

Financial Accounting and Reporting (FAR) – Content Outline Effective January 2014

The Financial Accounting and Reporting section tests knowledge and understanding of the financial reporting framework used by business enterprises, not-for-profit organizations, and governmental entities. The financial reporting frameworks that are included in this section are those issued by the standard-setters identified in the references to these CSOs, which include standards issued by the Financial Accounting Standards Board, the International Accounting Standards Board, the U.S. Securities and Exchange Commission, and the Governmental Accounting Standards Board.

In addition to demonstrating knowledge and understanding of accounting principles, candidates are required to demonstrate the skills required to apply that knowledge in performing financial reporting and other tasks as certified public accountants. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- Identify and understand the differences between financial statements prepared on the basis of accounting principles generally accepted in the United States of America (U.S. GAAP) and International Financial Reporting Standards (IFRS).
- Prepare and/or review source documents including account classification, and enter data into subsidiary and general ledgers.
- Calculate amounts for financial statement components.
- Reconcile the general ledger to the subsidiary ledgers or underlying account details.
- Prepare account reconciliation and related schedules; analyze accounts for unusual fluctuations and make necessary adjustments.
- Prepare consolidating and eliminating entries for the period.
- Identify financial accounting and reporting methods and select those that are appropriate.
- Prepare consolidated financial statements, including balance sheets, income statements, and statements of retained earnings, equity, comprehensive income, and cash flows.
- Prepare appropriate notes to the financial statements.
- Analyze financial statements including analysis of accounts, variances, trends, and ratios.
- Exercise judgment in the application of accounting principles.
- Apply judgment to evaluate assumptions and methods underlying estimates, including fair value measures of financial statement components.
- Produce required financial statement filings in order to meet regulatory or reporting requirements (e.g. Form 10-Q, 10-K, Annual Report).
- Determine appropriate accounting treatment for new or unusual transactions and evaluate the economic substance of transactions in making the determinations.

- Research relevant professional literature.

The outline below specifies the knowledge in which candidates are required to demonstrate proficiency:

I. Conceptual Framework, Standards, Standard Setting, and Presentation of Financial Statements (17% - 23%)

A. Process by which Accounting Standards are Set and Roles of Accounting Standard-Setting Bodies

1. U. S. Securities and Exchange Commission (SEC)
2. Financial Accounting Standards Board (FASB)
3. International Accounting Standards Board (IASB)
4. Governmental Accounting Standards Board (GASB)

B. Conceptual Framework

1. Financial reporting by business entities
2. Financial reporting by not-for-profit (nongovernmental) entities
3. Financial reporting by state and local governmental entities

C. Financial Reporting, Presentation and Disclosures in General-Purpose Financial Statements

1. Balance sheet
2. Income statement
3. Statement of comprehensive income
4. Statement of changes in equity
5. Statement of cash flows
6. Notes to financial statements
7. Consolidated and combined financial statements
8. First-time adoption of IFRS

D. SEC Reporting Requirements (e.g. Form 10-Q, 10-K)

E. Other Financial Statement Presentations, including Other Comprehensive Bases of Accounting (OCBOA)

1. Cash basis

2. Modified cash basis
3. Income tax basis
4. Personal financial statements
5. Financial statements of employee benefit plans/trusts

II. Financial Statement Accounts: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (27% - 33%)

A. Cash and Cash Equivalents

B. Receivables

C. Inventory

D. Property, Plant, and Equipment

E. Investments

1. Financial assets at fair value through profit or loss
2. Available for sale financial assets
3. Held-to-maturity investments
4. Joint ventures
5. Equity method investments (investments in associates)
6. Investment property

F. Intangible Assets – Goodwill and Other

G. Payables and Accrued Liabilities

H. Deferred Revenue

I. Long-Term Debt (Financial Liabilities)

1. Notes payable
2. Bonds payable
3. Debt with conversion features and other options
4. Modifications and extinguishments
5. Troubled debt restructurings by debtors

6. Debt covenant compliance

J. Equity

K. Revenue Recognition

L. Costs and Expenses

M. Compensation and Benefits

1. Compensated absences

2. Deferred compensation arrangements

3. Nonretirement postemployment benefits

4. Retirement benefits

5. Stock compensation (share-based payments)

N. Income Taxes

III. Specific Transactions, Events and Disclosures: Recognition, Measurement, Valuation, Calculation, Presentation, and Disclosures (27% - 33%)

A. Accounting Changes and Error Corrections

B. Asset Retirement and Environmental Obligations

C. Business Combinations

D. Consolidation (including Off-Balance Sheet Transactions, Variable-Interest Entities and Noncontrolling Interests)

E. Contingencies, Commitments, and Guarantees (Provisions)

F. Earnings Per Share

G. Exit or Disposal Activities and Discontinued Operations

H. Extraordinary and Unusual Items

I. Fair Value Measurements, Disclosures, and Reporting

J. Derivatives and Hedge Accounting

K. Foreign Currency Transactions and Translation

L. Impairment

M. Interim Financial Reporting

N. Leases

O. Distinguishing Liabilities from Equity

P. Nonmonetary Transactions (Barter Transactions)

Q. Related Parties and Related Party Transactions

R. Research and Development Costs

S. Risks and Uncertainties

T. Segment Reporting

U. Software Costs

V. Subsequent Events

W. Transfers and Servicing of Financial Assets and Derecognition

IV. Governmental Accounting and Reporting (8% - 12%)

A. Governmental Accounting Concepts

1. Measurement focus and basis of accounting

2. Fund accounting concepts and applications

3. Budgetary accounting

B. Format and Content of Comprehensive Annual Financial Report (CAFR)

1. Government-wide financial statements

2. Governmental funds financial statements

3. Proprietary funds financial statements

4. Fiduciary funds financial statements

5. Notes to financial statements

6. Management's discussion and analysis

7. Required supplementary information (RSI) other than Management's Discussion and Analysis

8. Combining statements and individual fund statements and schedules

9. Deriving government-wide financial statements and reconciliation requirements

C. Financial Reporting Entity, Including Blended and Discrete Component Units

D. Typical Items and Specific Types of Transactions and Events: Recognition, Measurement, Valuation, Calculation, and Presentation in Governmental Entity Financial Statements

1. Net position and components thereof
2. Fund balances and components thereof
3. Capital assets and infrastructure assets
4. General long-term liabilities
5. Interfund activity, including transfers
6. Nonexchange revenue transactions
7. Expenditures
8. Special items
9. Encumbrances

E. Accounting and Reporting for Governmental Not-for-Profit Organizations

V. Not-for-Profit (Nongovernmental) Accounting and Reporting (8% - 12%)

A. Financial Statements

1. Statement of financial position
2. Statement of activities
3. Statement of cash flows
4. Statement of functional expenses

B. Typical Items and Specific Types of Transactions and Events: Recognition, Measurement, Valuation, Calculation, and Presentation in Financial Statements of Not-for-Profit Organizations

1. Support, revenues, and contributions
2. Types of restrictions on resources
3. Types of net assets
4. Expenses, including depreciation and functional expenses
5. Investments