



**The Association of  
Certified Public Accountants (Int)  
Advanced Financial Accounting**

**Contents**

	<b>Page</b>
<b>1. Study Unit 1</b>	
Lease Accounting	103
Research and Development expenditure	111
Impairment of Fixed Assets and Goodwill	112
Reporting General Considerations	115
<b>2. Cash Flow Statements</b>	
General	203
Reasons for Reporting	203
The Format of a Cash Flow Statement	203
Consolidated Cash Flow Statements	205
Exercises	210
<b>3. The effect of changes in foreign exchange rates</b>	
General	303
Application of Temporal Method	304
Application of Closing Rate Method	316
<b>4. Valuation of shares</b>	
General	403
Methods of Valuation	403
Asset Basis	403
Earnings Basis	406
Dividend Yield	410
Discounted cash flow	411
Exercises	413
<b>5. Financial Analysis I</b>	
General	503
Types of Ratio	503
Groups of Users	503
Ratios to measure liquidity	505
Ratios to measure profitability	506
Capital Structure	511
Profit and Loss account Interpretation	513
Balance Sheet Interpretation	513
Capital Position	513
Exercise	521



**The Association of  
Certified Public Accountants (Int)  
Advanced Financial Accounting**

---

**Contents**

	<b>Page</b>
<b>6. Financial Analysis II</b>	
Inter-Firm Comparisons	603
Pyramid Method	603
Procedure for Comparing Level of Efficiency	603
Pyramid diagram of ratios – distributive traders	604
Pros and Cons of Comparisons	605
Operating and Financial Review	605
Symptoms of Corporate Collapse	611
The Z-Model	612
P-Score Technique	612
Financial Dangers and their Detection	615
Limitations of Accounting Ratios	617
Effects of time and changing values	618
Viewpoint of Interpreter	622
<b>7. Disposal of a Subsidiary</b>	
General	703
Consolidated accounts	703
Partial sale of subsidiary at start of year with control retained	705
Disposal of subsidiary during the year	705
Part Disposal of Subsidiary during the year: Control Retained	707
Disposal of a subsidiary during the year to an associated company: Consolidated accounts	708
<b>8. Long-term Contracts</b>	
General	803
Progress Payments	803
Retention Money	804
Depreciation of Plant	805
Valuation of Work in Progress	805
Example	807
<b>9. Retirement Benefits</b>	
Objective	903
Pension Rights	903
Funding	903
Scheme Assets	907
Actuarial Gains and Losses	908
Recognition of Defined Benefit Schemes	909
Disclosures for Defined Benefit Schemes	909
Pension Fund Liabilities	144
Past Service Cost	910
Settlements and Curtailments	910
Valuations	910
Pension Cost Note	911



**The Association of  
Certified Public Accountants (Int)  
Advanced Financial Accounting**

---

**Contents**

	<b>Page</b>
<b>10. Presentation of Financial Statements</b>	
Introduction	1003
Profit and Loss Account (Format 1)	1003
Profit and Loss Account (Format 2)	1004
Balance Sheet (Format 1)	1005
Notes to Balance Sheet (Format 1)	1006
Balance Sheet (Format 2)	1008
Disclosure requirements	1010
Disclosure by way of notes to the financial statements	1010
Questions for Practice	1012
<b>11. Purchase of own shares</b>	
Introduction	1103
The Pros and Cons	1107
Distributable Profits	1107
Additional Rules for Public Companies	1108