



Level 6 Advanced Diploma in Corporate Financial Reporting (520) 159 Credits



Unit: Financial Accounting Theory	Guided Learning Hours: 220
Exam Paper No.: 4	Number of Credits: 22
Prerequisites: Knowledge of Accounting.	Corequisites: A pass or higher in Diploma in Accounting & Finance or equivalence.
<p>Aim: This unit covers the introduction to the development of financial accounting theory; the relationship of accounting theory; research to standard setting; and discussion of the current standard setting environment. The unit examines several current measurement and disclosure issues in financial reporting; including: measurement models, measuring and reporting pensions, financial reporting of corporate income taxes, etc. The emphasis is on developing both professional judgement in decision making and a defensible approach to using the authoritative and other relevant literature. The unit also looks at general theory and concepts of financial accounting and the generally accepted principles as applied to assets, liabilities, related income items and exposure to related official financial accounting pronouncements. It then continues the in-depth examination of the Generally Accepted Accounting Principles guiding the preparation of corporate financial statements. The unit provides intensive study of financial accounting theory and generally accepted accounting principles. Areas emphasized are income measurement, valuation of tangible and intangible assets, and accounting for liabilities and shareholders` equity. Proper financial statement presentation and disclosure are covered in detail. Other topics addressed include advanced issues in accounting for Shareholder`s Equity, the calculation and disclosure of earnings per share, investments, revenue recognition issues, accounting for income taxes, pensions, leases, and the accounting for and disclosure of accounting changes.</p>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
Special Requirements: The unit requires a combination of lectures, demonstrations and discussions.	
<p>Intended Learning Outcomes:</p> <ol style="list-style-type: none"> 1. Understand the role of accounting and finance in the cultural and social context 2. Understand accounting and finance theories, issues and framework conceptual model 3. Understand the financial reporting environment and role of capital markets 	<p>Assessment Criteria:</p> <ol style="list-style-type: none"> 1.1 Explain functions of accounting theory 1.2 Outline accounting theory development 1.3 Analyse accounting theory approaches 1.4 Describe the uses of accounting and finance theory 1.5 Assess critical thinking process and implementation 1.6 Evaluate barriers to critical thinking 2.1 Outline conceptual framework roles in practice of financial reporting 2.2 Analyse framework difficulties 2.3 Describe conceptual framework 2.4 Outline rational for frameworks 2.5 Analyse components of conceptual framework 2.6 Outline conceptual framework elements 2.7 Describe general purpose financial reports 2.8 Analyse users of financial reports 2.9 Outline IASB framework 2.10 Describe IASB financial reporting elements 3.1 Describe role of capital markets 3.2 Explain capital market research 3.3 Outline focus on market`s response to accounting earnings announcement

	3.4	Explain behavioural and efficient market hypothesis
	3.5	Outline earnings/return relations
	3.6	Describe Capital Asset Pricing Model (CAPM)
	3.7	Define voluntary disclosure
	3.8	Critically evaluate if current prices anticipate future announcements
4. Understand the role of legislation and accounting standards	4.1	Outline various theoretical arguments for and against regulating financial accounting practice
	4.2	Outline reasons for analysing theories of regulation
	4.3	Define regulation
	4.4	Explain regulator responsibilities
	4.5	Describe purpose of accounting standards
	4.6	Analyse 'free market' accounting information perspective
	4.7	Describe legislation roles
	4.8	Outline theories that explain regulation
5. Understand normative theories of accounting conceptual framework	5.1	Explain normative theory
	5.2	Outline issues to be addressed
	5.3	Define purchasing power
	5.4	Assess market conditions and effect on accounting
	5.5	Explain historical cost limitations and advantages
	5.6	Define inflation and its measurements
	5.7	Explain current cost accounting
	5.8	Describe continuously contemporary accounting
6. Understand positive accounting theory, efficiency perspectives, criticism and political costs	6.1	Define positive accounting theory
	6.2	Compare and contrast positive vs normative theories
	6.3	Analyse assumptions and origins of positive accounting theory
	6.4	Analyse agency theory
	6.5	Describe agency costs
	6.6	Outline role of accounting in contracts
	6.7	Analyse key hypotheses used in positive accounting theory
	6.8	Analyse owner/manager contracting
	6.9	Describe role of external auditors
	6.10	Discuss political costs
7. Understand the importance of corporate governance, purpose and best practices	7.1	Define corporate governance
	7.2	Describe the need for corporate governance
	7.3	Analyse corporate governance life cycle
	7.4	Outline corporate governance concepts
	7.5	Analyse operational areas affected by corporate governance
	7.6	Analyse UK Corporate Governance Code main elements
	7.7	Analyse US Sarbanes-Oxley Act
	7.8	Describe corporate governance models

8. Understand social and environmental accounting concepts, features and benefits	8.1 Define social accounting 8.2 Outline various perspectives of business responsibilities 8.3 Analyse relationship between organisational responsibility and accountability 8.4 Describe sustainable development 8.5 Analyse stages of sustainable reporting 8.6 Explore limitations of traditional financial accounting
Methods of Evaluation: A 3-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Financial Accounting Theory with a weighting of 100%.	

Recommended Learning Resources: Financial Accounting Theory

Text Books	<ul style="list-style-type: none"> Financial Accounting Theory by Craig Deegan and Jeffrey Unerman. ISBN-10: 0077126734 Financial Accounting Theory by William R. Scott. ISBN-10: 0132072866 Introduction to Financial Accounting Theory by S Henderson and Graham Peirson. ISBN-10: 058271026X
Study Manuals 	BCE produced study packs
CD ROM 	Power-point slides
Software 	None

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