



Slides for tutors 2021

FINANCIAL ACCOUNTING AND REPORTING

The Team

- Two examiners
- Two moderators
- Two senior moderators (across Professional Level papers)

Syllabus weightings (IFRS & UK GAAP)

Syllabus area	Weighting %
1. Accounting and reporting concepts and ethics	10
2. Single company financial statements	60
3. Consolidated financial statements	30
TOTAL	100

No changes for 2021

The Syllabus

- Detailed “learning outcomes” for each of the three syllabus areas
 - Minor wording tweaks to better reflect the reality
- List of examinable accounting standards (IASs and IFRSs) and levels at which each is examinable (A, B or C)
 - 30 standards (12 at A, 12 at B, 6 at C)
- UK GAAP – No changes

The Syllabus

- Content set by ICAEW learning materials
 - study manual
 - question banks and CBE practice
 - mock exams
- Liaison between BPP and examining team
- Open book text

The Exam – Overview (IFRS & UK GAAP)

- Three hour exam = 100 marks
 - Each mark allocated 1.8 minutes rather than 1.5 minutes (as for all other Professional Level papers)
- Four written test questions – order now standard
- UK GAAP differences OR IFRS differences
- Concepts
- Ethics

Question types

- Question 1 – Preparation of single entity financial statements from trial balance/list of balances
- Question 2 – Explain the application of IFRS to specified scenarios
- Question 3:
 - Mixed or single topic questions requiring extracts and/or calculations (possibly with an explain element)
 - Consolidated statement of cash flows (complete)
- Question 4 – Preparation of consolidated financial statements from individual financial statements

Trial balance / nominal ledger

- Statement of profit or loss
- Statement of profit or loss and other comprehensive income
- Statement of financial position
- Statement of changes in equity
- Note(s) to the financial statements

Trial balance / nominal ledger - 2020

- Statement of profit or loss (March, September, December)
- Statement of profit or loss and other comprehensive income
- Statement of financial position (March, September, December)
- Statement of changes in equity (December)
- Note(s) to the financial statements (None in 2020)

Trial balance – Exam technique

- Read the question and requirement and set up proformas
- Easiest to mark scripts have the statement of profit or loss and statement of financial position down the left hand side of the screen
 - With workings below (not side by side with proformas)
- Work through the question moving TB figures to Ws or proformas
- Complete Ws and double entry and transfer figures to proformas
- Complete proformas

Trial balance – Common errors

- **Common errors....**
 - Not completing proformas
 - Poor audit trail / workings all over the place
 - No workings
 - Writing out double entry as well as workings
 - Not using figures from workings – ie calculation of working only
 - Use of round thousands (000's) in answers – only a minority
 - Writing an explanation of treatment – it wastes time for no marks!
 - Not completing double entry – ie only adjusting for one side of an adjustment

Trial balance – Common errors

- **Student performance – December 2020:**
 - Incomplete statements and use of abbreviations
 - Confusion between discontinued operations and other comprehensive income
 - No link (understanding) between SCE and Equity in SFP
 - Lack of audit trail for PPE figure
 - Taking entire revaluation gain to retained earnings
 - Calculation of revaluation surplus

Consolidated financial statements

- Consolidated statement of profit or loss
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Add-ons, eg
 - Calculation of goodwill
 - NCI and/or retained earnings column from statement of changes in equity
 - Calculation of closing retained earnings

Consolidated financial statements - 2020

- Consolidated statement of profit or loss (September)
- Consolidated statement of financial position (March, December)
- Consolidated statement of changes in equity (full)
- Add-ons, eg
 - Journal entries for goodwill on acquisition (March)
 - Extract from consolidated statement of financial position (September)
 - Explain part re acquisition of an associate (December)

Consolidated financial statements – Exam technique

- Read the question
- Read the requirement and set up **relevant** proformas and standard Ws
- Easiest to mark scripts have the consolidated statement down the left hand side of the screen
 - With workings below (not side by side with proformas)
- Work through the question moving figures from individual financial statements to Ws or proformas, ensuring double-entry is complete
- Complete Ws and transfer figures to proformas
- Complete proformas

Consolidated financial statements – Common errors

- Not completing proformas or irrelevant / random proformas
- Incomplete or random workings
- No workings
- Poor audit trail
- Lack of double entry
- Often struggle with CSCE

Consolidated financial statements – Common errors

- **Student performance – December 2020:**
 - CSFP was generally well answered, with good presentation
 - Excellent performance overall – students prefer to CSPL
 - Completion of standard workings was good
 - PURP caused confusion – read scenario rather than assume!
 - Calculation of number of months
 - Often miss workings for NCI and share of retained earnings figures
 - Share of associate in retained earnings

Statement of cash flows

- Single company
 - From draft statement of cash flows – completion
 - Extracts

- Consolidated
 - Full consolidated statement of cash flows
 - Extracts
 - With acquisition in the year
 - With disposal in the year
 - With neither

Statement of cash flows – 2020

- Single company
 - From draft statement of cash flows – completion (December)
 - Extracts (March)

- Consolidated
 - Full consolidated statement of cash flows (September)
 - Revised consolidated statement of cash flows
 - Extracts
 - With acquisition in the year (September)
 - With disposal in the year
 - With neither

Statement of cash flows – Exam technique

- Read the question, *taking note of what has been done if a draft statement of cash flows is given*
- Read the requirement and set up proformas and T account templates (extracts as required, single company or consolidated)
- Work through the question taking movements between b/f and c/f figures to proformas or T account Ws
- Balance off T account Ws and transfer figures to proformas
- Complete proformas

Statement of cash flows – Common errors

- **Common errors:**
 - Incorrect bracket convention or use of one sided bracket
 - No workings
 - Adjusting for items under the wrong heading
 - Columnar approach can lead to incorrect +ve / -ve

Statement of cash flows – Common errors

- **Student performance – December 2020:**
 - Reasonable attempts
 - Workings in a list of figures rather than T accounts
 - T account figures on the wrong side
 - Additional figures included in T accounts – scattergun approach
 - Use of multiple abbreviations

“Explain”

- Explain the financial reporting treatment
 - With supporting calculations
 - Notes / bullet points – if “briefly” stated
 - Adjustment of draft financial statement extracts / figures
- Possible add ons:
 - Calculation of EPS
 - Journal entries

“Explain” – Exam technique

- Read the requirement, noting carefully what is required (eg note style (briefly explain), journal entries, adjustment of figures/extracts)
- Set up a blank page ready for adjustments to figures/extracts
- Read the question, taking any draft figures to the above page
- Deal with each (numbered) item in turn
- Complete the figures/extracts page
- Space out answers....much easier to mark!

“Explain” – Common errors

- **Common errors:**
 - Workings not linked to narrative
 - Sparce narrative
 - Not relating to the scenario – knowledge dump!

“Explain” – Common errors

- **Student performance – December 2020:**
 - Narrative a little sparse or lots of unnecessary “waffle”
 - Generally well attempted....common mistakes
 - *Change in depreciation method*
 - Significant number stated that it was a change in an accounting policy
 - Answers very sparse even where correct
 - Majority did not identify the correct remaining useful life
 - *Government grant*
 - Wrong number of months
 - Wasted time discussing alternatives
 - *Contingent liability*
 - Lengthy discussions around recognition of a provision
 - Disclosure optional

Mixed or single topic

- Mixture of any examinable topics
- Single company and/or consolidated
- Calculations and/or extracts from financial statements
- Potential for an explain element
- Examples.....(but not an exhaustive list)
 - Non-current assets
 - Leasing
 - Provisions
 - Revenue recognition
 - Government grants
 - Statement of changes in equity

Mixed or single topic / Consolidated SCF – 2020

March

- Extracts from single company cash flow
- Explain
- Ethics

September

- Complete consolidated cash flow

December

- Revised single company cash flow
- Intangibles note

Mixed or single topic – Exam technique

- Read the question and the requirement, noting carefully what is required
- Set up any proformas/answer pages
- Work through the question, doing any necessary calculations and clearly labelling Ws
- Complete any proformas/answer pages

Mixed or single topic – Common errors

- **Common errors:**
 - Not completing proformas/answer pages
 - Producing a series of unclear/unrelated Ws (poor audit trail)
 - Not reading the requirement
 - Not attempting the question!

Mixed or single topic – Common errors

- **Student performance – December 2020:**
 - Poorly laid out notes
 - High number of non-attempts
 - No brought forward development costs
 - Wrong amount capitalised

“Add-ons” to any of the above types of questions

- Concepts
- Ethics
- UK GAAP differences
- “Explain” part
- Journal entries
- EPS
- Distributable profits

Examinations – 2019 & 2020

	Mar 2019	June 2019	Sept 2019	Dec 2019	Mar 2020	June 2020	Sept 2020	Dec 2020
Ethics	Q1	Q2	Q1	Q1	Q3		Q1	Q2
Concepts	Q1	Q1	Q4	Q4	Q1		Q1	Q1
UK GAAP	Q3	Q1	Q3	Q2	Q2		Q2	Q1
EPS		✓			✓		✓	
Journals					✓			
Distributable profits				✓				✓

Other CBE points

- Markers can only see what is shown in the marking area – candidates are still writing text that cannot be seen
- No workings
 - Markers cannot see formula used in a cell
 - Cannot see formula in Excel part
- Copy everything from Excel part of answer – markers cannot see this
- Use of long paragraphs
 - There was some improvement
 - More difficult to mark

Other CBE points

- Additional columns and scrolling
 - Only a minority of candidates had no scrolling
 - More difficult to mark
- Students **MUST** practice using the software
 - Waste time
 - Risk losing marks
 - Loss of concentration / frustration in the exam
- Do RQB practice using the software
- Practice using in-built numerical function and then **TYPE** out the calculation
 - Markers cannot interrogate the content of a cell

The marking process

- All marking is carried out on-line
- No identification of whose script or from which exam centre
- Examiner and moderator carry out sample marking
- Mark plan and two “common” scripts sent to marking team
- Meeting to discuss mark plan and common scripts
- Markers mark three “standardisation” scripts before approval
- “Seeding” scripts during live marking
- Second marking on any script scoring 53, 54 or 55



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