ACCA

Applied Skills

Financial Reporting (FR)

Study Text

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We are committed to diversity, equality and inclusion and strive to deliver content that all users can relate to.

We are here to make a difference to the success of every learner.

Clarity, accessibility and ease of use for our learners are key to our approach.

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Roles played by characters in our examples will demonstrate richness and diversity by the use of different names, backgrounds, ethnicity and gender, with a mix of sexuality, relationships and beliefs where these are relevant to the syllabus.

It must always be obvious who is being referred to in each stage of any example so that we do not detract from clarity and ease of use for each of our learners.

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We will seek to devise simple measures that can be used by independent assessors to randomly check our success in the implementation of our Linguistic Equality, Diversity and Inclusion Policy.

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Contents

Introduction

This document references IFRS® Accounting Standards and IAS® Accounting Standards, which are authored by the International Accounting Standards Board (the Board), and published in the 2024 IFRS Accounting Standards Red Book.

How to use the Materials

These Kaplan Publishing learning materials have been carefully designed to make your learning experience as easy as possible and to give you the best chances of success in your examinations.

The product range contains a number of features to help you in the study process. They include:

1 Detailed study guide and syllabus objectives

2 Description of the examination

3 Study skills and revision guidance

4 Study text

5 Question practice

The sections on the study guide, the syllabus objectives, the examination and study skills should all be read before you commence your studies. They are designed to familiarise you with the nature and content of the examination and give you tips on how best to approach your learning.

The **Study Text** comprises the main learning materials and gives guidance as to the importance of topics and where other related resources can be found. Each chapter includes:

- The **learning objectives** contained in each chapter, which have been carefully mapped to the examining body's own syllabus learning objectives or outcomes. You should use these to check you have a clear understanding of all the topics on which you might be assessed in the examination.
- The **chapter diagram** provides a visual reference for the content in the chapter, giving an overview of the topics and how they link together.
- The **content** for each topic area commences with a brief explanation or definition to put the topic into context before covering the topic in detail. You should follow your studying of the content with a review of the illustration/s. There are worked examples which will help you to better understand how to apply the content to the topic.
- **Test your understanding** sections provide an opportunity to assess your understanding of the key topics by applying what you have learned to short questions. Answers can be found at the back of each chapter.
- **Summary diagrams** complete each chapter to show the important links between topics and the overall content of the paper. These diagrams should be used to check that you have covered and understood the core topics before moving on.

Quality and accuracy are of the utmost importance to us so if you spot an error in any of our products, please send an email to mykaplanreporting@kaplan.com with full details, or follow the link to the feedback form in MyKaplan.

Our Quality Coordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

Icon Explanations

Definition – Key definitions that you will need to learn from the core content.

Key point – Identifies topics that are key to success and are often examined.

Test your understanding – Exercises for you to complete to ensure that you have understood the topics just learned.

Illustration – Worked examples help you understand the core content better.

Supplementary reading – These sections will help to provide a deeper understanding of core areas. The supplementary reading is **NOT** optional reading. It is vital to provide you with the breadth of knowledge you will need to address the wide range of topics within your syllabus that could feature in an exam question. **Reference to this text is vital when self-studying.**

Tutorial note – Included to explain some of the technical points in more detail.

Footsteps – Helpful tutor tips.

Links to other syllabus areas – This symbol refers to areas of interaction with other parts of the ACCA syllabus, subjects that you have either studied or may go on to study.

On-line subscribers

Our on-line resources are designed to increase the flexibility of your learning materials and provide you with immediate feedback on how your studies are progressing.

If you are subscribed to our on-line resources you will find:

1 On-line reference-ware: reproduces your Study Text on-line, giving you anytime/anywhere access.

2 On-line testing: provides you with additional on-line objective testing so you can practise what you have learned further.

3 On-line performance management: immediate access to your on-line testing results. Review your performance by key topics and chart your achievement through the course relative to your peer group.

Syllabus

Core areas of the syllabus

- A conceptual framework for financial reporting.
- A regulatory framework for financial reporting.
- Financial statements.
- Business combinations.
- Analysing and interpreting financial statements.

ACCA Performance Objectives

In order to become a member of ACCA, as a trainee accountant you will need to demonstrate that you have achieved nine performance objectives. Performance objectives are indicators of effective performance and set the minimum standard of work that trainees are expected to achieve and demonstrate in the workplace. They are divided into key areas of knowledge which are closely linked to the exam syllabus.

There are five Essential performance objectives and a choice of fifteen Technical performance objectives that are divided into five areas.

The performance objectives which link to this exam are:

1 Ethics and professionalism (Essential)

2 Stakeholder relationship management (Essential)

6 Record and process transactions and events (Technical)

7 Prepare external financial reports (Technical)

8 Analyse and interpret financial reports (Technical)

The following link provides an in-depth insight into all of the performance objectives:

https://www.accaglobal.com/content/dam/ACCA_Global/Students/per/PER-Performance-objectives-achieve.pdf

Progression

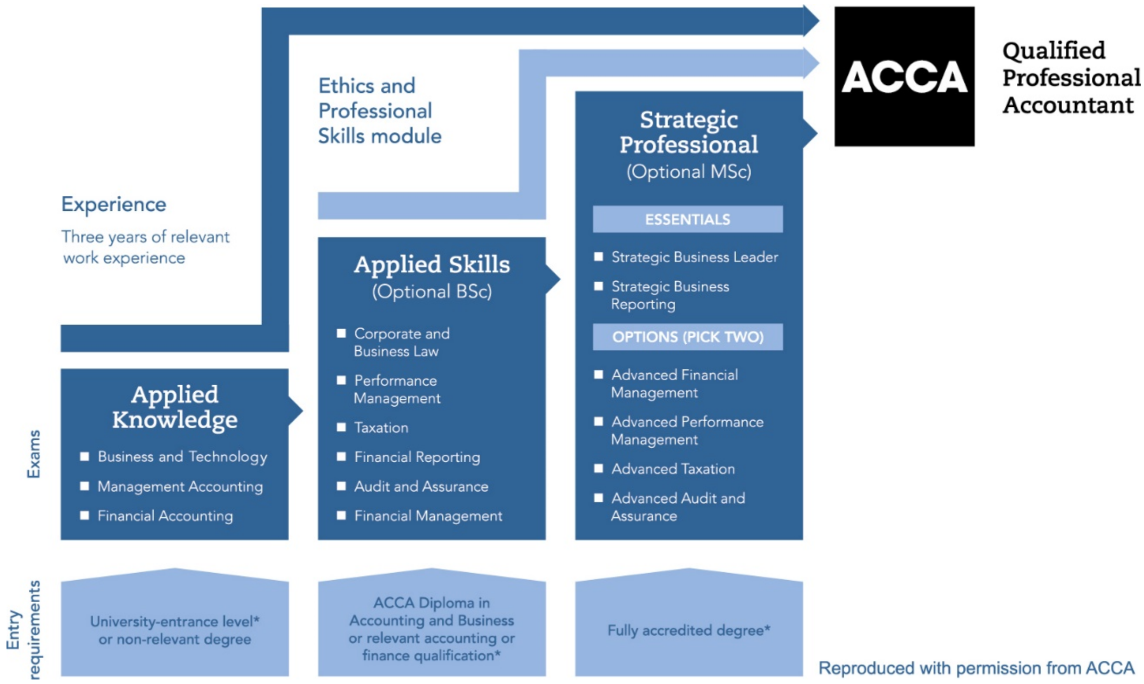
There are two elements of progression that we can measure: first how quickly learners move through individual topics within a subject; and secondly how quickly they move from one course to the next. We know that there is an optimum for both, but it can vary from subject to subject and from learner to learner. However, using data and our experience of learner performance over many years, we can make some generalisations.

A fixed period of study set out at the start of a course with key milestones is important. This can be within a subject, for example 'I will finish this topic by 30 June', or for overall achievement, such as 'I want to be qualified by the end of next year'.

Your qualification is cumulative, as earlier papers provide a foundation for your subsequent studies, so do not allow there to be too big a gap between one subject and another. We know that exams encourage techniques that lead to some degree of short-term retention, the result being that you will simply forget much of what you have already learned unless it is refreshed (look up Ebbinghaus Forgetting Curve for more details on this). This makes it more difficult as you move from one subject to another: not only will you have to learn the new subject, you will also have to relearn all the underpinning knowledge as well. This is very inefficient and slows down your overall progression which makes it more likely you may not succeed at all.

In addition, delaying your studies slows your path to qualification which can have negative impacts on your career, postponing the opportunity to apply for higher-level positions and therefore higher pay.

You can use the following diagram showing the whole structure of your qualification to help you keep track of your progress.



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Syllabus objectives and chapter references

We have reproduced ACCA's syllabus from September 2025 to June 2026, showing where the objectives are explored within this book. Within each chapter we have broken down the extensive information found in the syllabus into easily digestible and relevant sections, called Content Objectives. These correspond to the objectives at the beginning of each chapter.

Syllabus learning objective	Chapter reference
A THE CONCEPTUAL AND REGULATORY FRAMEWORK FOR FINANCIAL REPORTING	
1 The need for a conceptual framework and the characteristics of useful information	
(a) Describe what is meant by a conceptual framework for financial reporting.[2]	6
(b) Discuss whether a conceptual framework is necessary and what an alternative system might be.[2]	6
(c) Discuss what is meant by relevance and faithful representation and describe the qualities that enhance these characteristics.[2]	6
(d) Discuss whether faithful representation constitutes more than compliance with IFRS® Accounting Standards.[1]	6
(e) Discuss what is meant by understandability and verifiability in relation to the provision of financial information.[2]	6
(f) Discuss the importance of comparability and timeliness to users of financial statements.[2]	6
(g) Discuss the principle of comparability in accounting for changes in accounting policies.[2]	8
2 Recognition and measurement	
(a) Define what is meant by 'recognition' in financial statements and discuss the recognition criteria.[2]	6
(b) Apply the recognition criteria to:[2]	6
(i) assets and liabilities.	
(ii) income and expenses.	

Syllabus learning objective				Chapter reference
	(c)	Explain and compute amounts using the following measures:[2]		7
		(i)	historical cost	
		(ii)	current cost	
		(iii)	value in use/fulfilment value	
		(iv)	fair value	
	(d)	Discuss the advantages and disadvantages of historical cost accounting.		7
	(e)	Discuss whether the use of current value accounting overcomes the problems of historical cost accounting.[2]		7
3	**Regulatory framework**			
	(a)	Explain why a regulatory framework is needed, including the advantages and disadvantages of IFRS Accounting Standards over a national regulatory framework.[2]		6
	(b)	Explain why accounting standards on their own are not a complete regulatory framework.[2]		6
	(c)	Distinguish between a principles based and a rules based framework and discuss whether they can be complementary.[1]		6
	(d)	Describe the standard setting process of the International Accounting Standards Board (IASB®) including revisions to and interpretations of IFRS Accounting Standards.[2]		6
	(e)	Explain the relationship of national standard setters to the IASB in respect of the standard setting process.[2]		6
	(f)	Explain the purpose and role of the International Sustainability Standards Board (ISSB™).		6
4	**The concepts and principles of groups and consolidated financial statements**			
	(a)	Describe the concept of a group as a single economic unit.[2]		17
	(b)	Explain and apply the definition of a subsidiary within relevant IFRS Accounting Standards.[2]		17
	(c)	Using IFRS Accounting Standards and other regulation, identify and outline the circumstances in which a group is required to prepare consolidated financial statements.[2]		17

Syllabus learning objective			Chapter reference
	(d)	Describe the circumstances when a group may claim exemption from the preparation of consolidated financial statements.[2]	17
	(e)	Explain the need for using coterminous year ends and uniform accounting policies when preparing consolidated financial statements.[2]	17
	(f)	Explain why it is necessary to eliminate intra group transactions.[2]	18
	(g)	Explain the objective of consolidated financial statements.[2]	17
	(h)	Explain why it is necessary to use fair values for the consideration for an investment in a subsidiary together with the fair values of a subsidiary's identifiable assets and liabilities when preparing consolidated financial statements.[2]	18
	(i)	Define an associate and explain the principles and reasoning for the use of the equity method of accounting.[2]	20
B	**ACCOUNTING FOR TRANSACTIONS IN FINANCIAL STATEMENTS**		
1	**Tangible non-current assets**		
	(a)	Define and compute the initial measurement of a non-current asset (including borrowing costs and an asset that has been self-constructed).[2]	2
	(b)	Identify subsequent expenditure that may be capitalised, distinguishing between asset and expense items.[2]	2
	(c)	Discuss the requirements of relevant IFRS Accounting Standards in relation to the revaluation of non-current assets.[2]	2
	(d)	Account for revaluation and disposal gains and losses for non-current assets.[2]	2
	(e)	Compute depreciation based on the cost and revaluation models and on assets that have two or more significant parts.[2]	2
	(f)	Discuss why the treatment of investment properties should differ from other properties.[2]	2
	(g)	Apply the requirements of relevant IFRS Accounting Standards to an investment property.[2]	2

Syllabus learning objective			Chapter reference
2	**Intangible non-current assets**		
	(a)	Discuss the nature and accounting treatment of internally generated and purchased intangible assets.[2]	3
	(b)	Distinguish between goodwill and other intangible assets.[2]	3
	(c)	Describe the criteria for the initial recognition and measurement of intangible assets.[2]	3
	(d)	Describe the subsequent accounting treatment of intangible assets.[2]	3, 18
	(e)	Describe and apply the requirements of relevant IFRS Accounting Standards to research and development expenditure.[2]	3
3	**Impairment of assets**		
	(a)	Define, calculate and account for an impairment loss, including the principle of impairment tests in relation to goodwill.[2]	4
	(b)	Account for the reversal of an impairment loss on an individual asset.	4
	(c)	Identify the circumstances that may indicate impairments to assets.[2]	4
	(d)	Describe what is meant by a cash generating unit.[2]	4
	(e)	State the basis on which impairment losses should be allocated, and allocate an impairment loss to the assets of a cash generating unit.[2]	4
4	**Inventory and biological assets**		
	(a)	Describe and apply the principles of inventory valuation.[2]	8
	(b)	Apply the requirements of relevant IFRS Accounting Standards for biological assets and agricultural produce.[2]	8

Syllabus learning objective				Chapter reference
5	**Financial instruments**			
	(a)	Explain the need for an accounting standard on financial instruments.[1]		12
	(b)	Define financial instruments in terms of financial assets and financial liabilities.[1]		12
	(c)	Explain and account for the factoring of receivables.[2]		12
	(d)	Indicate for the following categories of financial instruments how they should be measured and how any gains and losses from subsequent measurement should be treated in the financial statements:[2]		12
		(i)	amortised cost	12
		(ii)	fair value through other comprehensive income (including where an irrevocable election has been made for equity investments that are not held for trading).	12
		(iii)	fair value through profit or loss.	12
	(e)	Distinguish between debt and equity capital.[2]		12
	(f)	Apply the requirements of relevant IFRS Accounting Standards to the issue and interest expenses of:[2]		12
		(i)	equity	12
		(ii)	redeemable preference shares and debt instruments with no conversion rights (principle of amortised cost).	12
		(iii)	convertible debt	12
6	**Leasing**			
	(a)	Account for right of use assets and lease liabilities in the records of the lessee.[2]		11
	(b)	Explain the exemption from the recognition criteria for leases in the records of the lessee.[2]		11
	(c)	Account for sale and leaseback transactions where sales proceeds are equal to fair value.[2]		11
7	**Provisions and events after the reporting period**			
	(a)	Explain why an accounting standard on provisions is necessary.[2]		15
	(b)	Distinguish between legal and constructive obligations.[2]		15
	(c)	State when provisions may and may not be made and demonstrate how they should be accounted for.[2]		15

Syllabus learning objective				Chapter reference
	(d)	Explain how provisions should be measured.[1]		15
	(e)	Define contingent assets and liabilities and describe their accounting treatment and required disclosures.[2]		15
	(f)	Identify and account for:[2]		15
		(i)	warranties/guarantees	
		(ii)	onerous contracts	
		(iii)	environmental, decommissioning and similar provisions	
		(iv)	restructuring	
	(g)	Events after the reporting period		
		(i)	distinguish between and account for adjusting and non-adjusting events after the reporting period.[2]	15
		(ii)	identify items requiring separate disclosure, including their accounting treatment and required disclosures.[2]	15
8	**Taxation**			
	(a)	Account for current taxation in accordance with relevant IFRS Accounting Standards.[2]		13
	(b)	Explain the effect of taxable and deductible temporary differences on accounting and taxable profits.[2]		13
	(c)	Compute and record deferred tax amounts in the financial statements.[2]		13
9	**Reporting financial and non-financial performance**			
	(a)	Discuss the importance of identifying and reporting the results of discontinued operations.[2]		5
	(b)	Define and account for non-current assets held for sale and discontinued operations.[2]		5
	(c)	Indicate the circumstances where separate disclosure of material items of income and expense is required.[2]		1, 5
	(d)	Account for changes in accounting estimates, changes in accounting policy and correction of prior period errors.		8

Syllabus learning objective			Chapter reference
(e)	Earnings per share (eps):[2]		
	(i)	calculate the eps in accordance with relevant IFRS Accounting Standards (dealing with issue of bonus shares, full market value issues and rights issues).	14
	(ii)	explain the relevance of the diluted eps and calculate the diluted eps involving convertible debt and share options (warrants).	14
(f)	describe the objective, scope and core content of IFRS Sustainability Disclosure Standard 1 (IFRS S1) *General Requirements for Disclosure of Sustainability-related Financial Information*.[1]		6
10	**Revenue**		
(a)	Explain and apply the principles of recognition of revenue:		
	(i)	identification of contracts	10
	(ii)	identification of performance obligations	10
	(iii)	determination of transaction price	10
	(iv)	allocation of the price to performance obligations	10
	(v)	recognition of revenue when/as performance obligations are satisfied	10
(b)	Explain and apply the criteria for recognising revenue generated from contracts where performance obligations are satisfied over time or at a point in time.[2]		10
(c)	Describe the acceptable methods for measuring progress towards complete satisfaction of a performance obligation.[2]		10
(d)	Explain and apply the criteria for the recognition of contract costs.[2]		10
(e)	Apply the principles of recognition of revenue, and specifically account for the following types of transaction:[2]		10
	(i)	principal versus agent	
	(ii)	repurchase agreements	
	(iii)	bill and hold arrangements	
	(iv)	consignment arrangements	

Syllabus learning objective				Chapter reference
	(f)	Prepare financial statement extracts for contracts where performance obligations are satisfied over time or at a point in time.[2]		10
11	**Government grants**			
	(a)	Apply relevant IFRS Accounting Standards in relation to accounting for government grants.[2]		2
12	**Foreign currency transactions**			
	(a)	Explain the difference between functional and presentation currency and explain why adjustments for foreign currency transactions are necessary.		9
	(b)	Account for the translation of foreign currency transactions and monetary/non-monetary foreign currency items at the reporting date.		9
C	**ANALYSING AND INTERPRETING THE FINANCIAL STATEMENTS OF SINGLE ENTITIES AND GROUPS**			
1	**Limitations of financial statements**			
	(a)	Indicate the problems of using historic information to predict future performance and trends.[2]		22
	(b)	Discuss how financial statements may be manipulated to produce a desired effect.		22
	(c)	Explain why figures in a statement of financial position may not be representative of average values throughout the period for example, due to:[2]		
		(i)	seasonal trading	
		(ii)	major asset acquisitions near the end of the accounting period.	22
	(d)	Explain how the use of consolidated financial statements might limit interpretation techniques.		22, 18, 19
2	**Calculation and interpretation of accounting ratios and trends to address users' and stakeholders' needs**			
	(a)	Define and compute relevant financial ratios.[2]		22
	(b)	Explain what aspects of performance specific ratios are intended to assess.[2]		22
	(c)	Analyse and interpret ratios to give an assessment of an entity's/group's performance and financial position in comparison with:[2]		22
		(i)	previous period's financial statements	

Syllabus learning objective	Chapter reference
(ii) another similar entity/group for the same reporting period	
(iii) industry average ratios.	
(d) Interpret financial statements (including statements of cash flows) to give advice from the perspectives of different stakeholders.[2]	22
(e) Interpret financial statements (including statements of cash flows) together with other financial and non-financial information to assess the performance and financial position of an entity and to give advice from the perspectives of different stakeholders.[2]	22
(f) Discuss how the use of current values affects the interpretation of financial statements and how this would compare to using historical cost.[2]	22
(g) Indicate other information, including non-financial information, that may be of relevance to the assessment of an entity's performance and financial position.[1]	22
3 Limitations of interpretation techniques	
(a) Discuss the limitations in the use of ratio analysis for assessing performance and financial position.[2]	22
(b) Discuss the effect that changes in accounting policies or the use of different accounting policies between entities can have on the ability to interpret performance and financial position.[2]	22
(c) Compare the usefulness of information presented in the statement of cash flows to the information presented in the statement(s) of financial performance.[2]	16
(d) (i) explain why the trend of eps may be a more accurate indicator of performance than a company's profit trend and the importance of eps as a stock market indicator.[2]	14
(ii) discuss the limitations of using eps as a performance measure.[3]	14
4 Specialised, not-for-profit and public sector entities	
(a) Explain how the interpretation of the financial statement of a not-for-profit or public sector organisation might differ from that of a profit-making entity by reference to the different aims, objectives and reporting requirements.[1]	6, 22

Syllabus learning objective			Chapter reference
D	**PREPARATION OF FINANCIAL STATEMENTS**		
1	**Preparation of single entity financial statements**		
	(a)	Prepare an entity's statement of financial position and statement of profit or loss and other comprehensive income in accordance with the structure and content prescribed within IFRS Accounting Standards and with accounting treatments as identified within syllabus areas A, B and C.[2]	1
	(b)	Prepare and explain the contents and purpose of the statement of changes in equity.[2]	1
	(c)	Prepare extracts from a statement of cash flows for a single entity (not a group) in accordance with relevant IFRS Accounting Standards using the indirect method only.[2]	16
2	**Preparation of consolidated financial statements including an associate**		
	(a)	Prepare a consolidated statement of financial position for a simple group (parent and up to two subsidiaries controlled by the parent and one associate of the parent) dealing with pre- and post-acquisition profits, non-controlling interests and consolidated goodwill.[2]	18, 20
	(b)	Prepare a consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income for a simple group dealing with an acquisition or disposal in the period and non-controlling interest. [2]	19, 20, 21
	(c)	Explain and account for other components of equity (e.g. share premium and revaluation surplus).[1]	18
	(d)	Account for the effects of intra-group transfer of assets and intra-group dividends.[2]	18, 19
	(e)	Account for the effects of fair value adjustments (including their effect on consolidated goodwill) to:[2] (i) depreciating and non-depreciating non-current assets (ii) inventory (iii) monetary liabilities (iv) assets and liabilities not included in the subsidiary's own statement of financial position, including contingent assets and liabilities	18, 19
	(f)	Account for goodwill impairment.[2]	18, 19

Syllabus learning objective		Chapter reference
(g)	Describe and apply the required accounting treatment for consolidated goodwill.[2]	18, 19
(h)	Indicate why the fair value of purchase consideration may be less than the fair value of the acquired identifiable net assets and how the difference (bargain purchase) should be accounted for.[2]	18
(i)	Explain and illustrate the effect of a disposal of a parent's investment in a subsidiary in the parent's individual financial statements and/or those of the group, including as a discontinued operation (restricted to disposals of the parent's entire investment in the subsidiary).[2]	21
E	**EMPLOYABILITY AND TECHNOLOGY SKILLS**	
1	**Use computer technology to efficiently access and manipulate relevant information.**	23
2	**Work on relevant response options, using available functions and technology, as would be required in the workplace.**	23
3	**Navigate windows and computer screens to create and amend responses to exam requirements, using the appropriate tools.**	23
4	**Present data and information effectively, using the appropriate tools.**	23

The numbers in square brackets indicate the intellectual depth at which the subject area could be assessed within the examination. Level 1 (knowledge and comprehension) broadly equates with the Knowledge module, Level 2 (application and analysis) with the Skills module and Level 3 (synthesis and evaluation) to the Professional level. However, lower-level skills can continue to be assessed as you progress through each module and level.

The Examination

Examination format

All questions are compulsory. The examination will contain both computational and discursive elements.

Some questions will adopt a scenario/case study approach.

Section A of the examination comprises 15 objective test (OT) questions of 2 marks each.

Section B of the examination comprises three objective case questions (OT cases) worth 10 marks each. Each case has five objective test questions of 2 marks each.

Section C of the examination comprises two constructed response (CR) questions, worth 20 marks each.

The 20-mark questions will examine the interpretation and preparation of financial statements for either a single entity or a group. The section A and section B questions can cover any areas of the syllabus.

An individual question may often involve elements that relate to different subject areas of the syllabus. For example, the preparation of an entity's financial statements could include matters relating to several accounting standards.

Questions may ask candidates to comment on the appropriateness or acceptability of management's opinion or chosen accounting treatment. An understanding of accounting principles and concepts and how these are applied to practical examples will be tested.

Questions on topic areas that are also included in Financial Accounting (FA) will be examined at an appropriately greater depth in this examination.

Candidates will be expected to have an appreciation of the need for specific accounting standards and why they have been issued. For detailed or complex standards, candidates need to be aware of their principles and key elements.

	Number of marks
Section A – Fifteen 2-mark objective test questions	30
Section B – Three 10-mark objective case questions, comprising five 2-mark questions each	30
Section C – Two 20-mark constructed response questions	40
	100

Examination tips

Individual learners will have different approaches to tackling the FR exam.

The time allowed for the examination is 3 hours.

For the examination, learners should allocate 1.8 minutes per mark, meaning that a 20-mark section C question should be completed in approximately 36 minutes, with a 10-mark section B question taking approximately 18 minutes.

Unless you know exactly how to answer the question, spend some time planning your answer. Stick to the question and tailor your answer to what you are asked. Pay particular attention to the verbs in the question.

If you **get completely stuck** with a question, take a guess, move on and return to it later.

If you do not understand what a question is asking, state your assumptions. Even if you do not answer in precisely the way the examiner hoped, you should be given some credit if your assumptions are reasonable.

You should do everything you can to make things easy for the marker. The marker will find it easier to identify the points you have made if your answers are well laid out.

Short narrative response: Your answer should be concise but specific, explaining terms where required. Short narrative responses will often require comment on the correct accounting treatment of items, so an ability to discuss this is essential, rather than simply providing calculations.

Computations: It is **absolutely essential** to include all your workings in your answers.

Many computational questions require the use of a standard format. Be sure you know these formats thoroughly before the exam and use the layouts that you see in the answers given in this book and in model answers.

Interpretation style response: Longer form responses are likely to contain some form of interpreting information. A good interpretation answer takes account of the information contained within the question and is well-structured, with good use of headings and sections.

ACCA Support

For additional support with your studies please also refer to the ACCA Global website.

Study skills and revision guidance

This section aims to give guidance on how to study for your ACCA exams and to give ideas on how to improve your existing study techniques.

Preparing to study

Set your objectives

Before starting to study decide what you want to achieve – the type of pass you wish to obtain. This will decide the level of commitment and time you need to dedicate to your studies.

Devise a study plan

Determine which times of the week you will study.

Split these times into sessions of at least one hour for study of new material. Any shorter periods could be used for revision or practice.

Put the times you plan to study onto a study plan for the weeks from now until the exam and set yourself targets for each period of study – in your sessions make sure you cover the course, course assignments and revision.

If you are studying for more than one examination at a time, try to vary your subjects as this can help you to keep interested and see subjects as part of wider knowledge.

When working through your course, compare your progress with your plan and, if necessary, re-plan your work (perhaps including extra sessions) or, if you are ahead, do some extra revision/practice questions.

Effective studying

Active reading

You are not expected to learn the text by rote, rather, you must understand what you are reading and be able to use it to pass the exam and develop good practice. A good technique to use is SQ3Rs – Survey, Question, Read, Recall, Review:

1. **Survey the chapter** – look at the headings and read the introduction, summary and objectives, so as to get an overview of what the chapter deals with.
2. **Question** – whilst undertaking the survey, ask yourself the questions that you hope the chapter will answer for you.
3. **Read** through the chapter thoroughly, answering the questions and making sure you can meet the objectives. Attempt the exercises and activities in the text, and work through all the examples.
4. **Recall** – at the end of each section and at the end of the chapter, try to recall the main ideas of the section/chapter without referring to the text. This is best done after a short break of a couple of minutes after the reading stage.
5. **Review** – check that your recall notes are correct.

You may also find it helpful to re-read the chapter to try to see the topic(s) it deals with as a whole.

Note-taking

Taking notes is a useful way of learning, but do not simply copy out the text. The notes must:

- be in your own words
- be concise
- cover the key points
- be well-organised
- be modified as you study further chapters in this text or in related ones.

Trying to summarise a chapter without referring to the text can be a useful way of determining which areas you know and which you don't.

Three ways of taking notes:

1. **Summarise the key points of a chapter.**
2. **Make linear notes** – a list of headings, divided up with subheadings listing the key points. If you use linear notes, you can use different colours to highlight key points and keep topic areas together. Use plenty of space to make your notes easy to use.
3. **Try a diagrammatic form** – the most common of which is a mind-map. To make a mind-map, put the main heading in the centre of the paper and put a circle around it. Then draw short lines radiating from this to the main sub-headings, which again have circles around them. Then continue the process from the sub-headings to sub-subheadings, advantages, disadvantages, etc.

Highlighting and underlining

You may find it useful to underline or highlight key points in your study text – but do be selective. You may also wish to make notes in the margins.

Revision

The best approach to revision is to revise the course as you work through it.

Try to leave four to six weeks before the exam for final revision. Make sure you cover the whole syllabus and pay special attention to those areas where your knowledge is weak. Here are some recommendations:

Read through the text and your notes again and condense your notes into key phrases. It may help to put key revision points onto index cards to look at when you have a few minutes to spare.

Review any assignments you have completed and look at where you lost marks – put more work into those areas where you were weak.

Practise exam standard questions under timed conditions. If you are short of time, list the points that you would cover in your answer and then read the model answer, but do try to complete at least a few questions under exam conditions.

Practise producing answer plans and comparing them to the model answer.

If you are stuck on a topic find somebody (a tutor) to explain it to you.

Read good newspapers and professional journals, especially ACCA's Student Accountant – this can give you an advantage in the exam.

Ensure you know the structure of the exam – how many questions and of what type you will be expected to answer.

During your revision attempt all the different styles of questions you may be asked.

Examinable Documents

This text has been updated to reflect Examinable Documents September 2025 to June 2026 issued by ACCA.

Chapter

1

Published financial statements

Chapter learning objectives

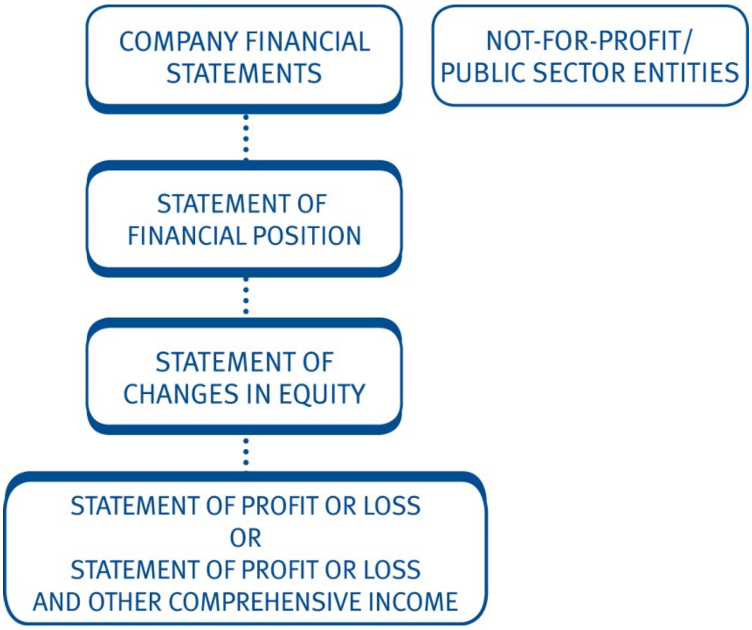
Upon completion of this chapter you will be able to:

- prepare an entity's statement of financial position and statement of profit or loss and other comprehensive income in accordance with the structure and content prescribed within IFRS Accounting Standards
- prepare and explain the contents and purpose of the statement of changes in equity.

This chapter provides a recap from Financial Accounting, reminding you of the format and content of financial statements, and the technique required to prepare them from a trial balance.

PER

One of the PER performance objectives (PO7) is to prepare external financial reports. You take part in preparing and reviewing financial statements – and all accompanying information – and you do it in accordance with legal and regulatory requirements. Working through this chapter should help you understand how to demonstrate that objective.



Preparation of single entity financial statements could be examined as one of the constructed response questions in section C of the FR examination. This chapter will look at the techniques and principles behind the construction of this. It is important to note that Chapters 2 to 15 contain information on specific accounting standards, any of which could be included within the construction of single entity financial statements. Once you have worked through these chapters, Chapter 23 provides practice for single entity financial statements with those standards incorporated into them.

1 Preparation of financial statements for companies

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements* states that a complete set of financial statements comprises:

- a statement of financial position
- either
  - a statement of profit or loss and other comprehensive income, or
  - a statement of profit or loss plus a separate statement showing comprehensive income
- a statement of changes in equity
- a statement of cash flows
- accounting policies and explanatory notes.

IFRS 18 does not require the above titles to be used by companies. Companies may continue to use the previous terms of balance sheet rather than statement of financial position, income statement instead of statement of profit or loss, and cash flow statement rather than statement of cash flows.