

Stage: Professional 2

Subject Title: Strategy & Leadership

Examination Duration: 3.5 Hours (Open Book)

Aim

The aim of this subject is to development students' ability to contribute effectively to the strategic management of enterprises through the objective analysis of business situations, the critical evaluation of strategic options and the implementation of change programmes.

Strategy & Leadership as an Integral Part of the Syllabus

Strategy & Leadership integrates and expands the knowledge and skills acquired in many of the subjects at the earlier examination stages. This subject provides a framework for future leaders to analyse, develop and implement strategies for entrepreneurial activities in both growing and established entities.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Strategy & Leadership further integrates and builds on, as appropriate, the capabilities developed in the earlier subjects, as highlighted in the table above.

➤ Learning Outcomes

On successful completion of this subject, students should be able to:

- Display a detailed understanding of strategic development, marketing and market place strategy.
- Integrate and apply effectively theories and concepts from strategic management and related disciplines such as finance, H.R, Marketing, Operations and I.S. to solve business problems in complex and diverse situations.
- Devise, develop and lead appropriate business strategies, in support of entrepreneurial activities and existing organisations.
- Evaluate the importance of knowledge management in strategy implementation, and advice on the implementation of appropriate systems, processes and solutions.
- Develop and promote a business case.
- Students should be able to evaluate what is required at an individual, team and organisational level to initiate and lead complex projects successfully.
- Communicate effectively to a variety of audiences.

➤ Syllabus

1. The Strategy Process

- (a) The Concept of Strategy
 - (i) Levels of strategy and planning.
 - (ii) Setting mission, aims, goals & objectives.
 - (iii) Matching strategy and structure.
 - (iv) The competitive environment.
 - (v) Ethical, political & social considerations.
- (b) Strategic Management and Operational Management
- (c) Perspectives on Strategy:
 - (i) Deliberate and emergent strategy.
- (d) The Marketing Dimension
 - (i) Marketing management concepts.
 - Analysing marketing opportunities.
 - Market segmentation.
 - The marketing mix.
 - Strategic planning and marketing management.
 - Market place models.

2. The Strategic Position

- (a) Environmental Analysis
 - (i) The macro environment.
 - (ii) Industry/Sector analysis. – Market analysis.
 - (iii) Opportunities & threats.
- (b) Assessing Strategic Capability
 - (i) Critical success factors.
 - (ii) Assessing resources
 - (iii) Identifying core competencies.
 - (iv) Benchmarking.
 - (v) Assessing strengths and weaknesses.
- (c) Measuring Stakeholder Expectations
 - (i) Corporate governance.
 - (ii) Stakeholder analysis.
 - (iii) Identifying stakeholder expectations.
 - (iv) Business ethics.
 - (v) Cultural considerations

3. Strategic Choices

(a) Corporate Level

- (i) The role of the corporate centre
- (ii) Portfolio manager.
- (iii) Corporate core competencies
- (iv) Manager.
- (v) Restructurer.
- (vi) Synergy manager.
- (vii) Parental developer.
- (viii) The Corporate Portfolio.
- (ix) The Growth/Share Matrix.
- (x) The Directional Policy Matrix.
- (xi) The Relatedness Matrix.
- (xii) Corporate Diversification.

(b) Business Level

- (i) Bases of competitive advantage (Price, differentiation, etc.).
- (ii) Sustaining competitive advantage.
- (iii) Game theory.
- (iv) Competition and collaboration.
- (v) Value Innovation.
- (vi) Business ecosystems.
- (vii) Business case development.
- (viii) Supporting the entrepreneur & new venture creation.

(c) Strategy Development

- (i) Directions
- (ii) Methods
- (iii) Success criteria

4. Strategy Implementation

(a) Structure and Processes

- (i) Organisation structure
- (ii) Planning & control systems (incl. ERP, Balanced Scorecard).
- (iii) Market mechanisms
- (iv) Social/cultural process.

(b) Managing Key Enablers

- (i) People:
 - H.R. Management.
 - Behaviour.

(c) Leadership

- (i) Culture change.
- (ii) Knowledge creation.
- (iii) Theories of Leadership.
- (iv) Knowledge management.
- (v) Leadership Styles.
- (vi) Power and influence
- (vii) Motivation and engagement.
- (viii) Information and Technology

(d) Managing the Change Process.

- (i) Change management:
 - Analysing the change situation.
 - The nature of change.

- Changing organisational culture.
- Organisational communications

(e) Project management.

- (i) Project objective and scope.
- (ii) Project teams, sponsors and responsibilities.
- (iii) Critical path analysis.
- (iv) Project reporting procedures.
- (v) Project evaluation

➤ Assessment Strategy

Examination Approach

Strategic management is the main focus of the paper. Students are expected to demonstrate a thorough understanding of the processes involved in reviewing competitiveness and evaluating long-term options and the relevant marketing strategies. Individual related business topics are selected for detailed assessment on a planned basis each year, throughout a cycle of examinations (typically three years).

Students are expected to demonstrate strategic thinking and creativity through their ability to analyse business scenarios critically, carry out SWOT analyses and identify/justify innovative strategic options. In addition to understanding business in an Irish context, students should display a global outlook and an awareness of the importance of business ethics and social responsibility in organisations.

A thorough understanding of currently recognised theories and concepts relevant to the above areas and the ability to apply appropriate analysis techniques and business models effectively is essential. Equally important is the capacity for synthesis, demonstrated particularly by integrating areas such as marketing, knowledge management, project management, financial control and organisation behaviour. The ability to communicate clearly and succinctly is an overriding requirement. The marking scheme strongly favours the demonstration of critical analysis, judgment and innovation, rather than the mere identification of concepts and models or descriptive writing about these.

Examination Format

Assessment is by an open-book examination of 3.5 hours' duration. This examination uses a case-study approach to test students' ability to apply critical analysis, demonstrate synthesis and decision-making. It consists of one compulsory question, based on a major case study (worth 50% of the marks for the examination) plus a choice of two out of three optional questions, each worth 25% of the marks for the examination. The optional questions may also refer to material in the major case-study.

In October each year students will be advised of the business sector within which the organisation upon which the main case-study for each of the following year's examinations will be based. It will be essential for students to undertake their own environmental analysis and research on this sector in preparation for the examinations. The case studies, from 2011 onwards, will not have the same amount of background information as was provided in previous examinations. Given this is an open-book examination students will be allowed to bring their analysis and research with them into the examination centre for reference, as appropriate, in their answers to the questions.

Marks Allocation

Marks

Section A

Compulsory question (Case study)	50
Choice of 2 questions out of 3 (25 marks allocated to each question)	50

Total 100

➤ Learning Resources

Core Texts

Gerry Johnson, Richard Whittington, Kevan Scholes, Duncan Angwin, Patrick Regnér, Exploring Strategy Text Only/ Pearson 11th edition/ 2017/ ISBN-10: 129214517X • ISBN-13: 978-1292145174

Richard Daft / Management, 12th ed / Cengage 2016 / ISBN-13: 978- 1285861982

Gregory G Dess, Alan Eisner, G T (Tom) Lumpkin, Gerry McNamara, Strategic Management: Creating Competitive Advantages, McGraw-Hill Education - Europe McGraw Hill Higher Education 2013 / ISBN-13: 9780077636081

Kotler Philip, Kevin Lane Keller, Marketing Management with MyMarketingLab; Global edition/15th ed Pearson 2016, ISBN-13: 978-1292092621

Gunnigle G., Heraty N., Morley M., Human Resource Management in Ireland, 5th. Edition (2011), Gill and Macmillan, ISBN-13: 978-1910393-17-8

Laurie J Mullins, Management and Organisational Behaviour, 11th ed/ Pearson 2016 / ISBN-13: 978 1292088488 ISBN10: 1292088486

Supplementary Texts and Journals

Kimiz Dalkir / Knowledge Management in Theory and Practice, 3rd Edition / MIT Press 2018 / ISBN-13: 978-0262036870, ISBN-10: 0262036878

Gerry Gallagher / Corporate Strategy for Irish Companies 2nd Edition 2011 / CAI / ISBN-13: 978-1907214653

Harvard Business Review

MIT Sloan Management Review

CPA students' eBulletin

AccountancyPlus

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.marketingteacher.com - Marketing Teacher.

www.strategy-business.com - Strategy + Business.

www.strategyanalytics.com - Strategy Analytics.

Stage: Professional 2

Subject Title: Advanced Corporate Reporting

Examination Duration: 3.5 Hours (Open Book)

Aim

The aim of this subject is to ensure that students apply the appropriate judgement and technical ability in the preparation and interpretation of financial statements for complex business entities. Students must also be able to evaluate and communicate the impact of current issues and developments in corporate reporting to those who may not have such theoretical and technical expertise.

Advanced Corporate Reporting As an Integral Part of the Syllabus

By using a case-study approach Advanced Corporate Reporting develops the knowledge and technical skills acquired in Financial Accounting and Corporate Reporting to ensure that students can view financial reporting in its broadest context.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Advanced Corporate Reporting integrates and builds on and integrates, as appropriate, the capabilities developed in the earlier subjects as highlighted in the table above.

➤ Learning Outcomes

On successful completion of this subject, students should be able to:

- Prepare the financial statements of companies, groups and associated undertakings, including overseas subsidiary undertakings, in accordance with International Financial Reporting Standards (IFRS), company law and E.U. law. These include:
 - ❖ Statements of Profit or Loss and other Comprehensive Income,
 - ❖ Statements of Financial Position,
 - ❖ Statements of Changes in Equity, and
 - ❖ Cash flow Statements.
- Discuss the circumstances under which organisations may, or must, apply IFRS and / or local UK and Irish GAAP demonstrating an understanding of the key accounting and presentation differences between them if Local GAAP was applied.
- Appraise and apply the acquisition method of accounting and related disclosure requirements in financial statements and notes.
- Interpret and apply international financial reporting standards and interpretations adopted by the IASB, selecting the appropriate accounting treatment for transactions and events.
- Analyse and evaluate financial statements.
- Write detailed reports, tailored to the technical understanding of the different user groups.
- Critically evaluate the main accounting issues currently facing the professional accountant in the field of corporate reporting
- Demonstrate appropriate professional judgement and ethical sensitivity.

➤ Syllabus

1. Legislation

- (a) Company Law relating to the preparation of financial statements, including Group Accounts

2. Local GAAP

- (a) FRS 100 and IFRS with particular reference to: scope; terminology used; and format of accounts.
- (b) FRS 100 – the differences between
- (c) FRS 101 – the differences between FRS 101 and IFRS with particular to the scope of this standard
- (d) FRS 102 – the key differences between accounting treatments examinable under IFRS and the equivalent elements of FRS 102. (Sections 12, 31 and 34 are excluded).

3. Preparation Of Financial Statements (Including Consolidated Financial Statements)

- (a) Statutory financial statements for incorporated entities
- (b) Consolidated financial statements

4. International Financial Reporting

- (a) An in-depth critical understanding of all technical pronouncements currently in issue, with particular reference to their application to practical situations, (a full list of the relevant technical pronouncements is contained in the Examinable Material Document on pages to 99 of this syllabus).
- (b) Current issues in Corporate Reporting

5. Analysis, Evaluation And Interpretation Of Financial Statements

- (a) Ratio analysis and cash flow analysis.
- (b) Critical appraisal of financial statements
- (c) Interpretation of financial statements and preparation of reports thereon.

➤ International Financial Reporting Standards

See Examinable Material Document on pages 92 to 99 for details of the International Financial Reporting Standards etc. applicable to this examination.

➤ Companies Act

See Examinable Material Document on pages 92 to 99 for details of the Companies Act applicable to this examination.

➤ Assessment Strategy

Examination Approach

This examination paper, which uses a case-study format, is the final test of students' ability to understand and apply the theory of financial reporting to a number of practical accounting issues. The case-study is designed to test students' ability to digest a considerable amount of detailed information about the affairs of a single company or group of companies. From that data, students are required to prepare a number of primary statements i.e. published or consolidated financial statements. A substantial narrative element is included requiring students to prepare both internal and external reports.

The assessment is designed to weight the marks mainly towards the presentational element of both the narrative and computational parts of the case-study. There is a considerable portion of marks available for the display of sound technical judgement. The case-study includes a range of current technical issues requiring, in many situations, substantial adjustments to the draft figures provided in the question.

Students are required to demonstrate a strong technical understanding of how to solve external financial reporting issues and display sound professional judgement and ethical sensitivity. They are also required to write reports or memoranda tailored to the technical skills and understanding of various user groups in order to assess their presentation and communication skills.

Examination Format

The examination is open book and of 3.5 hours duration. The paper consists of one case study.

Marks Allocation

The total for the paper is 100 marks. The case-study requirement is generally broken down into four or five separate sections with approximately 50% of the marks for technical ability. The balance of the marks is awarded for the ability to: interpret financial statements; appraise, apply and communicate the theoretical concepts underpinning technical adjustments; and ethical and current issues in financial accounting.

➤ Learning Resources

Core Texts

Connolly / International Financial Accounting and Reporting 6th ed. / CAI 2018 / ISBN-13: 978-1912350025

Elliott and Elliott, Financial Accounting and Reporting, 2017 Pearson 18th ed ISBN-13: 978-1292162409

A new era for Irish & UK GAAP - A quick reference guide to FRS102 – Robert J. Kirk
www.cpaireland.ie/docs/defaultsource/Members/Publications/a-new-era-for-irishamp-uk-gaap---a-quick-reference-guide-tofrs102.pdf?sfvrsn=0

Manuals

Griffith College CPA P2 Advanced Corporate Reporting - Latest edition

Supplementary Texts and Journals

Cotter / Advanced Financial Reporting; A Complete Guide to IFRS/ 2012/ ISBN-13: 978-0273732358

Collins, McKeith / Financial Accounting and Reporting / McGraw- Hill 2009 / ISBN 978-0077114527

Kothari, Barone / Advanced Financial Accounting An International Approach / 2016/ FT Press / ISBN-13: 978-1292086231

CPA Students' eBulletin.

AccountancyPlus.

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.iaasa.ie/ - Irish Auditing and Accounting Supervisory Authority.

www.ifac.org/ - The International Federation of Accountants.

www.ifrs.org/ - The International Financial Reporting Standards Foundation.

www.iasplus.com - Deloitte Touche Tohmatsu. Summaries of International Financial Reporting Standards (IFRS).

www.fee.be/ - The European Federation of Accountants.

www.efrag.org/ - The European Financial Reporting Advisory Group.

www.frc.org.uk/ - The Financial Reporting Council.

www.frc.org.uk/About-the-FRC/FRCstructure/Audit-and-Assurance-Council.aspx - FRC - Audit and Assurance Council

frc.org.uk/About-the-FRC/FRCstructure/Accounting-Council.aspx, FRC Accounting Council

www.frc.org.uk/About-the-FRC/FRCstructure/Conduct-Committee.aspx - FRC-Conduct Committee

www.accountingnet.ie/ - Irish Accounting and Business Portal.

Stage: Professional 2

Subject Title: Audit Practice and Assurance Services

Examination Duration: 3.5 Hours (Open Book)

Aim

The aim of this subject is to prepare students to demonstrate the knowledge, skills and competencies necessary to carry out the audit of an entity and undertake assurance engagements, having due regard to the Institute's and profession's ethical standards in a changing and complex business environment.

Audit Practice and Assurance Services as an Integral Part of the Syllabus

In carrying out the audit of an entity's financial statements it is essential to understand fully the application of the relevant International Standards in Auditing (ISAs), International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). Many issues that face auditors frequently arise from the accounting treatment of certain financial transactions in the financial statements of the entity.

The study of the subject auditing at Professional 1 Stage is an essential foundation for the study of Audit Practice and Assurance Services at Professional 2 Stage. Financial Accounting and Information Systems (at Formation 2 Stage) and Corporate Reporting and Corporate Laws and Governance (at Professional 1 Stage) are also essential prerequisites for the study of Audit Practice and Assurance Services.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Audit Practice and Assurance Services integrates and builds on, as appropriate, the capabilities developed in the earlier subjects as highlighted in the table above.

➤ Learning Outcomes

On successful completion of this subject, students should be able to:

- Appraise and apply the legal, regulatory and ethical framework to the role of the auditor.
- Access audit risks, and describe the procedures undertaken at the planning stage to meet the objectives of the audit.
- Design, evaluate and report on internal control and financial reporting systems, and identify and communicate control risks, applying these skills to practical situations in both manual and computerized environments.
- Discuss the application of computer assisted auditing techniques.
- Design, plan and apply audit testing techniques and procedures in the practical application of International Standards on Auditing (ISAs) (UK and Ireland), International Standards on Quality Control (ISQCs) (UK and Ireland) and other technical pronouncements related to auditing and assurance situations.
- Evaluate the role of internal audit, including a comparison with the role of the external auditor.
- Draw conclusions, having applied appropriate professional skill, scepticism and judgement.
- Report to shareholders, management and other relevant parties in the course of providing audit and assurance services.
- Plan and perform the necessary work and report on other assurance engagements in the context of agreed terms of reference and the legal, regulatory and ethical framework.
- Undertake audit and assurance engagements with reference to the best practices and developments in Corporate Governance and their application to clients' processes.
- Appraise issues and developments relating to auditing, including audit expectations and developments in the regulation of audits.
- Demonstrate an ability to work within a professional and ethical framework.

➤ Syllabus

1. Legal And Regulatory Environment

- (a) An in-depth knowledge of the Companies Act / Orders and relevant EU directives and other company law legislation affecting the auditor.
- (b) Responsibilities imposed on auditors 2 of Irish Stock Exchange (ISEQ) and London Stock Exchange listed companies and legal responsibilities to shareholders.
- (c) An in-depth knowledge of standards 3 and other technical pronouncements issued by the IASB, IAASB and the APB.
- (d) A detailed awareness of case law 2 decisions and their implications for the auditing process.
- (e) An in-depth knowledge of other legal liabilities affecting auditors and accountants in providing audit and assurance services.

2. Ethics

- (a) Application of the CPA Code of Ethics.
- (b) The fundamental principles of professional ethics.
- (c) Threats and safeguards.
- (d) Responsibilities to clients and colleagues.
- (e) Other responsibilities and practices including:
 - (i) Changes in professional appointments.
 - (ii) Use of lien in fee disputes.
 - (iii) Advertising and publicity.

- (iv) Use of professional designations.
- (f) Conflicts of interests.
- (g) Code of confidentiality.
- (h) Professional liability and indemnity.
- (i) Misconduct and negligence.
- (j) Ethical Standard for Auditors (Ireland) 2016

3. Internal Controls and Financial Systems

- (a) The definition of the control environment and control procedures.
- (b) Effective internal controls.
- (c) The limitations on the effectiveness of internal controls.
- (d) Ascertaining and understanding internal control systems: narrative notes, flowcharts, checklists, internal control questionnaires, walk through tests.
- (e) Evaluation and assessment of accounting systems and internal control systems and subsequent impact on audit work.
- (f) Reliance on internal controls and internal audit.
- (g) The principles and control procedures in a computer environment, including system analysis and design considerations.
- (h) The use of computer assisted audit techniques.

4. Risk Assessment & Audit Process

- (a) New engagements.
- (b) The strategic design and planning of an audit and knowledge of the client's business.
- (c) The review of financial statements to include analysis and critical assessment.
- (d) Quality control and recording of the audit.
- (e) The evaluation and testing of control procedures and audit evidence.
- (f) The design and carrying out of tests of substance on specific audit areas.
- (g) Consideration of materiality, audit risk, reliance on other specialists, events after the reporting period, contingencies, related parties.
- (h) Use of experts.
- (i) Characteristics of fraud and the responsibility of auditors for detecting material misstatement due to fraud.

5. Reporting

- (a) Reporting on Audited Financial Statements.
- (b) Key concepts: opinion, true and fair view, materiality, statutory requirements.
- (c) Basic elements of the Auditor's Report.
- (d) Modified Reports, differentiating between
 - (i) Matters that do not affect the auditor's opinion, and
 - (ii) Matters that do affect the auditor's opinion.
- (e) Circumstances giving rise to Modified Reports.
 - (i) Limitations on scope.
 - (ii) Disagreements with management.
- (f) Auditor's responsibility before and after the date of the Auditor's Report.
- (g) Auditor's responsibility for other information in documents (e.g. Annual Report) containing audited financial statements.

6. Special Audits and Other Assurance Engagements

- (a) Relevant audit planning, execution (including internal control implications), reporting and professional practice considerations concerning:
- (b) Group audits, small business audits (including small business exemption), not-for-profit audits, first time audits.
- (c) Prospectuses and other offering documents (investment circulars): historical year-end financial statements, interim financial statements, and future oriented information.

- (d) Other types of historical financial assurance engagements: financial statements review engagement (Accountant's Report), financial statements compilation engagements (Compilation Report), audit or review of specific financial information (e.g. sales figures for retail park leases), compliance with agreements (e.g. loan covenants), agreed-upon procedures.
- (e) Assurance on internal controls in service organisations (eg: data processing company).
- (f) Other types of audits: value for money/operational, social and environmental, health and safety, forensic (fraud identification, analysis and assessment).

7. Corporate Governance

- (a) The Code of Best Practice (based on Cadbury Report)
- (b) Audit Committees – structures, roles, benefits and drawbacks.
- (c) Roles and effectiveness of Non-Executive Directors.
- (d) Anti-Money Laundering Procedures.
- (e) The Combined Code (of the Committee on Corporate Governance)
- (f) UK Corporate Governance Code.

8. Current Issues

- (a) The current issues and developments relating to auditing, including audit expectations and developments in the regulation of audits.

➤ Financial Reporting and Auditing Standards

See Examinable Material Document on pages 92 to 99 for details of the Financial Reporting and Auditing Standards etc. applicable to this examination.

➤ Companies Act

See Examinable Material Document on pages 92 to 99 for details of the Companies Act applicable to this examination.

➤ Assessment Strategy

Examination Approach

The subject should be approached on the basis that it is a final professional stage examination. It builds on the knowledge gained at Professional 1 Stage in relation to the core auditing issues. The 50-mark case-study question presents opportunities for students to display logical and analytical thinking and critical analysis. Questions require students to write reports, which must be tailored to the technical knowledge of the target audience. Students are also presented with the opportunity to demonstrate professional judgement and ethical sensitivity.

Particular attention must be paid to the interaction between the various elements of the syllabus and other subjects studied. Students are expected to select and integrate relevant syllabus material from Audit Practice and Assurance Services and other subjects as appropriate. They must also be able to appraise and defend the audit function and its impact on financial statements and the maintenance of standards.

Examination Format

Assessment is by an open-book examination of 3.5 hours' duration. The examination consists of Section A, with one compulsory question, based on a case-study (worth 50% of the marks for the examination) and Section B, with a choice of two out of three optional questions, which may refer also to material in the major case-study and / or be based on minor case studies, each worth 25% of the marks for the examination.

Marks Allocation

Marks

Section A

Compulsory question(Case study)	50
Choice of 2 questions out of 3 (25 marks allocated to each question)	50

Total 100

➤ Learning Resources

Core Texts

The Audit Process, Principles, Practice & Cases 6th edition/**Gray and Manson** / Cengage 2015 / ISBN13: 978-1408081709

Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities /3rd Edition 2011 / IFAC / ISBN-13: 978-1608150991 Published in two volumes freely available for download from:

Volume 1:

- ❖ www.ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-1-3e.pdf

Volume 2:

- ❖ <http://ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-2-3e.pdf>

Technical Material:

❖ **Assurance and Quality Control Standards**

- International Standards on Auditing (Ireland)
- International Standards on Assurance Engagements (ISAEs).
- International Standards on Review Engagements (ISREs).
- ISQC(Ireland) Quality control for firms that perform audits & reviews of financial statements and related services engagements. These are available from the Irish Auditing & Accountancy Supervisory Authority www.iaasa.ie

❖ **Financial Accounting and Reporting Standards**

- International Financial Reporting Standards (IFRSs) EU Endorsed are available from the European Commission on http://ec.europa.eu/internal_market/accounting/ias/index_en.htm
- The International Standards on Auditing Ireland are available from the Irish Auditing & Accountancy Supervisory Authority www.iaasa.ie

❖ **Ethical Standards**

- Ethical Standards for Auditors (Ireland) 2016 are available from the Irish Auditing & Accountancy Supervisory Authority www.iaasa.ie
- CPA – Code of Ethics, available from the CPA website at www.cpaireland.ie

❖ **Examinable Material Document**

See pages 92 to 99

Supplementary Texts and Journals

Principles of External Auditing 4th ed / **Porter, Hatherly, Simon / Wiley** 2014 / ISBN-13: 9780470974452

Cosserat / Modern Auditing / Wiley / 3rd Edition 2009 / ISBN-13: 978-0470319734

External Auditing and Assurance: An Irish Textbook 2nd Edition by **Martin Nolan and Christine Nangle** Revised/2016/ICAI/ ISBN-13: 978-1910374696

Accountancy Plus

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Useful Websites

(as at date of publication)

www.cpaireland.ie – CPA Ireland.

www.iaasa.ie/ - Irish Auditing and Accounting Supervisory Authority.

www.frc.org.uk/About-the-FRC/FRC-structure/Former-FRC-structure/Auditing-Practices-Board.aspx - Auditing Practices Board

www.ifac.org/auditing-assurance_ - International Auditing & Assurance Standards Board

www.ifac.org – The International Federation of Accountants.

www.ifrs.org/ - The International Financial Reporting Standards Foundation.

www.frc.org.uk/About-the-FRC/FRC-structure/Audit-and-Assurance-Council.aspx, FRC - Audit and Assurance Council www.frc.org.uk/About-the-FRC/FRC-structure/Accounting-Council.aspx, FRC Accounting Council

www.frc.org.uk/About-the-FRC/FRC-structure/Conduct-Committee.aspx, FRC-Conduct Committee

www.accountingnet.ie/ - Irish Accounting and Business Portal.

Stage: Professional 2

Subject Title: Audit Practice and Assurance Services (Sri Lanka)

Examination Duration: 3.5 Hours (Open Book)

Aim

This unit will provide a more detailed understanding of the procedures introduced in Auditing and Assurance, defining their purpose and considering how it is achieved. It ensures that candidates can demonstrate the ability to work effectively on an assurance or other service engagement within a professional and ethical framework, exercise judgement, apply techniques in the analysis of matters relating to the provision of audit and assurance services, and can evaluate and comment on current practices and developments. The implications for auditors of computerised accounting systems will be considered. The unit will seek to stimulate further critical analysis of the extent to which the purpose and principles of auditing are being realised in practice.

The aim of this module is to ensure that students are able to understand more detailed concepts and techniques of providing auditing services according to the Companies Act of Sri Lanka and other standards. They are expected to be familiar with Sri Lankan auditing practice statements, Sri Lankan and International Auditing and accounting standards.

Audit Practice and Assurance Services as an Integral Part of the Syllabus

This module provides an opportunity for students who wish to study auditing in greater depth. Practical applications are considered in more detail, and emphasis is placed on such topics as the significance of the external auditor's statutory report, the nature of internal auditing, the relationship between external and internal auditors, the International Standards on Auditing, the legal and regulatory environment and its impact on audit and assurance practice, the current issues and developments relating to the provision of audit related and assurance services. Emphasis will continue to be placed on understanding the purpose of procedures.

In carrying out the audit of an entity's financial statements it is essential to understand fully the application of the relevant International Standards in Auditing (ISAs), International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). Many issues that face auditors frequently arise from the accounting treatment of certain financial transactions in the financial statements of the entity.

The study of the subject Auditing at Professional 1 Stage is an essential foundation for the study of Audit Practice and Assurance Services at Professional 2 Stage. Financial Accounting and Information Systems (at Formation 2 Stage) and Corporate Reporting and Corporate Laws and Governance (at Professional 1 Stage) are also essential prerequisites for the study of Audit Practice and Assurance Services.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting	Economics and Business Planning	Business Law and Professional Ethics	
			Management in Organisations			

Audit Practice and Assurance Services integrates and builds on, as appropriate, the capabilities developed in the earlier subjects as highlighted in the table above.

➤ Learning Outcomes

Students will be able to demonstrate an understanding of the nature and purpose of the procedures carried out during an audit, understanding of the internal audit process, and the differences between internal and external audit. They will be able to appreciate the significance of the statutory audit report to shareholders, and demonstrate an understanding of the issues involved in deciding whether a report should be qualified. They could demonstrate their ability to work within a professional and ethical framework. Students will become aware and recognise the legal and regulatory environment and its impact on audit and assurance practice.

- Identify and formulate the work required to meet the objectives of audit assignments and apply the International (or local based on international) Standards on Auditing.
- Ability to discuss critically the current problems and development in auditing.
- Explain and evaluate the auditor's position in relation to the acceptance and retention of professional appointments.
- Identify and describe the work required to meet the objectives of audit and non-audit assignments.
- Understand the current issues and developments relating to the provision of audit- related and assurance service.
- Evaluate findings and the results of work performed and draft suitable reports on assignments
- Assess and recommend appropriate quality control policies and procedures in practice management.

➤ Syllabus

1. Legal and Regulatory Environment

- (a) An in-depth knowledge of the Companies Act
- (b) An in-depth knowledge of standards 3 and other technical pronouncements issued by the IASB, IAASB and the APB.
- (c) A detailed awareness of case law 2 decisions and their implications for the auditing process.
- (d) An in-depth knowledge of other legal liabilities affecting auditors and accountants in providing audit and assurance services.

2. Auditing under clarified auditing standards

- (a) Introduction to clarified auditing standards
 - (i) Please see above for the Clarified Auditing Standards effective for audits of financial statements for periods beginning on or after 1 January 2012 issued by the Institute of Chartered Accountants of Sri Lanka.
 - (ii) Please note that CPA SL offers alternate paper; Advanced Audit and Assurance (international). Students selecting this option must be able to apply the International standards on Auditing.

3. Professional and ethical considerations

Code of Ethic and Conduct

- (a) The Fundamental Principles and the conceptual framework.
- (b) Evaluate and respond to threats to compliance with the fundamental principles, including independence of auditors in an audit of financial statements.
- (c) Evaluate the effectiveness of available safeguards to mitigate threats in complying with fundamental and ethical principles
- (d) Identify and advise on conflicts in the application of fundamental principles
- (e) Explain auditor's responsibility and requirements in complying with laws and regulations.
 - (i) Application of the CPA Code of Ethics.
 - (ii) Threats and safeguards.
 - (iii) Responsibilities to clients and colleagues.
 - (iv) Other responsibilities and practices including:
 - Changes in professional appointments.
 - Use of lien in fee disputes.
 - Advertising and publicity.
 - Use of professional designations.
 - Conflicts of interests.
 - Code of confidentiality.
 - Professional liability and indemnity.
 - Misconduct and negligence.
 - APB published Ethical Standards for Auditors.

Distinguish Between Fraud and Error

- (a) Define and clearly distinguish between the terms 'error', 'irregularity', 'fraud' and 'misstatement'.
- (b) Responsibilities of management and auditors for fraud and error.
- (c) Matters to be considered and procedures to be carried out to investigate actual and/or potential misstatements in a given situation.
- (d) The auditor's responsibilities relating to fraud in an audit of financial statements (SLAuS 240)
- (e) How, why, when and to whom fraud and error should be reported and the circumstances in which an auditor should withdraw from an engagement.
- (f) The current and possible future role of auditors in preventing, detecting and reporting error and fraud

Professional Liability

- (a) Circumstances in which professional accountants may have legal liability.
- (b) Criteria for legal liability to be recognised (including 'due professional care' and 'proximity') and apply them to given situations.
- (c) Liability to client with liability to third parties.
- (d) Precedents of case law.
- (e) The practicability and effectiveness of ways in which liability may be restricted, including professional indemnity insurance
- (f) Liability limitation agreements.
- (g) The advantages and disadvantages of claims against auditors being settled out of court.
- (h) The principal causes of audit failure and other factors that contribute to the 'expectation gap' (e.g. responsibilities for fraud and error).
- (i) Ways in which the expectation gap might be bridged.

4. Regulatory Framework

Regulatory framework in global and local context

- (a) Roles of International Federation of Accountants (IFAC) as the global organisation for accountancy profession
- (b) Standard setting initiative of IFAC
- (c) Harmonisation of the ethical, financial reporting and auditing standards
- (d) Local regulatory requirements
- (e) Need for laws, regulations, standards and other guidance relating to audit, assurance and related services.
- (f) Need for the legal and professional framework including: (1). public oversight to an audit and assurance practice (2). the role of audit committees and impact on audit and assurance practice.

SEC guidelines

- (a) Criteria to be adopted in selecting external auditors
- (b) Managing conflict of interest

Environment

- (a) Need for laws, regulations, standards and other guidance relating to audit, assurance and related services
- (b) The legal and professional framework including:
 - (i) Standard setting process both national and international,

- (ii) The authority of national and international standards,
- (iii) Principles of corporate governance and
- (iv) The purpose of audit committees.
- (c) Explain the principles behind different auditing requirements in different jurisdictions and describe how national and international bodies are working to harmonise auditing requirements, including requirements to report on internal controls (Sarbanes-Oxley Act).
- (d) Outline the aspects of employment and social security/law which are relevant to statutory audit.
- (e) The effectiveness of the different ways in which the auditing profession and audit markets are regulated.

Money Laundering

- (a) Describe 'money laundering'.
- (b) International efforts seek to combat money laundering.
- (c) The scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.
- (d) The need for ethical guidance in this area.
- (e) Obligations to help prevent and detect money laundering including record keeping and reporting of suspicion to the appropriate regulatory body.
- (f) The importance of 'know your customer' (KYC) information.
- (g) Potentially suspicious transactions and assess their impact on reporting duties.
- (h) The basic elements of an anti-money laundering programme.
- (i) Money laundering and its implication to auditors

Laws and Regulations

- (a) Responsibilities of management and auditors with regard to compliance with laws and regulations in an audit of financial statements.
- (b) Considerations of compliance with laws and regulations
- (c) How and to whom non-compliance should be reported.
- (d) When withdrawal from an engagement is necessary.
- (e) SLAuS 250 Consideration of laws and regulations in an audit of financial statements.
- (f) Explain legal and regulatory factors affecting an audit of financial statements.
- (g) Auditor's responsibility for preventing and detecting frauds in an audit of financial statements
- (h) Factors or conditions normally present in a fraud situation.

5. Practice Management

Quality control practices and procedures.

- (a) Quality control for an audit of financial statements (SLAuS 220)
- (b) Audit documentation (SLAuS 230)
- (c) The principles and purpose of quality control of audit and other assurance engagements.
- (d) The elements of a system of quality control relevant to a given firm.
- (e) Quality control procedures that are applicable to a given audit engagement.
- (f) Apprise whether an engagement has been performed in accordance with professional standards and whether reports issued are appropriate in the circumstances.

Advertising, publicity and obtaining professional work.

- (a) The need for guidance in these areas.
- (b) Situations in which specified advertisements are acceptable
- (c) The restrictions on practice descriptions, the use of the CPA logo and the names of practicing firms.
- (d) The extent to which reference to fees may be made in promotional material.

- (e) The determinants of fee-setting and the bases on which fees and commissions may and may not be charged for services.
- (f) The ethical and other professional problems involved in establishing and negotiating fees for a specified assignment.

Tendering.

- (a) Reasons for need to change auditors/professional accountants.
- (b) Matters to be considered when a firm is invited to submit a proposal or fee quote for an audit or other professional engagement.
- (c) Information required for a proposal.
- (d) The content of an engagement proposal document.
- (e) The criteria that might be used to evaluate tenders received from audit firms in a given situation.
- (f) Reasons why audit fees may be lowered from the previous year's fees.
- (g) 'Lowballing' and its consequences.

Terms of engagement.

- (a) Matters to be considered and the procedures that an audit firm/professional accountant should carry out before accepting a specified new client/engagement including:
 - (i) client acceptance,
 - (ii) engagement acceptance and
 - (iii) agreeing the terms of engagement.
- (b) Key issues that underlie the agreement of the scope and terms of an engagement with a client.
- (c) Procedures for the transfer of books, papers and information following a new appointment.
- (d) The purpose of laws, standards and other requirements surrounding assurance work
- (e) Evaluate the system of quality control and quality control procedures in place of the firm to ensure that audit engagements are performed in accordance with applicable laws and regulations
- (f) Explain the main ways in which the Companies Act affects the scope and nature of the audit and the appointment and removal of auditors (including the relationship between the law and audit standards).
- (g) explain the elements (both explicit and implicit) of the auditor's report issued in accordance with the Sri Lanka Auditing Standards and statutory requirements and recommend the nature of an audit opinion to be given in such a report.

Engagement acceptance

- (a) Factors relevant in accepting and agreeing the terms for a new engagement for audit, review, assurance and related services
- (b) Advise on suitable engagements in the following areas:
 - (i) assurance engagements
 - (ii) review of financial statements
 - (iii) special purpose audits
 - (iv) related services

6. Assignments

Historical financial information.

- (a) The key features of the following:

- (i) risk-based auditing,
 - (ii) 'top down' approach,
 - (iii) systems audit,
 - (iv) balance sheet approach,
 - (v) transaction cycle approach and
 - (vi) directional testing.
- (b) Suitable approach to a given assignment and recognise when an approach is unsuitable

Materiality and assessing the risk of misstatement.

- (a) Matters to be considered in planning a given assignment including:
 - (i) logistics (e.g. staff and client management, multiple locations, deadlines),
 - (ii) use of IT in administration,
 - (ii) time budgets,
 - (iv) assignment objectives and reports required,
 - (v) client interface (e.g. communication methods),
 - (vi) preliminary materiality assessment,
 - (vii) key financial statement risks and
 - (viii) an overall audit strategy.
- (b) Materiality and how it should be applied in financial reporting and auditing.
- (c) The criteria that determine whether or not a matter is material and the use and limitations of prescriptive rules in making decisions about materiality.
- (d). Understating how financial statements can be materially misstated by related party relationships and transactions
- (e) Business risks in given situations.
- (f) The factors that influence the assessment of a specified risk (e.g. inherent risk, financial statement risk) for a given assignment
- (g) The assessments of risks and materiality affect the nature, timing and extent of auditing procedures in a given situation.
- (h) Risk assessment procedures, including analytical procedures, to obtain an understanding of a given entity and its environment.
- (i) The risk of misstatement at the financial statement level and assertion level and design audit procedures in response to assessed risks.
- (j) The impact of material inconsistency and material misstatement on the audit report and audit engagement.
- (k) Danger of material misstatement at assertion level and at financial statement level
- (l) Explain how business risk could result in risk of material misstatements in financial statements.
- (m) Describe the overall response of the auditor to identified risk of material misstatements
- (n) Identify risk of material misstatements by preparing financial information and non-financial information relating to economic, industry and business matters
- (o) Appropriateness of different benchmarks when calculating the level of materiality
- (p) The implications of a specified computer system (e.g. network) on an assignment

Audit Planning

- (a) Activities connected with setting the overall audit strategy
- (b) Stipulate overall materiality, performance and materiality level
- (c) Define risk assessment procedures
- (d) Explain the procedures used in risk assessment
- (e) Describe relevant aspects of the business to audit, including, among others, industry, nature of the entity, objectives, strategies, business risk and KPIs.
- (f) Prepare an overall audit strategy for an audit engagement, including an audit of the financial statements of a group and an SME
- (g) Audit procedures to address complex areas relating to financial reporting issues including, among others, audit of fair value measurements and estimates, derivatives, related parties and the use of the work of an expert
- (h) Evaluate the extent to which reliance can be placed on internal auditor in determining the nature, timing and extent of further audit procedures.

- (i) Assess the effect on financial statements, if any, of misstatements on the audit and the effect of uncorrected misstatements
- (j) Impact of a modification in relation to opening balances or corresponding figures
- (k) Identify any unusual relationships shown in financial statements which require further investigation.
- (l) Consider the need to change the audit approach for a given case

Evidence (SLAuS 500 Audit Evidence)

- (a) Different sources of audit evidence and the procedures by which evidence may be obtained including:
 - (i) Analytical procedures (use of analytical procedures at different stages of the audit)
 - (ii) Management representations,
 - (iii) The work of others, including the work performed by a management's expert and an auditor's expert.
 - (iv) Audit sampling (different methods used for selecting samples in audit sampling)
 - (v) External confirmations and
 - (vi) Audit automation tools.
- (b) Obtain sufficient audit evidence from identified sources.
- (c) Use of written representation as audit evidence, including its limitations.
- (d) Procedures required to identify events occurring between the date of financial statements and the date of the audit report
- (e) Assessing the extent to which reliance can be placed on substantive analytical procedures and recognise situations in which analytical procedures may be used extensively.
- (f) Analytical procedures to financial and non-financial data.
- (g) The audit evidence expected to be available to:
 - (i) Verify specific assets, liabilities, transactions and events; and
 - (ii) Support financial statement assertions and accounting treatments (including fair values).
- (h) Responsibility of an auditor in the verification of physical inventory.
- (i) Reasons for preparing and retaining documentation and the importance of reviewing working papers.
- (j) Specific audit problems and procedures concerning related parties and related party transactions.
- (k) Circumstances that may indicate the existence of unidentified related parties and select appropriate audit procedures.
- (l) Of external confirmation in gathering audit evidence
- (m) Describe the use of written management representations as the primary source of audit evidence and as complementary audit evidence.
- (n) Explain procedures that should be performed to reduce the risk arising from related party transactions
- (o) Discuss the different types of audit documentation which should be maintained.
- (p) Assess the adequacy of audit documentation in a given scenario.
- (q) Discuss the implications of contradictory evidence being discovered.
- (r) When it is justifiable to place reliance on the work of an expert (e.g. a surveyor employed by the audit client).
- (s) Use of Computer Assisted Audit Techniques (CAAT) in performing audit procedures.
- (t) The appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be placed on it.

Internal controls in place

- (a) Evaluate business processes and identify the internal controls in place, in relation to the main business:
 - (i) order to receipt
 - (ii) procurement to pay
 - (iii) payroll
 - (iv) cash management and investment
 - (v) PPE and inventory management
- (b) Analyse design, implementation and operating effectiveness of identified controls

- (c) Significant and minor deficiencies in control activities.
- (d) Activities of a service organisation when a significant part of the IT process has been outsourced.

Evaluation and review

- (a) Review procedures and their role in detecting material misstatements.
- (b) Evaluate findings quantitatively and qualitatively, e.g: (i) the results of audit tests and procedures (ii) the effect of actual and potential misstatements.
- (c) How auditors discharge their responsibilities for corresponding figures, comparative financial statements, 'other information', subsequent events and going concern are discharged.
- (d) Further considerations and audit procedures relevant to initial engagements.
- (e) The courses of action available to an auditor if a material inconsistency or misstatement of fact exists.
- (f) Audit procedures designed to identify subsequent events that may require adjustment to, or disclosure in, the financial statements of a given entity.
- (g) Indicators that the going concern basis may be in doubt and recognise mitigating factors.
- (h) The evidence that might be expected to be available and assess the appropriateness of the going concern basis in given situations.
- (i) The adequacy of disclosures in financial statements relating to going concern and explain the implications for the auditor's report with regard to the going concern basis.
- (j) Matters (e.g. materiality, risk, relevant accounting standards, audit evidence) relating to: stocks, standard costing systems, cash flow statements, changes in accounting policy, long-term contracts, taxation, segmental reporting, fixed assets, fair value, leases, revenue recognition, pension costs, government grants, finance costs, related parties, earnings per share, impairment, provisions, contingent liabilities and, contingent assets, goodwill, brands, research and development, other intangible assets, capital instruments, financial instruments, investment properties, transition to International Financial Reporting Standards (IFRS), share-based payment transactions, business combinations, discontinued operations and held for sale non-current assets.

Group audits

- (a) Specific matters to be considered before accepting appointment as principal auditor to a group in a given situation.
- (b) Compare and contrast the group audits with those of joint audits in relation to issues specific to organisation, planning,
- (c) Specific audit problems and describe audit procedures in a given situation relating to: (i) the correct classification of investments, (ii) differing accounting policies and frameworks (iii) fair values on acquisition, (iv) intangibles, (v) taxation, (vi) goodwill on consolidation, (vii) intra-group balances, transactions and profits, (viii) related parties, (ix) post balance sheet events, (x) entities in developing countries.
- (d) Discuss letters of support ('comfort letters') as audit evidence.
- (e) Matters to be considered and the procedures to be performed when a principal auditor uses the work of other auditors in a given situation.
- (f) Implications for the auditor's report on the financial statements of an entity where the opinion on a component is qualified or otherwise modified in a given situation.

Audit of specialised entities

- (a) How bank is different to any other business
- (b) The risks associated with banking activities and the audit approach
- (c) Regulation of insurance industry
- (d) Audit of not for profit entities
- (e) Public sector entities
- (f) Small entities

Audit-related services

- (a) The nature of audit-related services, the circumstances in which they might be required and the comparative levels of assurance provided by professional accountants.
- (b) Distinguish between:
 - (i) audit-related services and an audit of historical financial statements and
 - (ii) an attestation engagement and a direct reporting engagement.
- (c) Plan review engagements, for example:
 - (i) A review of interim financial information and
 - (ii) A 'due diligence' assignment (when acquiring a company, business or other assets).
- (d) The importance of enquiry and analytical procedures in review engagements and apply these procedures.
- (e) Describe and apply the general principles and procedures relating to a compilation engagement (e.g. to prepare financial statements).
- (f) Explain why agreed-upon procedures and compilation engagements do not (usually) meet the requirements for an assurance engagement.
- (g) Illustrate the form and content of: (i) a report of factual findings (ii) a compilation report.

Assurance services

- (a) Application of the requirements of Sri Lanka Standard on Assurance Engagements (SLSAEs)
- (b) Main categories of assurance services that audit firms can provide and assess the benefits of providing these services to management and external users: (i) risk assessments, (ii) business performance measurement (iii) systems reliability, (iv) electronic commerce.
- (c) Justify a level of assurance (reasonable, high, moderate, limited, negative) for an engagement depending on the subject matter evaluated, the criteria used, the procedures applied and the utility and quantity of evidence obtained.
- (d) Recognise the ways in which different types of risk (e.g. strategic, operating, information) may be identified and analysed and assess how management should respond to risk.
- (e) Identify operational measures and describe how the reliability of performance information systems is assessed (including benchmarking).
- (f) A value for money audit and measures of economy, efficiency and effectiveness.
- (g) The demand for reliable and more timely reporting on financial information and the development of continuous auditing.
- (h) Procedures for assessing internal control effectiveness.
- (i) How entities are using core technologies (e.g. EDI, e-mail, Internet, World Wide Web) and explain how e-commerce affects the business risk of a given entity.

Prospective financial information

- (a) Describe 'prospective financial information' (PFI) and distinguish between a 'forecast', a 'projection', a 'hypothetical illustration' and a 'target'.
- (b) The principles of useful PFI.
- (c) Matters to be considered before accepting a specified engagement to report on PFI.
- (d) The level of assurance that the auditor may provide and explain the other factors to be considered in determining the nature, timing and extent of examination procedures.
- (e) Examination procedures to verify forecasts and projections relating to:
 - (i) revenue,
 - (ii) capital expenditure,
 - (iii) revenue expenditure,
 - (iv) profits,
 - (v) cash flows and
 - (vi) working capital.
- (f) Compare the content of a report on an examination of PFI with reports made in providing audit-related services.

Forensic audits

- (a) Terms 'forensic accounting', 'forensic investigation' and 'forensic audit'.

- (b) The major applications of forensic auditing (e.g. fraud, negligence, insurance claims) and analyse the role of the forensic auditor as an expert witness.
- (c) The fundamental ethical principles to professional accountants engaged in forensic audit assignments.
- (d) Investigative procedures and evaluate evidence appropriate to determining the loss in a given situation.
- (e) Terms under which experts make reports.

Internal Audit and Enterprise Risk Management

- (a) Objectives and principal characteristics of internal audit.
- (b) Objectives and principal characteristics of other assurance engagements.
- (c) Compare and contrast operational and compliance audits.
- (d) A suitable approach (e.g. cyclical compliance) to specified multi-site operations.
- (e) Explain managing of an internal audit engagement in a given case relating to the main business process of an entity
- (f) Outsourcing of internal auditing services.
- (g) Role of internal auditor in enterprise risk management
- (h) Describe risk and enterprise risk management
- (i) Role of enterprise risk management in today's turbulent business environment
- (j) Key concepts in enterprise risk management including risk appetite, risk analysis, risk mitigation and risk monitoring.
- (k) Roles and responsibilities relating to enterprise risk management
- (l) Use of a risk management framework.
- (m) Risk arising from internal and external environment in terms of likelihood, consequence and other risk criteria
- (n) Explain risk event, related objective, type of risk, risk rating, risk measurement and risk mitigation plans

Outsourcing

- (a) The different approaches to 'outsourcing' and compare with 'insourcing'.
- (b) The advantages and disadvantages of outsourcing finance and accounting functions including:
 - (i) data (transaction) processing,
 - (ii) pensions,
 - (ii) information technology (IT),
 - (iv) internal auditing,
 - (v) due diligence work and
 - (vi) taxes.
- (c) The impact of outsourced functions on the conduct of an audit.

7.Reporting

Auditor's reports

- (a) Describe the elements of an audit report
- (b) Explain the difference between a general purpose and special purpose audit report
- (c) Explain the difference between fair presentation and compliance framework
- (d) Describe the type of modified opinion provided under SLAuS 705
- (e) Meaning of perverseness in the context of a modified audit report under SLAuS 705
- (f) Forming an opinion and reporting on financial statements in accordance with SLAuS 700
- (g) The auditor's report – provisions of the Companies Act No 07 of 2007
- (h) Differences between an emphasis of matters and other matters under SLAuS 706
- (i) Auditor's responsibility towards other information included in documents containing auditor's report under SLAuS 720
- (j) A non-complex audit engagement and propose appropriate modifications, with sufficient justification with reference to (SLAuS 705)
- (k) Appraise the form and content of a standard unmodified auditor's report.

- (l) The factors to be taken into account when forming an audit opinion in a given situation.
- (m) Audit opinions that are consistent with the results of audit procedures relating to the sufficiency of audit evidence and/or compliance with accounting standards (including the going concern basis).
- (n) Draft extracts suitable for inclusion in an audit report.
- (o) Draft suitable extracts for an assurance report (including any report to the management issues as part of the engagement) in relation to a specified organisation on the basis of given information. Including in the extracts (where appropriate) statements of facts their potential effects, and recommendations for action relevant to the needs and nature of the organisation being reported upon.
- (p) Design suitable reports for related services.
- (q) Advise on reports to be issued to those responsible for governance in accordance with Sri Lanka Auditing Standards, legislation, regulation and codes
- (r) The implications for the auditor's report on financial statements that report compliance with IFRSs.
- (s) Appropriateness of a proposed audit opinion.
- (t) Explain 'a true and fair view'.
- (u) Consideration of subsequent events and the validity of going concern assumption
- (v) Special purpose auditors' reports (e.g. on summary financial statements) and analyse how and why they differ from an auditor's report on historical financial information.

Reports to management

- (a) Suitable content for a report to management, on the basis of given information, including statements of facts, their potential effects and appropriate recommendations for action.
- (b) Assess the quality of a management letter.
- (c) The content of reports to those charged with governance in a given situation.
- (d) The need for timely communication, clearance, feedback and follow up.
- (e) The relative effectiveness of communication methods.

Other reports

- (a) The form and content of the professional accountant's report for an assurance engagement as compared with an auditor's report.
- (b) The content of a report on examination of prospective financial information.
- (c) The effectiveness of the 'negative assurance' form of reporting and situations in which it may be appropriate to express a reservation or deny a conclusion.

8.Current Issues and Developments

- (a) Discuss the relative merits and the consequences of different standpoints taken in current debates and express opinions supported by reasoned arguments.
- (b) Comment on impact on audits taking into consideration any current developments,any guidance and publications by the 1CASL.

Professional, ethical and corporate governance

- The Code of Best Practice (based on Cadbury Report)
- Audit Committees – structures, roles, benefits and drawbacks.
- Roles and effectiveness of Non-Executive Directors.
- Anti-Money Laundering Procedures.
- The Combined Code (of the Committee on Corporate Governance)
- (a) The relative advantages of an ethical framework and a rulebook
- (b) The adequacy of existing ways in which objectivity may be safeguarded and suggest additional measures to improve independence

- (c) Relevant emerging ethical issues and the safeguards available.
- (d) IFAC developments including:
 - (i) The implementation and adoption of International Standards on Auditing (ISAs) by Sri Lankan Auditing Practices Board (SLAPB) and
 - (ii) Significant current assurance issues being dealt with by SLAPB.
- (e) The relative advantages and disadvantages of partnership status, limited liability partnerships and incorporation of audit firms
- (f) Current developments in the limitation of auditors' liability and the practical ways in which the risk of litigation and liability can be reduced in a given situation.
- (g) The use of conceptual framework approach (IFAC) in complying with fundamental ethical principles, in terms of identifying threats, evaluating the significance of threats and applying safeguards.
- (h) Ethical behaviour in a given situation
 - (i) The process of ethical conflict resolution.
 - (j) Ethical issues faced by a professional accountant in an enterprise for a given case
 - (k) Ethical issues affecting the independence of the assurance team, firm and the network
 - (l) Ethical issues and safeguards applicable to provision of non-assurance services
- (m) Ethical issues faced by members in practice, in complying with fundamental and ethical principles, in the context of:
 - (i) appointment ethics
 - (ii) conflicts of interest
 - (iii) second opinion
 - (iv) fee and other type of remuneration
 - (v) marketing
 - (vi) gift and hospitality
 - (vii) custody of clients assets
- (n) The role of ethical behaviour and stages of morality development in "Kohlberg's Model", in shaping a professional accountant
- (o) Need for an audit committee, including the benefits of an audit committee to the shareholders of a listed entity
- (p) Rules and principles based approaches to corporate governance
- (q) Key aspects of corporate governance, covering responsibilities of the Board and role of non-executive directors
- (r) The effectiveness of a board, in respect to governance, including among others:
 - (i) responsibilities of the board
 - (ii) types of directors
 - (iii) board composition
 - (iv) unitary and two-tier board structures
 - (v) division of powers (CEO and chairman)
 - (vi) role of independent non-executive directors
 - (vii) financial acumen
- (s) Audit committee charter including the key aspects of an audit committee, such as:
 - (i) role of "the audit committee"
 - (ii) membership and meeting
 - (iii) financial and management information reporting
 - (iv) internal controls
 - (v) internal audits and external audits
 - (vi) conflict of interest
- (t) Innovations in corporate governance (e.g. enterprise-wide risk management) and their impact on boards of directors, audit committees and internal auditors

Information technology

- (a) Recent trends in IT and their current and potential impact on auditors (e.g. the audit implications of 'cyber incidents' and other risks).
- (b) How IT may be used to assist auditors and discuss the problems that may be encountered in automating the audit process.
- (c) Importance of IT controls in an audit, including IT general controls and IT application controls.
- (d) The basic principles in an audit analytical software, use and benefits of audit analytical software

Trans-national audits

- (a) Explain 'transnational audits' and describe the role of the Transnational Audit Committee (TAC) of IFAC.
- (b) How transnational audits may differ from other audits of historical financial information (e.g. in terms of applicable financial reporting and auditing standards, listing requirements and corporate governance requirements).
- (c) The need for international audit firm networks in implementing international auditing standards.
- (d) Distinguish, for example, between 'global auditing firms' and second tier firms.
- (e) The impact of globalisation on audit firms and their clients.
- (f) The advantages and problems of current trends (e.g. to merge, to divest consultancy services).

Social and environmental auditing

- (a) The increasing importance of policies that govern the relationship of an organization to its employees, society and the environment.
- (b) The difficulties in measuring and reporting on economic, environmental and social performance and give examples of performance measures and sustainability indicators.
- (c) The auditor's main considerations in respect of social and environmental matters and how they impact on entities and their financial statements (e.g. impairment of assets, provisions and contingent liabilities).
- (d) Substantive procedures to detect potential misstatements in respect of socio-environmental matters.
- (e) The form and content of an independent verification statement (e.g. on an environmental management system (EMS) and a report to society).

Other current issues

- (a) How the potential problems associated with the audit of small enterprises may be overcome.
- (b) How International Standards on Auditing affect smaller Sri Lankan firms.
- (c) The dominance of the global firms and their influence and impact on the accounting profession.
- (d) The impact of developments in public company oversight on external auditors.
- (e) Current developments in auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits.
- (f) Other current legal, ethical, other professional and practical matters that affect accountants, auditors, their employers and the profession.

➤ Financial Reporting And Auditing Standards:

See Examinable Material Guideline 76 for details of the Financial Reporting and Auditing Standards etc. applicable to this examination.

➤ Accounting Standards

Framework for Preparation and Presentation of Financial Statements

- SLFRS 1 First-time Adoption of International financial reporting
- SLFRS 2 Share-based Payment
- SLFRS 3 Business Combinations

- SLFRS 4 Insurance Contracts
- SLFRS 5 Non-current Assets Held for Sale a Discontinued Operations
- SLFRS 6 Exploration for the Evaluation of Mineral Resources
- SLFRS 7 Financial Instrument : Disclosure
- SLFRS 8 Operating Segments
- LKAS 1 Presentation of Financial Statements
- LKAS 2 Inventories
- LKAS 7 Statement of Cash Flows
- LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- LKAS 10 Events after the Reporting Period
- LKAS 11 Construction Contracts
- LKAS 12 Income Taxes
- LKAS 16 Property, Plant and Equipment
- LKAS 17 Leases
- LKAS 18 Revenue
- LKAS 19 Employee Benefits
- LKAS 20 Accounting for Government Grants and Disclosure of Government Assistance
- LKAS 21 The Effects of Change in Foreign Exchange Rates
- LKAS 23 Borrowing Costs
- LKAS 24 Related Party Disclosures
- LKAS 26 Accounting and Reporting by Retirement & Specific Benefit Plans
- LKAS 27 Consolidated and Separate Financial Statements
- LKAS 28 Investments in Associates
- LKAS 29 Financial reporting in Hyperinflationary Economics
- LKAS 31 Interests in Joint Ventures
- LKAS 32 Financial Instruments : Presentation
- LKAS 33 Earnings per Share
- LKAS 34 Interim Financial Reporting
- LKAS 36 Impairment of Assets

- LKAS 37 Provisions, Contingent Liabilities and Contingent Assets
- LKAS 38 Intangible Assets
- LKAS 39 Financial Instruments: Recognition and Measurement
- LKAS 40 Investment Property
- LKAS 41 Agriculture
- SLFRS for SMEs (Sri Lanka Accounting Standards on Small and Medium Enterprises)

➤ Revised Auditing Standards Applicable From 2012

200 – 299 General Principles and Responsibilities

- SLAuS 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Sri Lanka Auditing Standards
- SLAuS 210 Agreeing the Terms of Audit Engagements
- SLAuS 220 Quality Control for an Audit of Financial Statements
- SLAuS 230 Audit Documentation
- SLAuS 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- SLAuS 250 Consideration of Laws and Regulations in an Audit of Financial Statement
- SLAuS 260 Communication with Those Charged with Governance
- SLAuS 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

300-499 Risk Assessment and Response to Assessed Risks

- SLAuS 300 Planning an Audit of Financial Statements
- SLAuS 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
- SLAuS 320 Materiality in Planning and Performing an Audit
- SLAuS 330 The Auditor's Responses to Assessed Risks
- SLAuS 402 Audit Considerations Relating to an Entity Using a Service Organization
- SLAuS 450 Evaluation of Misstatements Identified during the Audit

500-599 Audit Evidence

- SLAuS 500 Audit Evidence
- SLAuS 501 Audit Evidence—Specific Considerations for Selected Items
- SLAuS 505 External Confirmations

- SLAuS 510 Initial Audit Engagements—Opening Balances
- SLAuS 520 Analytical Procedures
- SLAuS 530 Audit Sampling
- SLAuS 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- SLAuS 545 Auditing fair value measurements and disclosures
- SLAuS 550 Related Parties
- SLAuS 560 Subsequent Events
- SLAuS 570 Going Concern
- SLAuS 580 Written Representations

600-699 Using Work of Others

- SLAuS 600 Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)
- SLAuS 610 Using the Work of Internal Auditors
- SLAuS 620 Using the Work of an Auditor’s Expert
- 700-799 Audit Conclusions and Reporting
- SLAuS 700 Forming an Opinion and Reporting on Financial Statements
- SLAuS 705 Modifications to the Opinion in the Independent Auditor’s Report
- SLAuS 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report
- SLAuS 710 Comparative Information—Corresponding Figures and Comparative Financial Statements
- SLAuS 720 The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

800-899 Specialised Areas

- SLAuS 800 Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- SLAuS 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- SLAuS 810 Engagements to Report on Summary Financial Statements

Sri Lanka Auditing Practice Statements (SLAPs)

- 1000 Inter-Bank Confirmation Procedures
- 1004 The Relationship Between Banking Supervisors and Banks’ External Auditors

- 1005 The Special Consideration in the Audit of Small Entities
- 1006 Audits of the Financial Statements of Banks
- 1010 The Consideration of Environmental Matters in the Audit of Financial Statements
- 1012 Auditing Derivative Financial Instruments
- 1013 Electronic Commerce-Effect on the Audit of Financial Statements
- 1014 Reporting by Auditors on Compliance with International Financial Reporting Standards

Sri Lanka Standards on Review Engagements (SLSREs)

- 2400 Engagements to Review Financial Statements

Sri Lanka Standards on Assurance Engagements (SLSAEs)

- 3000 Assurance Engagements Other than Audit or Reviews of Historical Financial Information
- 3400 The Examination of Prospective Financial Information

Sri Lanka Standards on Related Services (SLSRs)

- 4400 Engagement to Perform Agreed-Upon Procedures Regarding Financial Information
- 4410 Engagements to Compile Financial Statements

The Institute of Certified Public Accountants offers an alternative paper: Audit & Assurance (International)

Candidates who wish to take International paper are expected to be familiar with the relevant areas of the following International Auditing Standards

International Auditing Standards

Respective responsibilities

- ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing
- ISA 210 Agreeing the Terms of Audit Engagements
- ISA 220 Quality Control for an Audit of Financial Statements
- ISA 230 Audit Documentation
- ISA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- ISA 250 Consideration of Laws and Regulations in an Audit of Financial Statements
- ISA 260 Communication with Those Charged with Governance
- ISA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management

Audit planning

- ISA 300 Planning an Audit of Financial Statements
- ISA 315 Identifying and assessing the risks of material misstatement through understanding the entity and its environment
- ISA 320 Materiality in planning and performing an audit
- ISA 330 The auditor's responses to assessed risks

Internal Control

- ISA 402 Audit Considerations Relating to an Entity Using a Service Organization
- ISA 450 Evaluation of Misstatements Identified during the Audit

Audit evidence

- ISA 500 Audit Evidence
- ISA 501 Audit Evidence – Additional Considerations for Specific Items
- ISA 505 External Confirmations
- ISA 510 Initial Engagements - Opening Balances
- ISA 520 Analytical Procedures
- ISA 530 Audit Sampling and Other Means of Testing
- ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- ISA 550 Related Parties
- ISA 560 Subsequent Events
- ISA 570 Going Concern
- ISA 580 Written Representations

Using work of other experts

- ISA 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)
- ISA 610 Using the Work of Internal Auditors
- ISA 620 Using the Work of an Auditor's Expert

Audit conclusions and Audit report

- ISA 700 Forming an Opinion and Reporting on Financial Statements
- ISA 705 Modifications to the Opinion in the Independent Auditor's Report
- ISA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

- ISA 710 Comparative Information - Corresponding Figures and Comparative Financial Statements
- ISA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements

Specialized areas

- ISA 800 Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks
- ISA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement
- ISA 810 Engagements to Report on Summary Financial Statements

International Standard on Quality Control (ISQC) 1, Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements

➤ Companies Act:

See Examinable Material Guideline for details of the Companies Act applicable to this examination.

➤ Assessment Strategy

Examination Approach

The subject should be approached on the basis that it is a final professional stage examination. It builds on the knowledge gained at Professional 1 Stage in relation to the core auditing issues. The 50-mark case-study question presents opportunities for students to display logical and analytical thinking and critical analysis. Questions require students to write reports, which must be tailored to the technical knowledge of the target audience. Students are also presented with the opportunity to demonstrate professional judgement and ethical sensitivity.

Particular attention must be paid to the interaction between the various elements of the syllabus and other subjects studied. Students are expected to select and integrate relevant syllabus material from Audit Practice and Assurance Services and other subjects as appropriate. They must also be able to appraise and defend the audit function and its impact on financial statements.

Examination Format

Assessment is by an open-book examination of 3.5 hours' duration. The examination consists of Section A, with one compulsory question, based on a case-study (worth 50% of the marks for the examination) and Section B, with a choice of two out of three optional questions, which may refer also to material in the major case-study and / or be based on minor case studies, each worth 25% of the marks for the examination.

Marks Allocation

Marks

Section A

Compulsory question(Case study) 50

Choice of 2 questions out of 3 (25 marks allocated to each question) 50

Total 100

➤ Teaching And Learning Strategies

Student engagement is a necessary condition for an effective learning experience, and includes contributions to debate and discussion (if any), positive interactive learning with others, and an enthusiastic attitude towards inquiry. Everyone is expected to be a positive contributor to the class learning community, and students are expected to share the responsibility of teaching each other.

Modes of delivery of the unit will include three hour lecture and one hour workshop/tutorial/seminar. The focus of the workshops/seminars will be (a) on discussion of principles and (b) on practical problems which illustrate the principles explained in the lectures. Students will be encouraged to work in groups.

Weekly tutorial/workshop provides the pastoral support and give a forum for discussing the technical aspects of material presented in this module.

➤ Learning Resources

Core Texts

Companies Acts of Sri Lanka & other Government and ICASL publications relating to audit and assurance

A D Chambers, J M Court, **Computer Auditing**, Pitman

T A Lee, Corporate Audit Theory, Chapman and Hall

E Woolf, Auditing Theory Today, Prentice Hall International

H Silverstone and M Sheetz **Forensic accounting and fraud investigation for non-experts**, 2nd edition, Wiley, 2007

The Audit Process, Principles, Practice & Cases 6th edition/Gray and Manson / Cengage 2015 / ISBN13: 978-1408081709

Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities /3rd Edition 2011 / IFAC / ISBN-13: 978-1608150991 Published in two volumes freely available for download from:

Volume 1:

❖ www.ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-1-3e.pdf

Volume 2:

❖ <http://ifac.org/sites/default/files/publications/files/SMP-ISA-Audit-Guide-Volume-2-3e.pdf>

Technical Material:

❖ Assurance and Quality Control Standards

- (a) International Standards on Auditing (SL) (ISAs)
- (b) International Standards on Assurance Engagements (ISAEs).
- (c) International Standards on Review Engagements (ISREs).
- (d) International Standards on Quality Control (SL, UK, Ireland). (ISQC 1) which are available from Auditing Practices Board. (APB) web site at www.frc.org.uk/apb.

❖ Financial Accounting And Reporting Standards

- (a) International Financial Reporting Standards (IFRSs)
- (b) The International Auditing Standards (IASs) are available from the International Accounting Standards Board website at www.iasb.org

❖ Ethical Standards

- (a) APB Ethical Standards (ESs) are available from the Auditing Practices Board website www.frc.org.uk/apb
- (b) CPA – Code of Ethics, available from the CPA website at www.cpaireland.ie

❖ Examinable Material Document
See Guideline

Supplementary Texts and Journals

Principles of External Auditing 4th ed / Porter, Hatherly, Simon / Wiley 2012 / ISBN-13: 978 0470974452

Cosserat / Modern Auditing / Wiley / 3rd Edition 2009 / ISBN-13: 978-0470319734

External Auditing and Assurance: An Irish Textbook 2nd Edition by Martin Nolan and Christine Nangle/ICAI/ ISBN-13: 978 1908199461

Accountancy Plus

CPA Students' e Bulletin

Useful Websites

(as at date of publication)

www.cpaireland.ie – CPA Ireland.

www.iaasa.ie/ - Irish Auditing and Accounting Supervisory Authority.

[www.frc.org.uk/About-the-FRC/FRC structure/Former-FRC-structure/Auditing Practices-Board.aspx](http://www.frc.org.uk/About-the-FRC/FRC_structure/Former-FRC-structure/Auditing_Practices-Board.aspx) - Auditing Practices Board

www.ifac.org/auditing-assurance_- International Auditing & Assurance Standards Board

www.ifac.org – The International Federation of Accountants.

www.ifrs.org/ - The International Financial Reporting Standards Foundation.

[www.frc.org.uk/About-the-FRC/FRC structure/Audit-and-Assurance-Council.aspx](http://www.frc.org.uk/About-the-FRC/FRC_structure/Audit-and-Assurance-Council.aspx), FRC - Audit and Assurance Council
[www.frc.org.uk/About-the-FRC/FRC structure/Accounting-Council.aspx](http://www.frc.org.uk/About-the-FRC/FRC_structure/Accounting-Council.aspx), FRC Accounting Council

www.frc.org.uk/About-the-FRC/FRC-structure/Conduct-Committee.aspx, FRC-Conduct Committee

www.accountingnet.ie/ - Irish Accounting and Business Portal.

There are a number of sources from which you can obtain a series of materials written for Accountancy Professional examinations. These are listed below:

Foulks Lynch – Contact number: +44 (0)20 8831 9990, Website: www.foulkslynch.com

Accountancy Tuition Centre (ATC), International, Contact number: +44 (0)141 880 6469.
Website: www.ptc-global.com

The Audit Process, Principles, Practice & Cases 6th edition/Gray and Manson / Cengage 2015 / ISBN13: 978-1408081709

BPP Contact number: +44 (0)20 8740 2211. Website: www.bpp.com

Kaplan Publishing Contact number: +44(0)118 989 0629 Website:
www.kaplanpublishing.co.SL and UK

International Financial Publishing Limited Contact number: +44 (0)1344 751674 Website:
www.ifpbooks.com

The Financial Training Company, Contact number: +44 (0)174 785 4302. Website:
www.financial-training.com

Wider reading is also desirable, especially regular study of relevant articles in Accountancy and Finance journals and quality daily newspapers.

Stage: Professional 2

Subject Title: Advanced Taxation

Examination Duration: 3.5 Hours (Open Book)

Aim

The aim of this subject is to ensure that students understand and can apply the principles and practice of advanced taxation, and are able to identify and resolve practical taxation problems. Students are expected to interpret and apply relevant case law and to advise on the most tax efficient structures.

Advanced Taxation as an Integral Part of the Syllabus

Advanced Taxation develops the students' knowledge and competence in tax acquired in Taxation (F2). There are also linkages to, Advanced Corporate Reporting, Audit Practice and Assurance Services, Strategy & Leadership, Strategic Corporate Finance, and Strategic Performance Management (all at P2).

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Advanced Taxation further integrates and builds on, as appropriate, the capabilities developed in Taxation (F2)

➤ Learning Outcomes

On successful completion of this subject, students should be able to:

- Apply the computational rules for Income Tax in the preparation of Income Tax returns and advise on appropriate tax planning measures, including the use of available reliefs and allowances.
- Apply the computational rules for Corporation Tax in the preparation of Corporation Tax returns and advise on appropriate tax planning measures including the use of available reliefs.
- Apply the computational rules for Capital Gains Tax in the preparation of Capital Gains Tax returns and advise on appropriate tax planning measures including the use of available reliefs.
- Advise on the requirements of a Revenue Audit so as to enable client / employer compliance.
- Advise clients and or management on the operation of the VAT system and provide appropriate tax planning advice with respect to VAT.
- Advise clients and or management on the operation of the Capital Acquisition Tax (CAT) system and provide appropriate tax planning advice with respect to CAT
- Discuss the principles of Stamp Duties and calculate any duty tax payable having optimised the use of any available reliefs.
- Integrate their learning across the various (examinable) tax heads in the appraisal of complex tax issues so as to provide clients and or management with optimum tax planning advice that is within the legal and ethical frameworks.

➤ Syllabus

○ Income Tax

- (a) Residence and domicile.
- (b) Cases I, II, III, IV and V of Schedule D.
- (c) Schedule E.
- (d) Schedule F.
- (e) Tax Based Incentives.
- (f) Withholding Taxes.
- (g) Charges.
- (h) Exemptions.
- (i) Anti-Avoidance.
- (j) Employment and Investment Incentive Scheme, Film Relief and Seed Capital Relief.
- (k) Employee incentive schemes including profit sharing schemes, ESOTS and Save As You Earn Schemes.
- (l) Special Assignee relief programme.
- (m) Foreign Earnings deduction
- (n) Double taxation relief available to individuals
- (o) Income Tax position of trustees and beneficiaries of Irish trusts
- (p) Research and Development credit surrender for key employees

○ Corporation Tax

- (a) Adjustments to the accounting profits for tax purposes, claiming capital allowances, and the impact of changes to accounting periods
- (b) Close companies, including definitions, meaning of participator and effect of close company status. Distributions, including meaning of distribution, classes of distribution and their calculation and dividend withholding tax.
- (c) Groups, including annual payments and losses for Groups / Consortia.
- (d) Utilisation of losses, including Cases I, III, IV, V losses, terminal losses and capital losses.
- (e) Corporation Tax Reliefs, including tax incentives, R&D Tax Credits, Holding Company Regime.
- (f) Company Residence, Double Taxation Relief, and treatment of branches. Exemption for start-up companies.
- (g) Anti-avoidance.

○ Capital Gains Tax

- (a) Computation of Capital Gains Tax liabilities for both individuals and companies.
- (b) Share Valuations
- (c) The scope of Capital Gains Tax Retirement Relief.
- (d) Transfer of business to company.
- (e) Development land.
- (f) Wasting Assets.
- (g) Interaction with CAT.
- (h) Acquisition by a company of its own shares.
- (i) Principal Private Residence Relief.
- (j) Paper for paper relief.
- (k) Group Transfers.
- (l) Reconstruction relief.
- (m) Clearance Certificates/Withholding tax.
- (n) Anti-avoidance.
- (o) Capital Gains Tax and trusts
- (p) Negligible value claims

○ **Revenue Audits**

- (a) The Code of Practice for Revenue Audit; the Customer Service Charter; the role of Special Investigation
- (b) Mandatory disclosure
- (c) Revenue powers.
- (d) Prosecution policy within the
- (e) Revenue.
- (f) Penalties and Interest

○ **VAT**

- (a) General principles of VAT.
- (b) Supplies of goods.
- (c) Supplies of services.
- (d) Exemptions.
- (e) Amount on which tax is chargeable.
- (f) VAT rates, self supplies.
- (g) VAT on property.
- (h) EU VAT legislation/regulations.
- (i) International Transactions.
- (j) Anti-avoidance.

○ **Capital Acquisitions Tax**

- (a) Principles of CAT including territorial scope.
- (b) General exemptions including significant buildings and works of art.
- (c) Agricultural Relief.
- (d) Business Property Relief.
- (e) The use and taxing of Discretionary Trusts.
- (f) Anti-avoidance.

○ **Stamp Duty**

- (a) Stamp Duty including transfers between associated companies and reconstruction / amalgamation relief.
- (b) Stamp Duty with respect to property transactions.
- (c) Anti-avoidance.
- (d) Stamp duty on transfers to young trained farmers.

➤ **Assessment Strategy**

Examination Approach

This subject should be approached on the basis that it is the final subject in taxation and is mandatory for those students wishing to satisfy the requirements to obtain a practicing certificate, post qualification. The Examination paper is equally balanced between tax planning and tax computation. Marks are awarded for structured and rationally based conclusions. Students are expected to select and integrate relevant Syllabus material from Advanced Taxation and other subjects where this is appropriate to the analysis and solution of the case-study.

Students are required to analyse complex tax issues and integrate their learning across different tax heads. They should apply that learning to provide the optimal tax planning guidance within the legal and ethical frameworks. Overall, students are expected to demonstrate a high level of intellectual, technical, personal and communications skills including analytical, numeracy, ethical sensitivity, and report writing competencies.

Examination Format

The examination is open book and 3.5 hours' duration. It consists of one compulsory 40-mark case-study, and four questions of 20 marks each, three of which must be answered.

Marks Allocation

Marks

Question 1 case-study (Compulsory)	40
Questions 2 to 5 (Answer any three)	60

Total 100

➤ Learning Resources

Core Texts

Corporate and Individual Tax Planning (Rol) 2018-2019 / CAI / 2018

Business Decisions and Transaction Taxes (Rol) 2018–2019 / CAI / 2018

Irish Taxation advanced (Finance Act 2017) / Paula Byrne /Griffith College /ISBN:978-1999304706

Manuals

Griffith College Dublin CPA P2 Taxation – Latest Edition

Supplementary Texts

Martyn and Reck / Taxation Summary Finance Act 2017 / Irish Taxation Institute.

Tax Guide 2015; A Guide to Irish Law / Bloomsbury 2015 / ISBN-13: 978-1780437002

Irish Taxation : Law & Practice 2018/19/Irish Taxation Institute 2018

Revenue Statements of Practice & Tax Briefings.

Accountancy Plus.

CPA Students' e Bulletin.

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.revenue.ie - The Revenue Commissioners' website.

www.taxworld.ie/ - Tax world.

www.taxinstitute.ie - Irish Tax Institute

Stage: Professional 2

Subject Title: Advanced Taxation (Sri Lanka)

Examination Duration: 3.5 Hours (Open Book)

Short Description:

A "resident" person is liable to tax in Sri Lanka on that person's income arising in Sri Lanka and income arising outside Sri Lanka. A 'non-resident' person is liable to tax in Sri Lanka only on that person's income arising in Sri Lanka. Income tax is charged for every year of assessment in respect of the profits and income of every person for that year of assessment. "Person" is defined to include the following:

- an individual
- a company
- body of persons
- any government

The tax law changes almost daily as it is amended to address unique transactions and to meet economic, social, and political needs. The study of taxes blends together accounting, economics, law, and finance concepts. The focus of the course is on the advanced concepts of taxation (i.e., those aspects of the system that are stable over time). The student must become familiar with, and be able to apply the provisions of the income tax law to individuals and company transactions.

Aim

The aim of this subject is to ensure that students understand and can apply the principles and practice of advanced taxation, and are able to identify and resolve practical taxation problems. Students are expected to interpret and apply relevant case law and to advise on the most tax efficient structures.

This unit introduces the principles of fiscal problem solving, both from the point of view of the taxing authority and the tax payer. It examines in detail areas of legislation applicable to the current fiscal year.

It provides students with an understanding of system of taxation as it impacts on individual and businesses. It aims to ensure candidates can apply judgement and technique in the provision of a range of taxation services. In particular to equip candidates with the ability to resolve problems involving the computation of tax liabilities, basic tax and financial planning and which draw upon the interaction of a wide range of taxes. This course offers an intensive study of the theory and principles of income tax law as it applies to business entities – corporations, individuals, partnerships, estates, and trusts. Emphasis is placed on the theoretical framework as well as practical application and planning. The course also covers the tax audit process and professional tax preparer responsibilities.

It deals with provisions affecting individuals and corporations; tax factors in planning and decision making; social, political and economic considerations underlying tax laws. There will be an emphasis on learning research and communications skills. Students will learn to prepare various business and accounting correspondence including, reports, memorandums, client and engagement letters.

Advanced Taxation as an Integral Part of the Syllabus

The Advanced Taxation syllabus further develops the key aspects of taxation introduced at Formation Level and extends the candidates knowledge of the tax system together with their ability to apply that knowledge to the issues commonly encountered by individuals and businesses, such that successful candidates should have the ability to interpret and analyse the information provided and communicate the outcomes in a manner appropriate to the intended audience. It also deals with the administration of revenue laws and compliance with them.

As this is an optional paper for those who wish to specialise in taxation, the syllabus extends far beyond the basic tax knowledge and also covers all areas of taxation encompassing overseas aspects of taxation, the taxation of trusts and additional exemptions and reliefs. The impact of relevant taxes on various situations and courses of action, including the interaction of taxes minimising and/or deferring tax liabilities by the use of standard tax planning measures.

Advanced Taxation develops the students' knowledge and competence in tax acquired in Taxation (F2). There are also linkages to, Advanced Corporate Reporting, Audit Practice and Assurance Services, Strategy & Leadership, Strategic Corporate Finance, and Strategic Performance Management (all at P2).

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Advanced Taxation further integrates and builds on, as appropriate, the capabilities developed in Taxation (F2)

➤ Learning Outcomes

It deals with the principles of taxation relating to a wide range of taxation and aims to test knowledge and understanding of concepts and laws relating to taxation (income, VAT, etc.). The areas of testing include tax process, procedures, accounting, and planning, as well as taxation of property transactions, individuals, and entities (which include sole proprietorships, partnerships, limited liability entities, corporations, joint ventures, trusts, estates, and tax-exempt organizations). Students will be able to prepare effective and credible tax plans and propose alternative courses of action for minimising tax expenses. They will be able to apply knowledge gain in statutory and case laws in tax planning and effective communicators.

Candidates will acquire knowledge in:

- understanding of concepts, laws and practices relating to a wide range of taxes,
- imposition of income tax on persons and specific provisions relating to the taxation of certain profits and dividends from them,
- imposition of income tax on residence, non-residence companies,
- dealing with special cases including receiver, trustee, executor, partnership, self assessment, PAYE, tax on dividend, rent, interest, etc.,
- imposition of VAT and returns,
- demonstrating basic principles of stamp duty and situations in which stamp duty applies and exempt from the payment of stamp duty,
- identify and describe the transactions liable to Provincial Council stamp duty and
- alternative treatment of taxation and tax planning.
- communication with clients, Inland Revenue, Customs and other professionals in an appropriate manner.

In addition to demonstrating knowledge and understanding of these topics, candidates are required to demonstrate the skills required to apply that knowledge in providing tax preparation and advisory services and performing other responsibilities as certified public accountants. They will be able to evaluate fully the tax implications of various courses of action for a given situation taking into account all relevant taxes in each case giving due consideration to all other relevant implications. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- recognize the sources of income and their exclusions for taxation purposes,
- explain the system of administration applicable to returns and assessments,
- evaluate the tax implications of different legal structures for business entities and individuals,
- the principles of income tax relating to business entities, individuals, partnerships, charitable institutions, clubs, associations, provident funds, trusts and executors,
- identify the differences of accounts for taxation and accounting purposes,
- analyse information and identify data relevant for tax purposes,
- identify issues, elections, and alternative tax treatments,
- identify and calculate business deductions and losses.

- application of principles arising from the judgements in tax cases to advise on tax matters in a given situation and offer tax advice on matters relating to various taxation issues and tax planning,
- recognize and identify ethical dilemmas in tax practice and make ethical decisions when faced with these dilemmas; provide relevant, practical ethical advice with reasoned argument, explain assumptions use and limitations of the advice given.

➤ Syllabus

1. Tax administration

The law passed by the Parliament provides for the appointment of a Commissioner General of Inland Revenue who is responsible for the administration of the tax laws. (Taxes administered by the department of Inland Revenue). There are 1 Additional Commissioner General, 3 Deputy Commissioner Generals and 24 Commissioners appointed by the Public Service Commission who can exercise the Commissioner General's powers if the Commissioner General has delegated such powers.

To support the C.G.I.R. and 24 Commissioners there are 82 Deputy Commissioners (Managers) who are engaged in management duties of 12 regional offices and other various branches of the Revenue Department. In addition, there are 731 Assessors and 702 Tax Officers one System Administrator and one System Analyst, Department of Inland Revenue is based on both functional and regional.

The strategic goal of the Inland Revenue is to improve voluntary compliance by taxpayers with the tax laws through programmes which encourage and assist that and detect those who do not comply and, where necessary, take appropriate corrective action.

Students need to pay special attention to the administration of the following taxation:

(a) Pay As You Earn (PAYE) scheme

- (i) Employees and employers obligations under the system
- (ii) "Specified Employee"

(b) Return, Assessments and Appeals

- (i) Returns under self-assessment and payment/repayment of tax
- (ii) Raising of assessments and additional assessments by the IR
- (iii) Time limits applicable to the (b) above
- (iv) Rules, conditions and circumstances under which a valid appeal can be made and appeal can be taken up to Supreme Court.
- (v) Penalties imposed for incorrect returns
- (vi) Final and conclusive assessment
- (vii) Recovery of taxes and additional sums including provisions relating the following:
 - PAYE
 - Payment on self-assessments
 - Default payments
 - Quarterly tax settlements
 - Withholding taxes on interest, dividends, specified fees, provident funds, payments made to foreign entertainers and artists
 - Claim of refund

2. Income Tax

The scope of income tax

- (a) Determination of the residence/non-residence of a person including companies
- (b) Imposition of Income tax
 - (i) Year of assessment
 - (ii) Income chargeable with Tax,
 - (iii) Exemption from Income Tax,
 - (iv) miscellaneous exemptions under the Inland Revenue Act (Sec. 13) applicable to an individual and capital gains.
 - (v) Law applicable to income tax (revenue & case laws)
 - (vi) Ascertainment of Profit or Income
 - Trade, business, profession, vocation (statutory income from a small or medium-scale trade, business, profession or vocation, taking into consideration allowable and disallowable expenses)
 - Employment income including all cash and non-cash benefits, excluding terminal benefits.
 - Net annual value of land and improvements
 - Dividend, interest, discount
 - Charges and annuities
 - Rents, royalties and premium
 - Winning from a lottery, betting or gambling
 - Any sum received by a non-governmental organisation (NGO) and
 - Income of any source, other than of a casual and non-recurring nature
 - (vii) Ascertainment of total statutory income,
 - (viii) Ascertainment assessable income,
 - (ix) Ascertainment of taxable income,
 - (x) Rates of income tax on person including “ceiling of tax rates” introduced from time to time).
 - (xi) Specific provisions relating to the taxation of certain profits and dividends
 - (xii) Profits from employment
 - Expenses
 - Benefits
 - Lump sum payment
 - Receipts at retirement
 - Exemptions
 - Income from employment abroad
 - Investment income from provident or pension funds
 - Failure to deduct income tax from employees
 - (xiii) Income from property
 - Property owned and occupied
 - Net annual value
 - Occupiers income
 - Rent income
 - Irrecoverable rent
 - Damages
 - Capital improvements by tenants
- (c) Computation of Income Tax
 - (i) Comprehensive computation of taxable income and the income tax liability
 - (ii) Preparation of comprehensive income tax computations for taxable person; resident or non-resident
 - (iii) Computation of income tax liability of specialised business undertakings: banking, financial institutions, insurance companies, off-shore transactions, partnerships, etc.

- (iv) Computation of the tax liability of a person using “net wealth method” and receipts and payments method
- (v) Evaluate higher exposure to income tax and other interactive taxes in order to address current tax issues
- (vi) Calculation of undisclosed income using net-wealth or receipts and payments method.
- (d) Assessment of income tax liability of a non-resident person; Conceptual/Procedural Comprehension/Application
- (e) Computation of statutory income deemed to be derived from Sri Lanka, by a non-resident, from sale or manufactured products, in or outside Sri Lanka
- (f) Assess the taxable income and the tax payable thereon by a non-resident person
- (g) Describe the liability of an agent of a non-resident person.
- (h) Gross income tax liability for an individual.
- (i) Income tax payable after taking into consideration of withholding taxes, ESC, PAYE, etc. where applicable.

3. Partnerships

- (a) Definition of partnership for Income Tax
- (b) Partnerships Procedural Application
- (c) Computation of divisible profits
- (d) Share of profits; assess the divisible profit and other statutory income of a partnership and distribution of profits and income among partners.
- (e) Assessment on the partnership; computation of the tax payable by a partnership, due dates of payment and the tax credit available to partners.
- (f) Non-resident partner, working partner
- (g) Conditions under which a person or partnership is required to submit a statement of accounts
- (h) Specified schedules and the certificate of approved accountant and need to be submitted with the statement of accounts.
 - (i) The statutory responsibilities of the precedent partner to furnish a return and provide information to other partners, with due dates.
 - (ii) The mandatory requirement of a person carrying on a trade, business, profession or vocation to register with the Commissioner General of Inland Revenue.

4. income Tax on Companies

- Outgoings and expenses Incurred
 - (i) Provisions
 - (ii) Allowable deductions
 - (iii) Bad debts
 - (iv) Interest
 - (v) Employer’s contribution to PF
 - (vi) Payments to employees
 - (vii) Employer’s contribution to gratuity Fund
 - (viii) Repairs and renewals
 - (ix) Other allowable and non allowable expenses
- Capital expenditure
- Allowances for depreciation
- Taxable income of a company Procedural Application/Analysis
- Income tax on residence companies
- Income tax on non-residence companies
- Remittance tax Procedural Comprehension
- Describe the liability of a non-resident company for tax on remittances.
- Assess remittance tax payable by a non-resident company.
- Nature of business activities in order to apply appropriate tax holidays and other tax incentives applicable to resident companies
- Various types of companies and the basis of tax liability, including rates of income tax

- Computation of statutory income from other taxable sources of income including interest and dividends
- Non assessable dividend
- Total statutory income, assessable income and taxable income, after making statutory deductions
- Computation of statutory profit or income of a trade or business carried out by a resident company
- Income tax liability, appropriate rates of income tax, based on the category of the company and the nature of business
- The balance tax payable, after applying self-assessment payments and tax credits applicable to companies including economic service charge and notional tax credit on Treasury bill interest
- The meaning of dividend from the context of Inland Revenue Act
- Tax payable on dividends and deduction of tax from gross dividends payable to shareholders
- Capital gains not liable for income tax
- Withholding taxes
- Company profits made by transactions with its shareholders
- Distributable profit, deemed distribution and minimum distribution to be made with time limits
- Tax payable on deemed distributions where applicable and payment of tax
- The statutory obligations of a company to furnish returns of income and distributions, with due dates.
- Form and particulars to be contained in the return and to prepare a return of income.
- The need for payment of tax within due dates

5. Special Cases:

- Children
- Receiver, Trustee and Executor
- Unit trust
- Non-residence person
- Insurance
- Interest, etc., payable to persons outside Sri Lanka
- Charitable institution, its purpose and income including its business income
- (a) State the interpretation and calculate tax liability of a trade association, club, provident fund, trustee, executor and non-governmental organisations.
- (b) Trustees, executors and receivers Procedural Comprehension/Application
- (c) Provident funds Procedural Application and computation of income tax liability of a provident fund.
- (d) Self assessment & payment of tax
- (e) Employee income tax deduction and payment
- (f) Deduction of income tax from rent, lease rent or other payment
- (g) Deduction of income tax from any annuity, royalty or management fees paid
- (h) Taxation on insurance, shipping and aircrafts
- (i) Contents of S. 217 of Act No 10 of 2006 (active partner, Agent, Agricultural Undertaking, Authorised Representative, Body of Persons, Business, Charitable Institution, Charitable Purpose, Child, Executive Officer, Executor, Partnership, Person, President Partner, Regulated President Fund, trade association)
- (j) Double Tax Agreements:
 - (i) The main aspects of the operation of a double tax agreement; the importance of permanent agreements in relation to business profit.
 - (ii) Conceptual Comprehension/Analysis double tax treaties
 - (iii) Describe the overlapping of tax jurisdictions and how to avoid double taxation
 - (iv) Distinguish between the OECD model and UN model of tax treaties

6. Value Added Tax (VAT)

- Value Added Tax (VAT) conceptual comprehension, analysis and application
- Describe the terms: person, body of persons, open market value, supply of goods, supply of services, time of supply, taxable period, taxable activity, taxable supply, registered person, Input tax, Output tax and tax point

- Describe the application of VAT to small and medium-sized businesses along with the registration threshold.
- Obligations of a registered person
- Explain the concept of simplified VAT and eligibility for registration under the scheme
- Describe the statutory provisions for registration and deregistration for VAT, including thresholds and time limits.

(a) Imposition of Value Added Tax

- (i) Value of supplies with regard to different activities including leasing, insurance and imports
- (ii) Tax payable for a non-complex occasion
- (iii) Exempted supplies in computation of output and input tax.
- (iv) The statutory obligations in relation to submitting returns, payment of tax and documentation
- (v) Exempted supplies and explain the difference between exempted and zero-rated supplies.
- (vi) Due dates of payment, submission of returns and provisions applicable to refunds.

(b) Computation and payment of VAT

- (i) Ascertain the output tax, input tax and balance tax payable by a registered person engaged in multiple activities.
- (ii) Computation of monthly/quarterly tax payable
- (iii) Assess the VAT liability of a registered identified purchaser and registered identified supplier.
- (iv) Indicate due dates of payment and furnishing returns

(c) VAT on Financial Services

- (i) Procedural comprehension and application of VAT on Financial Services
- (ii) VAT on the supply of financial services
- (iii) Describe the financial services and computation of value addition
- (iv) Computation of VAT payable on a business of financial services

(d) Special Cases on VAT

- (i) Describe statutory provisions of the VAT Act in relation to computation, time-bar for assessments, appeals and appeal settlement procedure.
- (ii) VAT matters in a complex business environment and mitigating activities in such situations
- (iii) Returns and calculation of standard, luxury zero, and exempt rated supplies.
- (iv) Computation, payment and refund of tax.

7. Nation Building Tax (NBT)

- NBT conceptual comprehension, analysis and application
- Who is liable for NBT Explain the activities liable for NBT along with the basis of liability and liable turnover
- Explain the terms person and manufacture
- NBT on small and medium-sized businesses and the registration threshold
- Excepted articles and services
- Computation of liability for tax in a simple, straightforward case
- Due dates of payment and submission of returns
- Describe assessments, time-bar for assessments, appeals and appeal settlement
- Procedure under the NBT Act

(a) Computation of NBT

- (i) Assessment of NBT payable by a business of manufacturing, service, wholesale, retail or distribution

- (ii) Use the knowledge on excepted articles and services into the computation of NBT payable by business
- (iii) State due dates for payment and submitting returns

8. Economic Service Charge (ESC)

- (a) ESC procedural comprehension, analysis and application
- (b) Conditions under which a business is liable to ESC and thresholds.
- (c) Payment dates and tax credit available in relation amount paid on account of ESC and brought forward.
- (d) Computation of ESC payable by a business under given circumstance

9. Stamp Duty

- (a) Basic principles of stamp duty
- (b) Describe the liability for stamp duty and rates of stamp duty, under the Stamp Duty (Special Provisions) Act.
- (c) Liability for payment of stamp duty to Central Government
- (d) Instruments and documents exempt from the stamp duty
- (e) Transactions liable for payment of stamp duty to Provincial Council

10. Provincial Council Turnover Tax

- (a) Explain Fundamental Principles of Provincial Council Turnover Tax and transactions liable to Provincial Council Tax.

11. Tax Planning and Advising

- Projections of tax consequences
 - Implications of different business entities
 - Employment v self-employment
 - Incorporation of a business
 - Remuneration packages Choice of business medium
 - Disposal of a business,
 - Directors and shareholders,
 - Sales of group assets and
 - VAT – groups.
- (a) Recommend alternative courses of action to mitigate potential risks and minimise tax expense.
 - (b) Income tax exemptions, tax holidays and other reliefs granted under the Inland revenue Act and BOI Law
 - (c) Alternative tax incentives for a given situation and their limitations
 - (d) Describe statutory provisions relevant to transfer pricing and methods of transfer pricing
 - (e) Pricing policies applied by businesses in domestic and international transactions and the validity of such policies.
 - (f) Tax planning for businesses taking into account opportunistic statutory provisions, fiscal incentives and limitations to minimise tax expenditure
 - (g) Explain artificial or fictitious transactions and their application
 - (h) Solutions for issues raised by tax authority on tax payer rights established under statutes and relevant case law
 - (i) Dealing with various tax issues on recovery, interpretations, assessments and penal action and litigation
 - (j) Preparation of reports and other formal internal and external communications on tax planning activities and advising.

12. Contemporary Issues in Taxation

- (a) Significant tax changes legislated during the last six months and their effect on corporate and individual taxpayer.
- (b) Effect of changes in tax legislations on various business activities
- (c) Explain the effect on taxation of changes in financial reporting standards
- (d) Explain the effect of relevant guidelines issued by the tax authority in relation to financial reporting standards
- (e) Tax strategies implemented or proposed based on the analysis of financial statements and other relevant information

13. Taxation & Ethics

- (a) Familiar with the provisions in the “Code of Professional Conduct and Ethics in respect of disclosure of information, conflict of interest, confidentiality and implications for a tax practice
- (b) Procedural analysis of taxation and ethics

14. Professional risk

- (a) Procedural analysis of professional risk
- (b) Alternative courses of action available for existing tax issues assisted by relevant computations
- (c) Describe the penal provisions applicable to accountants, auditors and tax practitioners in respect of interpretation of provisions, frauds and incorrect returns.
- (d) Explain potential risks in terms of direct and indirect taxes and matters which require corrective actions for statutory compliance.

15. Revenue Audits

- (a) The Code of Practice for Revenue Audit; the Customer Service Charter; the role of Special Investigation
- (b) Mandatory disclosure
- (c) Revenue powers.
- (d) Prosecution policy within the
- (e) Revenue.
- (f) Penalties and Interest

16. Case Law

Students must have a sound understanding of and be able to apply the principles contain in the case laws relevant to the following subject areas:

- Employment
- Any other sources of sources of income
- Profit and income arising in or derived from Sri Lanka
- Annuity
- Adventure in the nature of Trade
- Capital and revenue
- Meaning of Plant
- Reason for rejecting return
- Partnerships
- Production of income and purpose of trade
- Hazards of tax planning
- Legitimacy of tax planning

(a) Case Reference

Subject	Case	Reference
01. Partnership	A. A. Davoodbhoy vs Commissioner General of Inland Revenue	SLTC Volume IV
02. Nature of trade	D. S. Mahawitharana vs CIR Ram Iswera vs CIR Commissioner of Income Tax vs C. S. De Zoysa Rutledge vs CIR CIR vs Livingstone and Others IRC vs Fraser CIR vs Reinhold Martin vs Lawry	CTC - Volume III CTC - Volume III CTC - Volume I 14 TC 490 11 TC 538 1942 24 TC 498 34 TC 389 11 TC 297
03. Profits & Income Arising in or derived From Sri Lanka	Anglo-Persian Oil Co. Ltd. vs Commissioner of Income Tax Chivers & Sons Ltd. vs Commissioner of Income Tax	CTC - Volume 1 CTC - Volume 1
04. Income from any other source	Wickramasinghe vs Commissioner of Income Tax	CTC - Volume 1
05. Profit from Employment	Crib vs Commissioner of Income Tax Sutherland vs Commissioner of Income Tax Kanagasabapathy vs Commissioner General of Inland Revenue	CTC - Volume I CTC - Volume I SLTC - Volume IV
06. Expenses incurred	Heyley and Co. Ltd vs The Commissioner of Inland Revenue Commissioner of Inland Revenue vs A. W. Davith Appuhamy Strong vs Woodfield Rajapakse vs Commissioner of Income Tax	CTC - Volume III CTC - Volume III TC 215 CTC - Volume 1
07. Plant	Thornhill vs Commissioner of Income Tax Chelvanayakam vs Commissioner of Income Tax	CTC - Volume S.C. 148 (Inty)
08. Annuity	The Commissioner of Inland Revenue vs J. M. Rajarathnam	CTC - Volume III
09. Rejection of returns	New Portman Ltd. vs W. Jayewardene and Others D. M. S. Fernando and Another vs Mohideen Ismail	SLR - 307, Vol 1 of 89 04 CTC 156
10. Capital and revenue expenditure	Mitchell vs Noble Houghton Tea Company Limited vs Commissioner of Income Tax Artherton vs British Insulated & Helsby Cables Ltd. Vallambrosa Rubber Co. Ltd. vs Farmer The National Mutual Life Association of Australia Ltd. vs Commissioner of Income Tax Hancock vs General Reversionary & Investment Co. Ltd. Associated Portland Cement Manufacturing Co. vs Kerr Theobald vs Commissioner of Income Tax Law Shipping Co Ltd. vs CIR Odeon Associated Theatres Ltd vs Jones	11 TC 372 CTC - Volume I 10 TC 155 05 TC 529 CTC - Volume I 07 TC 358 27 TC 103 TC - Volume I 12 TC 621 48 TC 257

➤ Assessment Strategy

Examination Approach

This subject should be approached on the basis that it is the final subject in taxation and is mandatory for those students wishing to satisfy the requirements to obtain a practicing certificate, post qualification. The examination paper is equally balanced between tax planning and tax computation. Marks are awarded for structured and rationally based conclusions. Students are expected to select and integrate relevant syllabus material from Advanced Taxation and other subjects where this is appropriate to the analysis and solution of the case-study.

Students are required to analyse complex tax issues and integrate their learning across different tax heads. They should apply that learning to provide the optimal tax planning guidance within the legal and ethical frameworks. Overall, students are expected to demonstrate a high level of intellectual, technical, personal and communications skills including analytical, numeracy, ethical sensitivity, and report writing competencies.

Examination Format

The examination is open book and 3.5 hours' duration. It consists of one compulsory 40-mark case-study, and four questions of 20 marks each, three of which must be answered.

Marks Allocation

Marks

Question 1 case-study (Compulsory) 40

Questions 2 to 5 (Answer any three) 60

Total 100

➤ Teaching & Learning Strategies

The teaching methodology includes the techniques: power point presentation, study guide, quizzes, problem solving, integrative problems, communication skills, technology applications, finding information on the internet, research, simulations collaboration, calculations, analysis, and written assignments. Students prepare for lectures by reading the study text material and by doing the problem assignments prior to class. Attendance is mandatory. The class is student driven in the sense that participation does play a role in the mastery of the material. You are encouraged to ask and answer questions.

All assignments turned in after the due date will be subject to a mandatory 20% penalty of the maximum points for the assignment. No assignment will be accepted forty-eight (48) hours after the due date.

Student engagement is a necessary condition for an effective learning experience, and includes contributions to debate and discussion (if any), positive interactive learning with others, and an enthusiastic attitude towards inquiry. Everyone is expected to be a positive contributor to the class learning community, and students are expected to share the responsibility of teaching each other.

The delivery of the module will be three hour combined lecture and workshop/tutorial/seminar. The focus of the workshops/seminars will be (a) on discussion of principles and (b) on practical

problems which illustrate the principles explained in the lectures. Students will be encouraged to work in groups and participate in the analysis of problems; the emphasis will be on critical and analytical thinking.

➤ Learning Resources

Core Texts

Publications Government of Sri Lanka, **Inland Revenue**

Taxation publication by Institute of Chartered Accountants of Sri Lanka

Tax Law Dept. of Inland Revenue Sri Lanka, **Manual of Income** 1999/2000

E Gooneratne, **Income Tax in Sri Lanka**, 2nd Edition, Aitken Spence Ltd.

Corporate and Individual Tax Planning (Rol) 2015-2016 / CAI / 2015

Business Decisions and Transaction Taxes (Rol) 2015–2016 / CAI / 2015

Supplementary Texts

A Homer, R Burrows **Tolleys Tax Guide**, Tolley Publishing ISBN 1860128319

Sonia Gable **The Basic Principles of Tax**, Taxbriefs Limited ISBN 1902824571

Simon Philip **Kelly's Financial Planning for the Individual** Gee ISBN 1860890385

Eugene Willis | William H. Hoffman, Jr. | David M. Maloney | William A. Raabe, South-Western

Federal Taxation 2010: Comprehensive, 33rd Edition - ISBN-10: 0324828616 | ISBN-13: 9780324828610 © 2010

Tom Conlan / Students' Tax Handbook 2015 ed / McKeon Murray / Elm House, Leopardstown Office Park, Dublin 18. Tel: 353 1 2959090 Revenue Statements of Practice & Tax Briefings.

Herlihy, Moore, O'Sullivan / Corporation Tax Finance Act 2010 / Irish Taxation Institute / ISBN-13: 978-1842602201

O'Hanlon, McLeane/ The Taxation of Capital Gains Finance Act 2014 / Irish Taxation Institute

Whelan & Williams / The Taxation of Gifts & Inheritance, Finance Act 2012/ Irish Tax Institute

Brodie and Dillion / Value Added Tax Finance (no:2) Act 2013 / Irish Tax Institute

Power, Scully / The Law and Practice of Irish Stamp Duty Finance Act 2013 / Irish Taxation Institute

Accountancy Plus.

CPA Students' e Bulletin.

Useful Websites

(as at date of publication)

www.icpasrilanka.lk

www.inlandrevenue.gov.lk

www.cpaireland.ie - CPA Ireland.
www.revenue.ie - The Revenue Commissioners' website.
www.taxworld.ie/ - Tax world.

There are a number of sources from which you can obtain a series of materials written for Accountancy Professional examinations. These are listed below:

Foulks Lynch – Contact number: +44 (0)20 8831 9990. Website: www.foulkslynch.com

Accountancy Tuition Centre (ATC), International, Contact number: +44 (0)141 880 6469.
Website: www.ptc-global.com

BPP Contact number: +44 (0)20 8740 2211. Website: www.bpp.com

The Financial Training Company, Contact number: +44 (0)174 785 4302. Website: www.financial-training.com
Wider reading is also desirable, especially regular study of relevant articles in Accountancy and Finance journals and quality daily newspapers.

Stage: Professional 2

Subject Title: Strategic Corporate Finance

Examination Duration: 3.5 Hours (Open Book)

Aim

The aim of this subject is to develop students' critical understanding of the key responsibilities and financing decisions facing today's strategic financial manager. Students should be able to develop detailed business plans, to assess potential financial risks, and to advise on suitable risk management strategies for entrepreneurial activities and established organisations.

Strategic Corporate Finance as an Integral Part of the Syllabus

Strategic Corporate Finance develops the financial management knowledge and skills acquired by students in Managerial Finance (P1) and other disciplines acquired in the earlier examination stages. Strategic Corporate Finance requires students to integrate and expand that knowledge so as to provide a framework for strategic financial management analysis and decisions.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Strategic Corporate Finance further integrates and builds on, as appropriate, the capabilities developed in the earlier subjects, as highlighted in the table above.

➤ Learning Outcomes

On successful completion of this subject, students should be able to:

- Evaluate the financial objectives of an organisation, explain how they are determined and interrelate with the non-financial objectives and stakeholder interests.
- Discuss the legal regulations, and the professional and ethical considerations facing financial managers.
- Value shares / businesses in the context of a proposed merger, acquisition or management buyout.
- Analyse reasons for and advise on actions to prevent corporate failure.
- Evaluate and advise as to the optimum capital gearing structure, term structure and dividend policy for an organisation.
- Advise as to appropriate exchange risk and interest rate risk management strategies, and discuss the use of derivatives in long-term risk management.
- Discuss the relevance of portfolio theory and the Capital Asset Pricing Model to financial managers.
- Prepare a business plan for an organisation given prescribed information.
- Evaluate the financial management of an organisation over a period of time and/or relative to competitors / industry norms.

➤ Syllabus

1. Financial Environment

- (a) Financial objectives within the strategic planning process.
- (b) Key stakeholders of organisations and the interests of each stakeholder group.
- (c) Corporate Social Responsibility, its relationship to the objective of maximising shareholder wealth
- (d) Agency theory and its relevance to financial managers.
- (e) The professional, regulatory and legal framework relevant to financial management including: City Code and stock exchange requirements, money laundering, directors' responsibilities
- (f) Monetary regulation in the US and EU and its effect on Capital Markets
- (g) The key activities undertaken by treasury managers.
- (h) Centralised treasury management and the arguments for and against
- (i) The efficient market hypothesis

2. Mergers and Acquisitions

- (a) Organic and acquisitive corporate growth
- (b) Mergers and acquisitions, the arguments for and against.
- (c) Procedures to be complied with during an acquisition.
- (d) Valuation of an organisation in the context of a potential takeover, using both the earnings and assets-based methodologies
- (e) The significance of Value Gaps and the information efficiency of capital markets
- (f) Methods of financing mergers and takeovers, including cash, debt, equity and hybrids
- (g) Defence tactics used during a hostile takeover
- (h) The role of legal and financial due diligence during a merger/acquisition.
- (i) The attractions and risks associated with Management Buy-outs (MBOs).
- (j) Sources of finance for MBOs
- (k) The advantages and disadvantages of management buy-ins (MBIs).
- (l) The arguments for and against a quoted company going private

3. Corporate Failure

- (a) The symptoms and causes of corporate failure.
- (b) Avoidance of corporate failure.
- (c) The nature, scope and elements of working capital and the importance of effective working capital management to corporate survival.
- (d) Overtrading- symptoms, causes and remedies.

4. Sources of Finance

- (a) Equity and debt financing. The attractions and risks associated with each.
- (b) Short, medium and long-term funding
- (c) Optimising the gearing structure of an organisation
- (d) Modigliani and Miller's theory of corporate financing in perfect capital markets
- (e) Relaxation of the perfect capital market assumption; the optimum capital structure of a firm.
- (f) Dividend Policy - Miller and Modigliani's theory of dividend policy in perfect capital market
- (g) The Signalling and the clientele approaches to dividend policy
- (h) The influence of taxation on dividend policy
- (i) Dividend policy - key considerations. Including theories of Modigliani & Miller and Myers Pecking Order Hypothesis
- (j) Advise on dividend policy.

5. Financial Risk Management

- (a) The key financial risks facing an organisation.
- (b) Currency risk - transaction, translation and economic exposure
- (c) The workings of the foreign exchange markets
- (d) The relationship between foreign exchange rates and interest rates in different countries
- (e) Forward Exchange Contract and Money Market hedges.
- (f) Other forms of exchange rate risk management including, netting, leading and lagging, currency swaps, currency futures and currency options
- (g) Exchange risk management strategies.
- (h) Interest rate options, swaps, forwards, futures and swaptions.
- (i) Interest rate risk management strategy
- (j) Recognition and management of long-term term operating exposure to foreign currency risk.

6. Cost Of Capital

- (a) The relationship between risk and return
- (b) Weighted Average Cost of Capital (WACC) - calculate and discuss uses and limitations
- (c) Portfolio diversification, estimate the risk and return of a portfolio
- (d) The relevance of portfolio theory to practical financial management
- (e) The Capital Asset Pricing Model (CAPM) – application and limitations

7. Financial Analysis and Business Planning

- (a) Preparation of long-term business plans from prescribed information.
- (b) Appraise capital investment options using NPV, IRR and Payback criteria
- (c) Evaluation of a business plan from the perspective of an equity investor or provider of debt funding
- (d) Assessment of an organisation's current financial position.
- (e) Comparison and evaluation of the financial management of an organisation with that of competitors and industry norms
- (f) Preparation, evaluation and discussion of key financial management indicators based on the published financial statements of an organisation
- (g) Benchmarking of selected financial KPIs against companies in the same industry sector.

➤ Assessment Strategy

Examination Approach

This examination uses a case-study approach to test students' ability to apply technical skills, critical analysis, and demonstrate synthesis and decision-making. It also tests communication skills and familiarity with contemporary business issues. Questions require students to write reports, which must be tailored to the technical knowledge of the target audience. Students are also presented with the opportunity to demonstrate professional judgement and ethical sensitivity.

Examination Format

Assessment is by an open-book examination of 3.5 hours' duration. It consists of one compulsory question, based on a case-study (worth 50% of the marks for the examination) plus a choice of two out of three optional questions, which may refer also to material in the major case-study and / or be based on mini case studies, each worth 25% of the marks for the examination.

Marks Allocation

Marks

The total for the paper is 100 marks

Question 1 Case Study (Compulsory)	50
Questions 2 to 4 (Answer any two, each carries 25 marks)	50
	<u>Total 100</u>

➤ Learning Resources

Core Texts

Arnold / Corporate Financial Management 5th Edition/ Pearson 2012 / ISBN-13: 9780273758839

Manuals

Griffith College, CPA P2 Strategic Corporate Finance - Latest edition

Supplementary Texts and Journals

Power, Walsh and O Meara 3rd ed / Financial Management / An Irish Text, Gill & Mc Millan / 2009 / ISBN-13: 978-0717145546

Pilbeam / Finance and Financial Markets / 3rd edition McMillan 2010 / ISBN-13: 978-0230233218

CPA Students' eBulletin Recommended Journals Financial Director. Harvard Business Review. Investment International. Accounting and Business.

Accountancy Plus

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.ise.ie - The Irish Stock Exchange.

www.ifsra.ie - The Financial Regulator.

www.cfo.com -CFO.com

www.ifac.org/ - International Federation of Accountants.

www.ft.com - Financial Times.

www.wsj.com - The Wall Street Journal online.

www.investmentinternational.com - Investment International.

Stage: Professional 2

Subject Title: Strategic Performance Management

Examination Duration: 3.5 Hours (Open Book)

Aim

The aim of this subject is to ensure that students have the necessary expertise and competence to conduct a critical, strategic analysis of unfamiliar business situations. This includes the ability to select, integrate and apply the appropriate techniques and approaches in order to identify problems, opportunities and recommended strategies in specific situations.

Strategic Performance Management as an Integral Part of the Syllabus

This subject builds on the technical knowledge of Managerial Finance, Management Accounting, and other disciplines acquired in the earlier examination stages. Strategic Performance Management requires students to integrate and expand that knowledge so as to provide a framework for strategic analysis of business issues.

Stage	Subject	Subject	Subject	Subject	Subject	Subject
P2	Strategic Corporate Finance	Strategic Performance Management	Advanced Corporate Reporting	Strategy & Leadership	Audit Practice and Assurance Services	Advanced Taxation
P1		Managerial Finance	Corporate Reporting	Corporate Laws & Governance	Auditing	
F2		Management Accounting	Financial Accounting	Information Systems	Taxation	
F1		Introduction to Cost & Management Accounting	Introduction to Accounting Management in Organisations	Economics and Business Planning	Business Law and Professional Ethics	

Strategic Performance Management further integrates and builds on, as appropriate, the capabilities developed in the earlier subjects as highlighted in the table above.

➤ Learning Outcomes

On successful completion of this subject, students should be able to:

- Select, integrate, and apply strategic performance management techniques appropriate to the particular context of specific (but novel and possibly unstructured) business situations described in a case-study, through the application of critical strategic thinking, appropriate professional scepticism and ethical judgement.
- Justify a portfolio of strategic performance management techniques selected by reference to the particular illustrative context of a case-study situation (and not merely by repetition of abstract or textbook knowledge) and:
- Predict the strategic advantages for the organisation of applying the proposed techniques in the particular situation;
- Predict any possible adverse side-effects and propose means of minimising such effects.
- Critically evaluate existing and proposed strategic performance management structures as described in a particular case study, and:
- Construct an improved set of strategic performance management structures which builds on any identified strengths of existing structures while implementing any new structures identified as necessary;
- Justify the improved set of strategic performance management structures in its totality (as opposed to justifying only specific elements in a disconnected fashion).
- Assess the likely effects of existing and proposed strategic performance management structures on intra organisational behaviours, work practices, and group norms (in the context of the business situation of an entity described in a case-study) and:
- Propose means of ameliorating any adverse effects.
- Propose means of maximising the extent and strategic advantage of any favourable effects.
- Evaluate the implications for particular organisations' strategic performance management systems of emerging developments in the fields of information technology (including e-commerce), business process re-engineering, benchmarking, and corporate governance.
- Propose changes to the strategic performance management systems of a specific organisation described in a case study in the light of such emerging developments.

➤ Syllabus

1. Advanced Decision-Making

- (a) Pricing decisions (including strategic considerations, revenue management, profit maximisation, services pricing, and product bundling).
- (b) Target costing and Lifecycle costing
- (c) Product and segment profitability analysis.
- (d) Customer profitability analysis.
- (e) Theory of constraints, throughput and backflush accounting.
- (f) Activity-based analysis for decision making
- (g) Measuring and managing uncertainty (including risk appraisal, expected values, maximax /maximin and sensitivity analysis).
- (h) Decision making with multiple limiting factors including the formulation of problems and interpretation of results using linear programming and the simplex algorithm.
- (i) Assessment of mutually exclusive projects, projects with unequal lives.

2. Planning And Control

- (a) The purpose of budgetary control systems.
- (b) Alternative approaches to budgeting, including incremental budgeting, zero-based budgeting, activity-based budgeting, rolling budgets, and 'beyond budgeting' approaches.
- (c) Budgetary control of engineered, committed and discretionary costs.
- (d) Advanced variance analysis (including sales mix and yield; materials mix and yield; planning & operational; market size and market share).
- (e) Critical appraisal of standard costing and variance analysis in modern manufacturing environments
- (f) Advantages and disadvantages of forecasting techniques including; time series, trend analysis, smoothing techniques and seasonal variances.

3. Performance Evaluation

- (a) Divisional profitability: Return on investment and residual income.
- (b) The distinction between economic and managerial performance evaluation.
- (c) Economic value added
- (d) Value-based management.
- (e) Transfer pricing (including cost-plus, market, negotiated and dual prices).

4. Performance Measurement Systems

- (a) Mission statements, objectives, strategies and goals
- (b) Performance measurement in modern manufacturing environments including JIT, TQM, world class manufacturing, and supply chain management issues.
- (c) Scenario planning 'what if' analysis
- (d) Alternative competitive strategies
- (e) Monitoring of the external environment (including competitor accounting).
- (f) Financial and non-financial performance measurement.
- (g) Performance measurement models, including the balanced scorecard
- (h) Incentive schemes.

5. Current Developments In Strategic Performance Management

- (a) Benchmarking.
- (b) Impact of developments in information technology and e-commerce
- (c) Business process re-engineering.
- (d) Corporate governance.

➤ Assessment Strategy

Examination Approach

Students should approach the examination of this subject in the knowledge that it requires an ability to demonstrate a high level of intellectual, technical, organisational, managerial and communications skills. A single case-study scenario is presented to students. Skills assessed include the ability to perform critical analysis of relatively unstructured problems, to analyse available qualitative and quantitative information, to think strategically, and to exercise professional judgment, including appropriate professional scepticism and consideration of ethical issues in arriving at recommended solutions to business problems.

Students are expected to select and integrate relevant syllabus material from Strategic Performance Management and other subjects where this is appropriate to the analysis and solution of the case study. The case-study questions will indicate, in broad terms, what issues need to be addressed and analysed, but in many instances students will be expected to determine for

themselves what specific form that analysis should take and to justify their chosen form of analysis in the specific case

Examination Format

Assessment is by an open-book examination of 3.5 hours' duration based on a single case-study scenario, on which students are required to answer a number of questions. The number of questions will not be exactly the same every year, because it is important that the examiner should have the flexibility to ask questions in the manner most appropriate to the case.

Marks Allocation

Marks

The total for the paper is 100 marks.

Case Study - A number of questions up to a maximum of: 100

➤ Learning Resources

Core Texts

W. Seal, R. H. Garrison & E. W. Noreen / Management Accounting / McGraw-Hill 5th ed 2015 / ISBN-13: 978-0077157500

Drury / Management & Cost Accounting 10th ed / Cengage 2018 / ISBN-13: 9781473748873

C. T. Horngren / A. Bhimani, S. M. Datar & M. Rajan / Management and Costing Accounting / 6th ed 2015 Pearson/ ISBN-13: 9781292063461

Manuals

Griffith College, CPA P2 Strategic Performance Management - Latest edition

Supplementary Texts and Journals

Z. Hoque / Strategic Management Accounting / Pearson 2nd Edition 2006 / ISBN-13: 9780733984457

Bohill / Business Planning and Control : Integrating Accounting, Strategy, and People / Wiley 2008 / ISBN-13: 978-0470061770

R. N. Anthony & V. Govindarajan / Management Control Systems / McGraw Hill / 1st European edition 2014 / ISBN-13: 978-0077133269

De Waal / Strategic Performance Management: A Managerial and Behavioural Approach / Palgrave 2nd ed. 2013 / ISBN-13: 978- 0230273856

Stevenson / Operations Management / McGraw Hill 12th ed 2015 / ISBN-13: 9780078024108.

Management Accounting by John Burns, Martin Quinn, Liz Warren, Joao Oliveria, 2013 -McGraw Hill, ISBN-13: 978-0077121617

Clarke P/Managerial Accounting, Costing, Decision Making and Control /3rd edition 2016/CAI/ISBN - 13:978-1910374672

AccountancyPlus.

CPA Students' eBulletin.

Useful Websites

(as at date of publication)

www.cpaireland.ie - CPA Ireland.

www.ifac.org/ - International Federation of Accountants.

www.investmentinternational.com - Investor International.

www.accountingeducation.com - Accounting Education.com.

www.hoovers.com - Hoovers.com.

Companion websites to core and supplementary texts-see texts for addresses and passwords.