTICISM

Ethics is more than just knowing the rules around confidentiality, integrity, objectivity and independence. It's about identifying ethical dilemmas, understanding the implications and behaving appropriately. We integrate ethics throughout the ACA qualification to develop students' ethical capabilities – so they will always know how to make the right decisions and justify them.

THREE TO FIVE YEARS' PRACTICAL WORK EXPERIENCE

Practical work experience is done as part of a training agreement with an authorised training employer or principal. Students need to complete 450 days, which normally takes between three and five years. The knowledge, skills and experience they gain as part of their training agreement are invaluable, giving them the opportunity to put what they're learning into practice. Experience can be completed in at least one of the following six categories:

1. Accounting
2. Audit and assurance (audit is not compulsory)
3. Financial management
4. Information technology
5. Insolvency
6. Taxation.

15 ACCOUNTANCY, FINANCE AND BUSINESS EXAMS

Students gain in-depth knowledge across a broad range of topics in accountancy, finance and business. The exams are designed to complement their practical work experience, so they constantly progress through the qualification.

There are 15 exams over three levels – Certificate, Professional and Advanced. They can be taken in any order with the exception of the Case Study which has to be attempted last, within the final year of an ACA training agreement and once all other exams have been taken or received credit.

CERTIFICATE LEVEL

There are six exams at this level that introduce the fundamentals of accountancy, finance and business. Students may be eligible for credit for some exams if they have studied a qualification we recognise. Find out more at icaew.com/cpl.

These six exams are also available as a stand-alone certificate, the ICAEW Certificate in Finance, Accounting and Business (ICAEW CFAB) and as part of the ICAEW Level 4 Trailblazer in Accountancy. ICAEW CFAB and our apprenticeship can serve as stepping stones to the ACA qualification.

PROFESSIONAL LEVEL

The next six exams build on the fundamentals and test students' understanding and ability to use technical knowledge in real-life scenarios. The exams can be taken in March, June, September and December. Please note, the Business Planning alternative exams for banking and insurance are available at the June, September and December sittings.

Prescribed texts are permitted for Audit and Assurance, Finance Accounting and Reporting and Tax Compliance, with open books permitted for the Business Planning exams.

The Professional Level exams are flexible and can be taken in any order to fit with a student's day-to-day work. The Business Planning and Business Strategy and Technology exams in particular help students to progress to the Advanced Level.

Alternative exams are available for the Business Planning and Financial Accounting and Reporting modules.

The Business Planning exams provide students with the opportunity to gain subject- and sector-specific knowledge while studying for the ACA. The suite of Business Planning exams are based on the same syllabus structure and skills frameworks, and will provide students with the opportunity to demonstrate their learning and use this in the context of taxation, banking or insurance. There are three to choose from – Business Planning: Taxation, Business Planning: Banking and Business Planning: Insurance. Students will need to sit one of the Business Planning exams.

Alternative financial reporting exams are also available for Financial Accounting and Reporting. Students can choose between two different contexts, either UK GAAP or IFRS. This means that students can study the financial reporting framework most beneficial to their employer and clients. Students will need to sit one version of the Financial Accounting and Reporting exam.

ADVANCED LEVEL

The Corporate Reporting and Strategic Business Management exams test students' understanding and strategic decision making at a senior level. They present real-life scenarios, with increased complexity and implications from the Professional Level exams.

The Case Study tests all the knowledge, skills and experience gained so far. It presents a complex business issue which challenges students' ability to problem solve, identify the ethical implications and provide an effective solution.

The Advanced Level exams can be taken in July and November. They are fully open book, so they replicate a real-life scenario where all the resources are at their fingertips.

An authorised training employer or principal will guide their students on the exams which are right for them. If a student is studying the ACA independently, they should consider their future ambitions when selecting which exams to sit.

SYLLABUS

This document presents the learning outcomes for each of the ACA exams. The learning outcomes in each exam should be read in conjunction with the relevant technical knowledge grids and, where applicable, the skills development grid.

ASSESSMENT

The six Certificate Level exams each have a 1.5 hour computer-based exam, a 55% pass mark, and can be sat throughout the year at an ICAEW-approved test centre.

The Professional Level exams are 2.5 hours long, except for Financial Accounting and Reporting which is 3 hours long. Each exam has a 55% pass mark. The Professional Level exams are examined using computer-based exams. The Audit and Assurance, Financial Accounting and Reporting, Financial Management and Tax Compliance exams moved to computer in 2017 and are no longer available as paper-based exams.

Business Planning: Taxation and Business Strategy and Technology will move to computer-based exams in March 2018, with Business Planning: Banking and Business Planning: Insurance moving to computer-based exams in June 2018.

From June 2018, all Professional Level exams will be computer-based.

The three Advanced Level modules are also examined using paper-based exams. The Corporate Reporting and Strategic Business Management exams are 3.5 hours long. The Case Study exam is 4 hours long. Each has a 50% pass mark.

For more information, guidance and support on the introduction of computer-based exams, visit the exam resources area on our website at icaew.com/cbe

FLEXIBILITY

There are no regulations stipulating the order in which students must attempt the exams, allowing employers to design training programmes according to business needs. The exception to this rule is the Case Study, which must be the last exam attempted and when a student has entered their final year of training.

Students will be permitted a maximum of four attempts at each Certificate and Professional Level exam, and unlimited attempts at the Advanced Level exams.

CREDIT FOR PRIOR LEARNING (CPL)

Students with previous qualifications may be eligible to apply for CPL for up to 12 modules at the Certificate and Professional Levels. CPL is not available at the Advanced Level. For more information, visit icaew.com/cpl

OPEN BOOK POLICY

For some Professional Level exams, students are permitted to take certain publications into the exam. Details of these publications and our open book policy can be found at icaew.com/permittedtexts

For the Professional Level Business Planning alternative exams, and at the Advanced Level, students are permitted to take any material into the exam, subject to practical space restrictions.

SKILLS PROGRESSION THROUGH THE ACA QUALIFICATION

Assessed skills	Certificate Level	Professional Level	Advanced Level	
			Corporate Reporting and Strategic Business Management	Case Study
Assimilating and using information				
Understanding the situation and the requirements	Objective testing	Simple scenarios	Complex scenarios	Unstructured complex business scenarios
Identifying and using relevant information	Information as provided	Single information source provided	Multiple information sources provided	Multiple information sources including own research
Identifying and prioritising key issues	Issues given	Issues included in simple scenarios	Issues included in complex scenarios	Issues included in unstructured complex scenarios
Structuring problems and solutions				
Structuring data	Specified techniques	Specified techniques	Techniques inferred by nature of problem	Unspecified techniques
Developing solutions	Highly specified tasks	Specified problems	Specified problems	Defined output but unspecified problems
Applying judgement				
Applying professional scepticism and critical thinking	Objective testing	Specified requirement in simple scenario	Specified requirement in complex scenario	Underlying requirement within complex scenario
Relating issues to the broader business environment, including ethical issues	Objective testing	Issues in simple scenarios	Issues in complex scenarios	Issues in complex, unstructured scenarios
Concluding, recommending and communicating				
Concluding and recommending	Not assessed	Specified conclusions and recommendations in simple scenarios	Specified conclusions and recommendations in complex scenarios	Conclusions and recommendations supported by own evidence
Communicating	Prescribed exam format	Exam requirements, including some professional presentation	Short written professional presentations	Professional report with appendices

PROFESSIONAL SKILLS ASSESSED IN THE ACA EXAMS

Assimilating and using information	<p>Understand the situation and the requirements Demonstrate understanding of the business context Recognise new and complex ideas within a scenario Identify the needs of customers and clients Explain different stakeholder perspectives and interests Identify risks within a scenario Identify elements of uncertainty within a scenario Identify ethical issues including public interest and sustainability issues within a scenario</p> <p>Identify and use relevant information Interpret information provided in various formats Evaluate the relevance of information provided Use multiple information sources Filter information provided to identify critical facts</p> <p>Identify and prioritise key issues and stay on task Identify business and financial issues from a scenario Prioritise key issues Work effectively within time constraints Operate to a brief in a given scenario</p>
Structuring problems and solutions	<p>Structure data Structure information from various sources into suitable formats for analysis Identify any information gaps Frame questions to clarify information Use a range of data types and sources to inform analysis and decision making Structure and analyse financial and non-financial data to enhance understanding of business issues and their underlying causes Present analysis in accordance with instructions and criteria</p> <p>Develop solutions Identify and apply relevant technical knowledge and skills to analyse a specific problem Use structured information to identify evidence-based solutions Identify creative and pragmatic solutions in a business environment Identify opportunities to add value Identify and anticipate problems that may result from a decision</p>

	<p>Identify a range of possible solutions based on analysis Identify ethical dimensions of possible solutions Select appropriate courses of action using an ethical framework Identify the solution which is the best fit with acceptance criteria and objectives Define objectives and acceptance criteria for solutions</p>
<p>Applying judgement</p>	<p>Apply professional scepticism and critical thinking Recognise bias and varying quality in data and evidence Identify assumptions or faults in arguments Identify gaps in evidence Identify inconsistencies and contradictory information Assess interaction of information from different sources Exercise ethical judgement</p> <p>Relate issues to the environment Appreciate when more expert help is required Identify related issues in scenarios Assess different stakeholder perspectives when evaluating options Retain an overview of the business issue or scenario Appraise corporate responsibility and sustainability issues Appraise the effects of alternative future scenarios Appraise ethical, public interest and regulatory issues</p>
<p>Concluding, recommending and communicating</p>	<p>Conclusions Apply technical knowledge to support reasoning and conclusions Apply professional experience and evidence to support reasoning Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.</p> <p>Recommendations Present recommendations in accordance with instructions and defined criteria Make recommendations in situations where risks and uncertainty exist Formulate opinions, advice, recommendations, plans, solution, options and reservations based on valid evidence Make evidence-based recommendations which can be justified by reference to supporting data and other information Develop recommendations which combine different technical skills in a practical situation</p>

Communication

Present a basic or routine memorandum or briefing note in writing in a clear and concise style

Present analysis and recommendations in accordance with instructions

Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient

Prepare the advice, report, or notes required in a clear and concise style

Professional Level

Financial Accounting and Reporting

From March 2017, alternative financial reporting modules were introduced to the Financial Accounting and Reporting module. Students are now able to choose between two different frameworks, either IFRS or UK GAAP. This means that students can study the financial reporting framework most beneficial to their employer and clients.

Financial Accounting and Reporting: UK GAAP

MODULE AIM

To enable students to prepare complete single entity and consolidated financial statements, and extracts from those financial statements, in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Companies Act 2006.

Students will also be required to explain accounting and reporting concepts and ethical issues, and the application of UK GAAP to specified single entity or group scenarios.

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

- explain the contribution and inherent limitations of financial statements, apply FRS 102 Section 2 Concepts and Pervasive Principles and identify and explain key ethical issues;
- prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with FRS 102 and Companies Act 2006 and explain the application of FRS 102 to specified single entity scenarios;
- identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with FRS 102 and Companies Act 2006 and explain the application of FRS 102 to specified group scenarios; and
- describe the principal differences between UK GAAP and IFRS and prepare simple extracts from financial statements in accordance with IFRS, for both single entity and consolidated financial statements

Learning outcomes apply to non-specialised profit-oriented entities unless otherwise specified.

METHOD OF ASSESSMENT

The Financial Accounting and Reporting module is assessed by a 3 hour computer-based exam. The exam contains four written test questions. Students may use the permitted text(s) as detailed on the ICAEW website; icaew.com/permittedtexts. Please note that from the September 2017 exam session onwards, this module will be examined as a computer-based exam. A paper-based exam for this module will no longer be available.

The module will include questions on:

- a. preparation of single entity financial statements (excluding statement of cash flows) from trial balance;
- b. preparation of consolidated financial statements (excluding consolidated statement of cash flows) from individual financial statements; and
- c. explanation of the application of UK GAAP to specified scenarios.

Other question types could include:

- a. preparation of a full consolidated statement of cash flow, or extracts, from consolidated financial statements, or preparation of revised extracts from a draft consolidated statement of cash flows; and
- b. mixed or single topic questions requiring extracts from single entity or consolidated financial statements (including from statement of cash flows) and/or explanation of financial reporting treatment with supporting calculations.

Concepts and ethics and IFRS will be tested in any of the written test questions.

SPECIFICATION GRID

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

Syllabus area	Weighting (%)
1 Accounting and reporting concepts and ethics	10
2 Single entity financial statements	60
3 Consolidated financial statements	30

The following learning outcomes should be read in conjunction with the relevant sections of the technical knowledge grids at the end of this document.

1 Accounting and reporting concepts and ethics

Candidates will be able to explain the contribution and inherent limitations of financial statements, apply FRS 102 Section 2 Concepts and Pervasive Principles and identify and explain key ethical issues.

In the assessment, students may be required to:

- a. explain the standard-setting process used by UK and the authority of UK standards, using appropriate examples as illustration, as well as the regulatory framework in respect of IFRS;
- b. explain the objectives and inherent limitations of financial statements, giving appropriate examples;
- c. explain the qualitative characteristics of financial information and the constraints on such information, using appropriate examples to illustrate the explanation;
- d. identify the financial effects of transactions in accordance with FRS 102 Section 2 Concepts and Pervasive Principles;
- e. discuss the concept of “true and fair view” and the circumstances in which this concept may override the detailed provisions of legislation or of accounting standards;
- f. explain the differences between financial statements produced using the accrual basis and those produced using the bases of cash accounting and break-up, performing simple calculations to illustrate the differences;
- g. explain, in non-technical language, the different bases of measurement of assets, liabilities, income and expenses;
- h. explain and demonstrate the concepts and principles surrounding the consolidation of financial statements; and
- i. identify and explain the ethical and professional issues for a professional accountant undertaking work in financial accounting and reporting and identify appropriate action.

2 Single entity financial statements

Candidates will be able to prepare and present financial statements from accounting data for single entities, whether organised in corporate or in other forms, in conformity with FRS 102 and Companies Act 2006 requirements and explain the application of FRS 102 to specified single entity scenarios.

In the assessment, students may be required to:

- a. identify the laws and regulations, and accounting standards and other requirements applicable to the statutory financial statements of an entity;
- b. calculate from financial and other data the amounts to be included in an entity's financial statements according to FRS 102 Section 2 Concepts and Pervasive Principles;
- c. prepare and present the financial statements, or extracts of an entity according to its accounting policies, FRS 102 and Companies Act 2006;
- d. explain the application of FRS 102 to specified single entity scenarios;
- e. describe the principal differences between UK GAAP and IFRS and prepare simple extracts from single entity financial statements in accordance with IFRS;
- f. define and calculate from information provided the distributable profits of an entity; and
- g. identify the circumstances in which the use of FRS 102 for not-for-profit entities might be required.

3 Consolidated financial statements

Candidates will be able to identify the circumstances in which entities are required to present consolidated financial statements, prepare and present them in conformity with FRS 102 and Companies Act 2006 and explain the application of FRS 102 to specified group scenarios.

In the assessment, students may be required to:

- a. identify and describe the circumstances in which an entity is required to prepare and present consolidated financial statements;
- b. identify the laws and regulations, and accounting standards and other requirements applicable to the legal entity and consolidated financial statements of an entity;
- c. identify from financial and other data any subsidiary, associate or joint venture of an entity according to FRS 102;
- d. calculate from financial and other data the amounts to be included in an entity's consolidated financial statements in respect of its new, continuing and discontinued interests in subsidiaries, associates and joint ventures (excluding partial disposals of subsidiaries and disposals of associates or joint ventures) according to FRS 102;
- e. prepare and present the consolidated financial statements, or extracts, of an entity in accordance with its accounting policies, FRS 102 and Companies Act 2006, using calculated amounts and other information;
- f. explain the application of FRS 102 to specified group scenarios; and
- g. describe the principal differences between UK GAAP and IFRS and prepare simple extracts from consolidated financial statements in accordance with IFRS.

SKILLS ASSESSED

Assimilating and Using Information

Understand the situation and the requirements

- Demonstrate understanding of the business context
- Recognise new and complex ideas within a scenario
- Explain different stakeholder perspectives and interests
- Identify ethical issues including public interest and sustainability issues within a scenario

Identify and use relevant information

- Interpret information provided in various formats
- Evaluate the relevance of information provided
- Filter information provided to identify critical facts

Identify and prioritise key issues and stay on task

- Identify business and financial issues from a scenario
- Prioritise key issues
- Work effectively within time constraints
- Operate to a brief in a given scenario

How skills are assessed: candidates may be required to:

- explain the contribution and inherent limitations of financial statements;
- apply elements of the conceptual framework;
- recognise key ethical issues for an accountant undertaking work in accounting and reporting; and
- recognise specific issues that may arise in the context of the situation described.

Structuring problems and solutions

Structure data

- Structure information from various sources into suitable formats for analysis

Develop solutions

- Identify and apply relevant technical knowledge and skills to analyse a specific problem
- Use structured information to identify evidence-based solutions
- Identify a range of possible solutions based on analysis
- Select appropriate courses of action using an ethical framework
- Identify the solution which is the best fit with acceptance criteria and objectives

How skills are assessed: candidates may be required to:

- apply elements of the conceptual framework ;
- apply knowledge of financial reporting standards;
- prepare and present financial statements from accounting data in conformity with financial reporting standards for single entities, whether organised in corporate or in other forms and entities requiring consolidated financial statements;
- explain the principal differences between IFRS and UK GAAP;
- identify ethical issues and use ethical codes to formulate solutions and provide advice.

Applying judgement

Apply professional scepticism and critical thinking

- Recognise bias and varying quality in data and evidence
- Identify faults in arguments
- Exercise ethical judgement

Relate issues to the environment

- Identify related issues in scenarios
- Appraise ethical, public interest and regulatory issues

How skills are assessed: candidates may be required to:

- Use judgement to assess the appropriate accounting treatment for transactions described in the scenarios;
- Identify ethical issues and use ethical codes to formulate solutions and provide advice.

Concluding, recommending and communicating

Conclusions

- Apply technical knowledge to support reasoning and conclusions
- Use valid and different technical skills to formulate opinions, advice, plans, solutions, options and reservations.

Communication

- Present a basic or routine memorandum or briefing note in writing in a clear and concise style
- Communicate clearly to a specialist or non-specialist audience in a manner suitable for the recipient
- Prepare the advice, report, or notes required in a clear and concise style

How skills are assessed: candidates may be required to:

- explain accounting and reporting concepts in non-technical language; Explain the appropriate accounting treatment for transactions described in the scenario;
- Explain ethical issues and possible solutions.

Technical knowledge

The tables contained in this section show the technical knowledge in the disciplines of financial reporting, audit and assurance, business analysis, ethics and taxation covered in the ACA syllabus by module.

For each individual standard the level of knowledge required in the relevant Certificate and Professional Level module and at the Advanced Level is shown.

The knowledge levels are defined as follows:

Level D

An awareness of the scope of the standard.

Level C

A general knowledge with a basic understanding of the subject matter and training in its application thereof sufficient to identify significant issues and evaluate their potential implications or impact.

Level B

A working knowledge with a broad understanding of the subject matter and a level of experience in the application thereof sufficient to apply the subject matter in straightforward circumstances.

Level A

A thorough knowledge with a solid understanding of the subject matter and experience in the application thereof sufficient to exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered by chartered accountants.

Key to other symbols:

→ The knowledge level reached is assumed to be continued

Ethics codes and standards

Ethics Codes and Standards	Level	Modules	
IESBA Code of Ethics for Professional Accountants (parts A, B and C and Definitions)	C/D	Certificate Level	
		Accounting	
		Assurance	
	ICAEW Code of Ethics	C/D	Business, Technology and Finance
		D	Law
		C	Management Information
		C	Principles of Taxation
		A	Professional Level
		B	Audit and Assurance
		B	Business Strategy and Technology
			Financial Accounting and Reporting
		B/C	Financial Management
		B	Tax Compliance
B		Business Planning	
	A	Advanced Level	
	A	Corporate Reporting	
	A	Strategic Business Management Case Study	
FRC Revised Ethical Standard (2016)	B	Assurance	
	A	Audit and Assurance	
		Advanced Level	
		A	Corporate Reporting
		A	Strategic Business Management Case Study
	A		

Topic	Professional Level
FRS 102 s.1 Scope	A
FRS 102 s.2 Concepts and Pervasive Principles	A
FRS 102 s.3 Financial Statement Presentation	A
FRS 102 s.4 Statement of Financial Position	A
FRS 102 s.5 Statement of Comprehensive Income and Income Statement	A
FRS 102 s.6 Statement of Changes in Equity and Statement of Income and Retained Earnings	A
FRS 102 s.7 Statement of Cash Flows	A
FRS 102 s.8 Notes to the Financial Statements	A
FRS 102 s.9 Consolidated and Separate Financial Statements	B
FRS 102 s.10 Accounting Policies, Estimates and Errors	A
FRS 102 s.11 Basic Financial Instruments	C
FRS 102 s.13 Inventories	A
FRS 102 s.14 Investments in Associates	B
FRS 102 s.15 Investments in Joint Ventures	B
FRS 102 s.17 Property, Plant and Equipment	A
FRS 102 s.18 Intangible Assets other than Goodwill	A
FRS 102 s.19 Business Combinations and Goodwill	B
FRS 102 s.20 Leases	B
FRS 102 s.21 Provisions and Contingencies	A
FRS 102 s.22 Liabilities and Equity	B
FRS 102 s.23 Revenue	A
FRS 102 s.24 Government Grants	A
FRS 102 s.25 Borrowing Costs	B
FRS 102 s.27 Impairment of Assets	B
FRS 102 s.29 Income Tax	C
FRS 102 s.30 Foreign Currency Translation	C
FRS 102 s.32 Events after the End of the Reporting Period	A
FRS 102 s.33 Related Party Disclosures	B

Differences between UK GAAP and IFRS

The following table identifies the scope of the differences examinable in the ACA qualification and where they will be introduced. In general, the differences will become examinable where the relevant section of FRS 102 is set at knowledge level 'A'. The differences may also be examined in subsequent modules but only in a different context, for example at the Advanced Level where knowledge of the differences forms part of an integrated question. Where a general awareness only of an accounting standard is expected (knowledge level 'D') any differences will also be dealt with at this level.

Title	Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS
Section 2: Concepts and Pervasive Principles	<ul style="list-style-type: none">• Qualitative characteristics are based on fundamental qualitative characteristics of relevance and faithful representation and have enhancing qualitative characteristics, rather than the one tier approach of qualitative characteristics set out in FRS 102.• Four measurement bases are described, being historical cost, current cost, realisable value and present value, rather than only two in FRS 102, being historical cost and fair value.
Section 3: Financial Statement Presentation Section 4: Statement of financial position Section 5: Statement of Comprehensive Income and Income Statement Section 6: Statement of Changes in Equity and Statement of Income and Retained Earnings Section 8: Notes to the Financial Statements	<ul style="list-style-type: none">• Separate statements should be presented for the statement of profit or loss and other comprehensive income and the statement of changes in equity.• IAS 1 uses the same terminology as FRS 102, however CA 2006 uses different terminology for line items in the statement of financial position (balance sheet) such as receivables and payables, rather than debtors and creditors and non-current assets rather than fixed assets.• Receivables and payables, current and non-current, should be shown separately on the face of the statement of financial position.• Minor differences in the classification of headings on the face of the financial statements.

Title

Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 7: Statement of Cash Flows

No exemption from the preparation of a statement of cash flows is available for a member of a group where the parent entity prepares publicly available consolidated financial statements and that member is included in the consolidation.

Section 9: Consolidated and Separate Financial Statements

- Only two options for accounting for investments in subsidiaries, associates and joint ventures in a parent entity's separate financial statements are provided, being cost, use of the equity method in accordance with IAS 28 or measurement and recognition in accordance with IFRS 9. FRS 102 provides three options.
- Additional disclosures are required.
- No specific guidance is provided on the accounting treatment for exchanges of businesses and other non-monetary assets for an interest in a subsidiary, joint venture or associate.
- No specific guidance is provided on the accounting treatment for intermediate payment arrangements.
- The exemptions from the preparation of consolidated financial statements are more restrictive, for example there is no exclusion of a subsidiary from consolidation on the grounds of severe long-term restrictions.
- The definition of control is wider and not solely linked to the power to govern the financial and operating policies.
- Special purpose entities are not specifically identified. FRS 102 requires such entities as being included in consolidated financial statements where they are controlled.
- Simplified guidance on the treatment of total and partial acquisitions and disposals of subsidiaries is provided.

Section 10: Accounting Policies, Estimates and Errors

No specific guidance is provided on changing to the cost model when a reliable measure of fair value is no longer available. FRS 102 specifically states that this is not a change in accounting policy.

Title

Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 11: Basic Financial Instruments Section 12: Other Financial Instruments Issues

- No simplified measurement provisions for basic financial instruments are available.
- There are more complex categories for measurement after initial recognition with four for financial assets and two for financial liabilities. FRS 102 has a more simplified measurement approach of generally at amortised cost or fair value through profit or loss
- Additional guidance in relation to hedge accounting is provided.
- More detailed and specific guidance on derecognition of financial assets and liabilities and the accounting for non-closely related embedded derivatives is provided.
- More detailed disclosures are required.
- Detailed guidance is provided on how fair value should be determined and suitable valuation techniques.

Section 13: Inventories

- Less guidance is provided on the measurement of inventories held for distribution at no or nominal consideration, or through a non-exchange transaction. FRS 102 states that these transactions should be measured at adjusted cost (to recognise any loss of service potential) and fair value respectively.
- Less guidance is provided on what should be included in production overheads.
- Less guidance is provided on the reversal of impairment losses if there are changes in economic circumstances or circumstances which led to the impairment no longer existing.

Section 14: Investments in Associates

- No simplified guidance is provided on recognising an associate where the investor is not a parent and hence only prepares individual company financial statements, instead under IFRS, accounting for such financial instruments in individual financial statements would follow guidance in IAS 27 and IFRS 9.
- More detail is provided in the definition of 'significant influence'.
- More detailed disclosures are required and are set out in a single accounting standard, being IFRS 12.

Title

Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 15: Investments in Joint Ventures

- Jointly controlled assets are classified as jointly controlled operations rather than as a joint venture. FRS 102 provides for the accounting treatment for all types of joint venture arrangements, including the separate treatment of jointly controlled assets.
- The treatment of a joint venture where the investor is not a parent and hence only prepares individual company financial statements should be recognised in accordance with the guidance in IAS 27 and IFRS 9. FRS 102 provides simplified guidance.
- Detailed disclosures are set out in a single accounting standard, being IFRS 12.

Section 17: Property, Plant and Equipment

- The residual value, depreciation method and the useful life of an asset should be reviewed at least at each financial year-end. FRS 102 states that a review is only necessary where there are indicators that a change exists.
 - Compensation from third parties for items of property, plant and equipment (referred to as tangible fixed assets in CA 2006) that have been impaired/lost should be recognised in profit or loss when it becomes “receivable”. FRS 102 states that it should be recognised when the receipt of the amount is “virtually certain”.
 - A plan to dispose of an asset before the previously expected date should be recognised in accordance with IFRS 5 which deals with non-current assets held for sale and would require the asset to be valued at the lower of carrying amount and fair value less costs to sell. FRS 102 would instead identify this as an indicator of impairment which would trigger the calculation of the asset’s recoverable amount for the purpose of determining whether the asset is impaired.
 - A non-current asset held for sale would no longer be depreciated, whereas FRS 102 would require the classification and measurement of the asset to continue as normal without regard to the disposal.
-
- Development expenditure should be capitalised where it meets the recognition criteria. FRS 102 permits a choice of capitalisation or recognising the amounts as part of profit or loss for the period.
 - No specific exclusion is included for heritage assets.
 - An intangible asset acquired in a business combination should be recognised when it arises from legal or other contractual rights even if there is no history or evidence of exchange transactions for

Title

Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 18: Intangible Assets other than Goodwill

the same or similar assets and otherwise estimating fair value would be dependent on immeasurable variables.

- If an intangible asset is acquired by way of a grant, the intangible asset may be recognised at either fair value or at the nominal value of the grant. FRS 102 requires fair value at the date the grant becomes receivable.
- Intangible assets may have either finite or indefinite useful lives. FRS 102 considers all intangible assets to have a finite useful life.
- There is no restriction on the maximum useful life of an intangible asset where an entity is unable to make a reliable estimate. FRS 102 sets a maximum useful life of ten years.
- Amortisation method and period for an intangible asset should be reviewed at least at each financial year-end, rather than if indicators of a change exist.

Section 19: Business Combinations and Goodwill

- A more open definition of a business combination is provided although additional discussion/guidance is provided in the basis of conclusions.
- Common control transactions are outside of the scope of IFRS 3.
- Business combinations should be accounted for using the acquisition method. FRS 102 requires the use of the purchase method.
- A more open definition on the identification of the acquirer is provided although additional discussion/guidance is provided in the basis of conclusions.
- Acquisition-related costs should be recognised as period costs as part of profit or loss. FRS 102 requires them to be included in the cost of the business combination.
- Where control is achieved following a series of transactions, the acquirer is required to remeasure its previously held equity interest at its acquisition date fair value. FRS 102 states that the cost of the business combination is the aggregate of the fair values of the assets given, liabilities assumed and equity instruments issued by the acquirer at the date of each transaction in the series.
- Post-acquisition changes to the calculation of goodwill are generally not permitted. Contingent consideration should be reassessed at fair value each year and the difference taken to profit and loss. FRS 102 permits changes to goodwill for changes in the estimate of contingent consideration (Assuming the adjustment is probable and can be reliably estimated).
- Goodwill should not be amortised but instead annual impairment reviews should be carried out. FRS 102 stipulates that goodwill arising from a business combination is considered to have a finite useful

Title	Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS
	<p>life and if a reliable estimate of the useful life of goodwill arising from a business combination cannot be determined, a maximum useful life of ten years is required.</p> <ul style="list-style-type: none"> • A gain on a bargain purchase, negative goodwill, should be recognised immediately as a gain in profit or loss. FRS 102 requires negative goodwill to be capitalised as a separate item within goodwill and amortised over the period over which any related losses are expected and as acquired non-monetary assets are realised. • The non-controlling interest may be measured based on the share of ownership not held by the parent (ie on a proportionate basis) or at fair value. FRS 102 does not permit fair value. • Additional narrative disclosures are required.

Section 20: Leases

More detailed disclosures are set out in IAS 17.

Section 21: Provisions and Contingencies

Certain types of financial guarantee contracts are not within the standards scope.

Section 22: Liabilities and Equity

No examinable differences.

Title

Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS

Section 23: Revenue

- No examinable differences for revenue recognition.
- FRS 102 includes a definition for turnover as well as one for revenue
- Construction contracts contain their own detailed guidance and principles in IAS 11, rather the simplified approach taken in FRS 102. However, the overriding principles are the same.

Section 24: Government Grants

- Government grants should be recognised on a systematic basis matching the related expenditure (which in practice means using a capital or income approach). FRS 102 is more specific and states that they should be recognised using either the performance model or the accrual model (prohibiting the deduction of a government grant from the carrying amount of the related asset).
- No guidance is provided on whether an accounting policy for the treatment of government grants should be applied on a class-by-class basis.

Section 25: Borrowing Costs

- Borrowing costs should be included as part of the directly attributable costs of a qualifying asset. FRS 102 permits a choice of capitalisation or recognising the amounts as part of profit or loss for the period.
- No specific guidance is provided on what constitutes 'expenditure on the asset' for the purpose of applying a capitalisation rate to the expenditure on the assets for determining the amount of borrowing cost eligible for capitalisation. FRS 102 states that 'expenditure on the asset' is the average carrying amount of the asset during the period, including borrowing costs previously capitalised.

Section 27: Impairment of Assets

- Less guidance is provided on the measurement of fair value less costs to sell.
- Where future cash flows are estimated using financial budgets or forecasts (covering a maximum of five years unless there is justification for a longer period), extrapolation techniques should be used.
- Reversals of impairment losses are permitted, except for goodwill. Additional disclosures are required.

Title	Key examinable differences between FRS 102 (and Companies Act 2006 where appropriate) and IFRS
Section 29: Income Tax	<ul style="list-style-type: none"> • Deferred taxation should be recognised on the basis of temporary differences rather than FRS 102's timing differences. • No guidance is provided on the treatment of VAT, since this is a UK tax. • IAS 12 is silent on the use of discounting for current tax, however this is explicitly stated as not being required in FRS 102 • More detailed guidance is provided. • Additional disclosures are set out in IAS 12.
Section 30: Foreign Currency Translation	<ul style="list-style-type: none"> • On the disposal of a net investment in a foreign operation any related exchange differences accumulated in equity should be recognised in profit or loss. FRS 102 does not permit this reclassification. • Cumulative exchange differences recognised in other comprehensive income should be presented as a separate component of equity. FRS 102 includes no such requirement. • Additional disclosures are required.
Section 32: Events after the End of the Reporting Period	<p>A dividend declared after the end of the reporting period should be disclosed in the notes to the financial statements but may not be presented as a segregated component of retained earnings (referred to as the profit and loss account reserve in CA 2006) at the end of the reporting period as permitted by FRS 102.</p>
Section 33: Related Party Disclosures	<p>No disclosure exemptions are permitted for transactions between two or more members of a group where the subsidiaries are wholly owned.</p>