
PRESCRIPTION: 201 FINANCIAL ACCOUNTING

Last date for assessing this prescription is 31 December 2008

INTRODUCED: 1990
REVISED 1995
2001 (Implemented Semester One 2002)

AIM OF SUBJECT

To enable students to apply the regulatory and technical aspects of financial accounting and external reporting for companies and to critically examine financial and non-financial information.

ASSUMED PRIOR KNOWLEDGE

It is recommended that prior to commencing this subject, students

- have an understanding of financial statements and are able to analyse and interpret business performance, with reference to the New Zealand Diploma in Business paper 100 Accounting Principles
- AND can record and process financial transactions to enable the preparation of management information and financial statements for entities in accordance with current accounting practices, with reference to the New Zealand Diploma in Business paper 101 Accounting Practices (2002 version).

COURSE LENGTH

The equivalent of 20 National Qualifications Framework credits, with a minimum of 60 class contact hours or the equivalent for open learning/distance tuition.

RESOURCES

Suggested Student References

Deegan, Craig Michael and Samkin, Grant. New Zealand financial accounting. Sydney: McGraw-Hill. Latest edition.

Westwood, Mark. Financial accounting in New Zealand. Auckland: Longman. Latest edition.

Institute of Chartered Accountants of New Zealand. New Zealand accounting standards. Wellington: Institute of Chartered Accountants of New Zealand. Latest edition.

Model Annual Reports prepared in accordance with New Zealand accounting standards (as produced by major Chartered Accountants' firms).

Chartered accountants journal of New Zealand. Wellington: Institute of Chartered Accountants of New Zealand. 11 issues a year.

Useful Web-sites

Institute of Chartered Accountants of New Zealand: www.icanz.co.nz

Companies Office: www.companies.govt.nz

New Zealand Stock Exchange: www.nzse.co.nz

Commerce Commission: www.comcom.govt.nz

Daily Newspapers: www.stuff.co.nz, www.nzherald.co.nz

Suggested lecturer/tutor references

Leo, K. and Hoggett, J. (2001) 5th edition. Company Accounting in Australia, Brisbane. John Wiley & Sons Ltd

Whittred, G., Zimmer, I. & Taylor, S. (2000). 5th edition. Financial accounting incentive effects and economic consequences. Harcourt Australia Pty Ltd.

TIME AND ASSESSMENT SCHEDULE

The prescription assumes a RCAP model of assessment (R = recall, C = comprehension, A = application, P = problem solving). In assessing to the prescription, it is expected that, in general, assessment will be of the ability of students to apply the learning outcomes and to undertake problem solving within the course material. Assessment of comprehension should be undertaken only where it is appropriate. Assessment of recall is implicit.

TOPICS	Time in hours	Assessment Weightings (%)	
		min	max
1 Overview of the Company Environment	3	5	5
2 Accounting for Shareholders Equity	8	10	15
3 Annual Financial Statements of Companies	23	35	45
4 Analysis and Interpretation of Financial Statements	11	15	20
5 Business Combinations	9	10	15
6 Current Issues	6	10	15
	TOTAL	60	100%

This schedule is a recommendation and guide for lecturers/tutors, examiners and students. It gives:

- 1 an approximate allocation of time in hours, by topic
- 2 an approximate allocation of assessment in percentages, by topic.

TOPICS

1 OVERVIEW OF THE COMPANY ENVIRONMENT

Learning Outcome

Students who have completed all requirements for this topic understand the concepts fundamental to the formation of a company and its shareholders equity.

Assessment Criteria

Students will be expected to:

- 1.1 Distinguish between the types of company as classified by the Companies Act 1993, Financial Reporting Act 1993 and New Zealand Stock Exchange regulations.
- 1.2 Explain the legal obligations of directors relevant to external reporting.
- 1.3 Describe the nature of company shares and share transactions.
- 1.4 Explain the use of and the importance of the company constitution and key records required for ongoing registration.

2 ACCOUNTING FOR SHAREHOLDERS EQUITY

Learning Outcome

Students who have completed all requirements for this topic understand the processes of company formation, dividend and capital issues, and redemption of share capital in accordance with the Companies Act 1993.

Assessment Criteria

Students will be expected to:

- 2.1 Prepare accounting entries for the issue of share capital as applied to shares issued fully paid on application as consideration for:
 - cash, including accounting for oversubscription
 - purchase of the assets of a company.
- 2.2 Prepare accounting entries for the declaration and subsequent payment of dividends. This includes applying the solvency test to the dividend decision.
- 2.3 Describe the purposes of and account for bonus issues.

- 2.4 Describe the purposes and functions of a dividend election plan and account for distributions to shareholders in accordance with FRS 20.
- 2.5 Describe the purposes and functions of share options and account for the exercise of these.
- 2.6 Prepare accounting entries for the company re-purchasing its own shares and explain possible reasons why a company may do so.

Note

The Solvency Test should also be considered under assessment criteria 2.2, 2.4 and 2.6 with examples of its application illustrated at a basic level.

3 ANNUAL FINANCIAL STATEMENTS OF COMPANIES

Learning Outcome

Students who have completed all requirements for this topic are able to demonstrate appropriate methods of general purpose financial reporting.

Assessment Criteria

Students will be expected to:

- 3.1 Use company annual reports to identify the application of the Statement of Concepts.
- 3.2 Distinguish between the three different forms of entity for financial reporting purposes: Exempt Company, Qualifying Entities for differential reporting and Reporting Entities.
- 3.3 Describe the application of GAAP and the True and Fair View required for the preparation of general purpose financial reporting.
- 3.4 Describe and apply the requirements of the following Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs):
 - FRS-3
 - FRS-4
 - FRS-5
 - SSAP-6
 - FRS-7
 - FRS-13
 - FRS-15
 - SSAP-18
 - FRS-19.

Note

Subsequent approvals of FRSs should be assessed with a view to relevancy to this assessment criterion.

- 3.5 Prepare annual financial statements for a Reporting Entity that comply with the requirements of the Companies Act 1993, Financial Reporting Act 1993, relevant Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs) as listed for 3.4 as well as FRS-1, FRS-2, FRS-9 and FRS-10.

Note

Subsequent approvals of FRS's should be assessed with a view to relevancy to this assessment criterion.

4 ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

Learning Outcome

Students who have completed all requirements for this topic are able to research, analyse, and interpret company financial and non-financial information and effectively communicate conclusions to a defined audience.

Assessment Criteria

Students will be expected to:

- 4.1 Carry out an investigation in order to select and collect financial and non-financial information for a listed New Zealand company.
- 4.2 Use a range of techniques to collate, analyse and interpret the financial and non-financial information from 4.1 for the purpose of shareholder investment.
- 4.3 Present results, conclusions and recommendations from 4.2 in a form appropriate to a defined audience.

5 BUSINESS COMBINATIONS

Learning Outcome

Students who have completed all requirements for this topic understand and apply the principles and practice of consolidation accounting for 100% single subsidiary business combinations.

Assessment Criteria

Students will be expected to:

- 5.1 Account for the creation of a holding company/subsidiary company relationship.
- 5.2 Describe, with illustrations, the rationale for preparing consolidated financial statements.
- 5.3 Prepare notional elimination entries for a two-company structure in accordance with SSAP-8 to include:
 - the elimination of the investment in the subsidiary by the holding company
 - the accounting treatment of goodwill/discount on consolidation
 - the effect on profit arising from inter company transactions, including asset transfers
 - the accounting treatment of dividends from pre-acquisition profits
 - the accounting treatment of inter-company dividends from post-acquisition profits
 - the accounting treatment of inter-company loans.
- 5.4 Prepare consolidated statements of financial position and performance.

6 CURRENT ISSUES

Learning Outcome

Students who have completed the requirements of this topic are able to explore the dynamic nature of accounting through the examination of the development of a current financial accounting issue.

Notes

- (i) This section is at the discretion of the lecturer and could include one or more topics; an additional relevant topic not covered in this or another NZDipBus paper, or an extension of one of the topics already included in this prescription.
- (ii) Examples of topics that could be used include:
 - international harmonisation of financial reporting standards
 - environmental accounting
 - accounting for social responsibility
 - accounting for business distress
 - non financial measures
 - accounting for mergers and takeovers
 - accounting for e-commerce.

