“We attract, inspire and engage the next generation of CIMA members and CGMAs by increasing awareness among academics and university students through identification of best practices, training, resources and communications, working in partnership with the regions.”

Global CGMA University and Academic Center of Excellence (COE)
The Association of International Certified Professional Accountants
The COE’s role

- Establish consistent global strategy & performance for academic relations that compliments country efforts
- Provide partnership & support
- Develop best practices & tools
- Align priorities & interests
- Develop operational efficiency
What is this document about?

• This document is part of a series that was developed to provide reading materials, case studies, videos, podcasts and other resources that are relevant to a specific exam in the 2019 CIMA Professional Qualification (PQ).

• These resources are aimed to help you understand more about the topics within a specific exam.

• All resources found in this document can be shared with faculty members and students.

• Each resource has a link to the webpage for ease of access. Just click on these icons when you see them in the following slides:
The Financial Pillar
2019 CIMA Professional Qualification Framework
Summary of the Financial Pillar

Communicate and report on the vision through a financial lens.

How do we prepare financial statements?

How do we interpret financial statements and use them to support strategy?

How does financial strategy drive the ambitions of the organization?
What changed in F2?

2015 syllabus
F2: Advanced Financial Reporting

A. Sources of long-term finance
B. Financial reporting
C. Analysing financial statements

2019 syllabus
F2: Advanced Financial Reporting

A. Financing capital projects
B. Financial reporting standards
C. Group accounts
D. Integrated reporting
E. Analysing financial statements

New
F2: Structure and outline

Financial reporting standards for preparing group accounts
Exam weighting: 25%

Prepare group accounts for stakeholders
Exam weighting: 25%

Analyse financial statements to provide insights
Exam weighting: 25%

Financing capital projects
Exam weighting: 15%

Integrated reporting in a multi-stakeholder world
Exam weighting: 10%
CGMA competencies in a digital world

The competency framework reflects our findings on how finance professionals are expected to apply accounting and finance skills within the context of the business/organisations in which they operate.

It also reflects for the first time how technology and a digital mindset will be required to affect and influence their own decisions, actions and behaviours and those of their colleagues within the wider organisation.
Exam blueprint
The F2 exam blueprint

• For the first time, under the updated 2019 CIMA Professional Qualification, CIMA is publishing examination blueprints based on the syllabus which set out in detail what is examinable in each of the nine Objective Tests and three Case Study examinations.

• The Blueprints will be published annually, and provide information about the format, structure and weightings of the assessments.

• The blueprints will only be applicable to exams scheduled under the 2019 Professional Qualification.
Key features of the blueprints

• Updated annually
• 3 documents, one per level
• 4 sections
  – Overview
  – Case study exam business simulation
  – Objective test representative tasks
  – Appendices (formulas etc.)
F2 exam dates

- 1 Aug 2019
- 4 Nov 2019

Scheduling of F2 exam under the 2019 PQ starts

F2 exams under the updated PQ commences
Exam overview

Skill level
- Remembering
- Understanding
- Application

Exam format
- Objective test
- On-demand
- Computerised
- 60 questions
- 90 minutes

Pass rates
CIMA will publish updated objective test pass rates every quarter following the release of pass rates for case study exams.
Examination purpose

• The Objective Tests assure that learners have acquired the fundamental knowledge, skills and techniques for the role that will be simulated in the culminating Case Study Examination.

• The Objective Tests will cover all areas of the syllabus and will ensure that learning has taken place across the breadth of the syllabus.

• The Objective Tests at the management level are weighted towards remembering, understanding and application with analysis and evaluation in highly structured scenarios.
“I can” statements

I can evaluate the cost and benefit of....

Great! We are hiring someone who can....

- In the exam blueprint, you will find representative task statements.
- Each statement is a plain English description of what a CIMA finance professional should know and be able to do i.e. “I can....”.
“I can” statements (cont’d)

• The content and skill level determine the language and verbs used in the representative task.

• CIMA will test up to the level of the task statement in the objective test (an objective test question on a particular topic could be set at a lower level than the task statement in the blueprint).

• The task statements in the blueprint are representative and are not intended to be (nor should they be viewed as) an all-inclusive list of tasks that may be tested on the Examination.

• The number of tasks associated with a particular content group or topic is not indicative of the extent such content group, topic or related skill level will be assessed on the test.
A snapshot of the F2 exam blueprint

<table>
<thead>
<tr>
<th>F2E: Financial Statements</th>
<th>Skill level</th>
<th>Representative task statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lead outcome</td>
<td>Component outcome</td>
<td>Remembering and understanding</td>
</tr>
<tr>
<td>2. Actions based on insights from the interpretation of financial statements</td>
<td>a. Recommended actions</td>
<td>![Checkmark]</td>
</tr>
</tbody>
</table>

The slides below will list some of these representative task statement
Topic A – Financing capital projects

F2: Advanced Financial Reporting
Summary

• For selected strategic (capital investment) projects to be implemented, funds must be sourced at the right cost and at the right time.

• This is a key role of the finance function and shows how it enables the organization to create value.

• This section looks at the sources and types of funds and how much they cost.
## F2A: Financing capital projects

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compare and contrast types and sources of long-term funds.</td>
<td>Compare and contrast:</td>
<td>• Characteristics of different types of shares and long-term debts</td>
<td>• What are the types of funds that can be used to finance medium to long-term projects?</td>
</tr>
<tr>
<td></td>
<td>a. Long-term debt</td>
<td>• Ordinary and preference shares</td>
<td>• What are their unique and shared profiles and under what conditions are they suitable for organisations seeking long-term funds?</td>
</tr>
<tr>
<td></td>
<td>b. Equity finance</td>
<td>• Bonds and other types of long-term debt</td>
<td>• What is the impact of these funds on the risk profile of organisations?</td>
</tr>
<tr>
<td></td>
<td>c. Markets for long-term funds</td>
<td>• Operations of stock and bond markets</td>
<td>• Where can these funds be sourced?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Issuance of shares and bonds</td>
<td>• What are the criteria that organisations must fulfil to access funds from these sources?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Role of advisors</td>
<td></td>
</tr>
</tbody>
</table>

**Skill level:** Remembering and understanding
F2A: Financing capital projects (cont’d)

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Calculate:</td>
<td>• Cost of equity using dividend valuation model (with or without growth in dividends)</td>
<td>• What is the cost of each type of funds?</td>
</tr>
<tr>
<td></td>
<td>a. Cost of equity</td>
<td>• Post-tax cost of bank borrowing</td>
<td>• What is the cost of the total funds used by the organization to fund its projects?</td>
</tr>
<tr>
<td></td>
<td>b. Cost of debt</td>
<td>• Yield to maturity of bonds and post-tax cost of bonds.</td>
<td>• How can the organization minimize the cost of funds whilst ensuring the availability of adequate funds at the right time and at the same time maintaining an appropriate risk profile?</td>
</tr>
<tr>
<td></td>
<td>c. Weighted average cost of capital</td>
<td>• Post-tax costs of convertible bonds up to and including conversion.</td>
<td></td>
</tr>
</tbody>
</table>

Skill level: Application
Example of representative task from exam blueprint

- I can calculate the cost of equity using the dividend valuation model, with and without growth in dividends.
- I can calculate the post-tax cost of convertible bonds up to and including conversion.
- I can calculate the weighted average cost of capital (WACC) for an incorporated entity.

Management Level Exam Blueprint
Resource list

Topic A – Financing capital projects
Excel techniques in calculating cost of equity

Many techniques can be employed to value an asset, a project, a business, a shareholding, and so on.

However, one is arguably more common than the rest these days — net present value (NPV) using discounted cash flows.
Recent news on capital markets

How China’s new law may affect foreign business
Experts highlight what the Foreign Investment Law, which goes into force next year, means for businesses now.

By Alexis Sue Tho
14 July 2019

Global economy and markets

New York leads global financial centre rankings
Hong Kong rises as London falls in surveys.

By Oliver Rowe
1 June 2019

Global economy and markets

Brexit concerns hover over capital markets
Fears may prove premature in the world of finance.

By Brian Bollin
7 February 2019

Global economy and markets, Governance and risk

Dealers work at their desks whilst screens show market data following a vote on Prime Minister Theresa May’s Brexit ‘plan B’ at CMC Markets in London, 30 January 2019.
Recent news on capital markets

London and Shanghai make Stock Connect listing link
Companies and investors could both benefit from the recent move.
By Oliver Rowe and Alexis See Tho
22 July 2019
Global economy and markets

South Africa leads financial market index
A recent analysis highlights challenges and successes in Africa's capital markets.
By Cara Beuver
20 November 2018
Global economy and markets
Topic B – Financial reporting standards

F2: Advanced Financial Reporting
Summary

• The finance function is responsible for narrating how organisations create and preserve value.

• Different types of narratives are used for different audiences.

• Financial reporting is used for external stakeholders.

• This section examines the building blocks for constructing the narratives in the financial statements.

• It covers the key financial reporting standards on which the financial statements will be based.
## F2B: Financial reporting standards

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Explain relevant financial reporting standards for revenue, leases, financial instruments, intangible assets and provisions.</td>
<td>Explain the financial reporting standards for:</td>
<td>• How should important elements of the financial statement be treated in the books?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a. Revenue</td>
<td>• FRS 15 – Revenue from Contracts with Customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Leases</td>
<td>• FRS 16 – Leases</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Provisions</td>
<td>• IAS 37 – Provisions, Contingent Liabilities and Contingent Assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Financial instruments</td>
<td>• IFRS 9 – Financial Instruments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>e. Intangible assets</td>
<td>• IAS 32 – Financial Instruments: Presentation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f. Income taxes</td>
<td>• IAS 38 – Intangible Assets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>g. Effect of changes on foreign currency rates</td>
<td>• IAS 12 – Income Taxes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• IAS 21 – Effect of Changes on Foreign Exchange Rates</td>
</tr>
</tbody>
</table>
# F2B: Financial reporting standards (cont’d)

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
</table>
| 2. Explain relevant financial reporting standards for group accounts. | Explain the financial reporting standards for the key areas of group accounts. | • IAS 1 — Presentation of Financial Statements  
• IAS 27 — Separate Financial Statements  
• IAS 28 — Investment in Associates and Joint Ventures  
• IFRS 3 — Business Combinations  
• IFRS 5 — Non-current Assets Held for Sale or Discontinued Operations  
• IFRS 10 — Consolidated Financial Statements  
• IFRS 11 — Joint Arrangements | • What are the key principles that should govern the preparation of group accounts?  
• How are they reflected in financial reporting standards?  
• The approach should focus on the aspects of group accounts that are essential for discussions with the rest of the business.  
• Therefore, the emphasis should be on awareness creation and basic understanding of the technical elements. |

**Skill level:** Remembering and understanding  
Application
Example of representative task from exam blueprint

I can determine the functional currency and presentation currency of an entity and translate foreign currency transactions and balances.

I can determine if an entity has significant influence or joint control over another entity.

I can determine whether an entity is a subsidiary by applying the three-part definition of control.
Resource list

Topic B – Financial reporting standards
Amendments to IFRS 16

Lessons from lease accounting implementation
Embedded leases, data extraction, and staff training all pose challenges with the IFRS 16 deadline approaching.

By Oliver Rowe
5 July 2019

Accounting and reporting. Accounting standards

With the effective date for the new IFRS lease accounting standard fast approaching, companies are wading through a number of challenging issues related to lease identification, data extraction, and software implementation.

IFRS 16, Leases, comes into effect for companies’ annual reporting periods beginning on or after 1 January 2019.
Amendments to IAS 16

Property, plant and equipment

Date recorded: 19 Jun 2019

Proceeds before intended use (Amendments to IAS 16)
Finalisation of the proposed amendments

Background

The IASB published the Exposure Draft Property, Plant and Equipment: Proceeds before intended use (ED) in June 2017. The intention of the change is to prohibit deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity would be required to recognise sales proceeds in profit or loss.

In November 2016 the board considered feedback on the exposure draft and decided to proceed with the amendments. This paper reviews the modifications and asks the board if it agrees with the recommendations. If the board agrees the next step will be a paper on due process and obtaining permission to begin the balloting process.

Proposed amendments
What’s new with IAS 32 - Financial Instruments: Presentation

IASB seeks clarity between liabilities and equity

By Jeff Drew
28 June 2018

Accounting and reporting, Governance and risk
Improvements to IFRS Standards

12 December 2017

International Accounting Standards Board issues annual improvements to IFRS Standards

The International Accounting Standards Board (Board) has today issued Annual Improvements to IFRS Standards 2015–2017 Cycle, which makes narrow-scope amendments to four IFRS Standards.

Annual improvements are part of the Board’s process for maintaining IFRS Standards and contain Interpretations that are minor or narrow in scope.

Amendments made as part of this process either clarify the wording in an IFRS Standard or correct relatively minor oversights or conflicts between existing requirements of IFRS Standards.

The amendments made during the 2015–2017 cycle are:

<table>
<thead>
<tr>
<th>Amended Standard</th>
<th>The amendments clarify that:</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 3 Business</td>
<td>A company remeasures its previously held interest in a joint operation when it obtains control of the business.</td>
</tr>
<tr>
<td>Combinations</td>
<td></td>
</tr>
<tr>
<td>IFRS 11 Joint</td>
<td>A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.</td>
</tr>
<tr>
<td>Arrangements</td>
<td></td>
</tr>
<tr>
<td>IAS 12 Income Taxes</td>
<td>A company accounts for all income tax consequences of dividend payments in the same way.</td>
</tr>
<tr>
<td>IAS 23 Borrowing Costs</td>
<td>A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.</td>
</tr>
</tbody>
</table>
Guide to narratives in financial statements
Reports on narratives in financial statements
Annual report insights and advice

A survey of 100 UK listed companies to provide insights into FTSE reporting practices.
A 2016 assessment by watchdog group Transparency International suggests that of the 100 largest emerging market multinationals, Indian businesses tend to disclose the most about their anti-corruption programmes, operational holdings, and country-by-country financial results.
NEW RULES MAKE EU ISSUERS’ ANNUAL FINANCIAL REPORTS MACHINE-READABLE

18 December 2017

The European Securities and Markets Authority (ESMA) publishes today the final draft Regulatory Technical Standards (RTS) setting out the new European Single Electronic Format (ESEF). Starting from 2020, this format shall be used by all issuers to prepare their annual financial reports. ESMA also publishes a reporting manual and detailed instructions to issuers to facilitate the implementation of the RTS. The publication of the RTS is accompanied by the launch of a new webpage on the ESEF.
Expectations of financial reports

Forty-nine per cent of those polled by Brand Finance said that public companies in their sector do not currently provide adequate information for investors on the value of their intangible assets, and 48% said companies did not provide sufficient information on the value of their brands.

The disclosures made by public companies should contain more detailed information about the value of brands and intangible assets, according to equity analysts.
Effect of changes on foreign exchange rates

Q&A on Brexit, forex risk — and how to manage it

Expert observers outline risks and strategies for finance professionals to consider in foreign exchange.

By Andrew MacDowall
22 March 2019

Global economy and markets, Governance and risk
Speech: Relevance of financial reporting in today’s global environment

When: 26 June 2019
Where: Meeting of the Trustees of the IFRS Foundation, Munich, Germany

Dr. Nicolas Peter, Chief Financial Officer of BMW AG, gave the keynote address at a stakeholder event in Munich on 26 June 2019, jointly hosted by the Trustees of the IFRS Foundation and the Deutsche Rechnungslegungs Standards Committee (DRSC, the German accounting standards-setter). In his speech, Dr. Peter outlined the importance of IFRS Standards to BMW AG and the global financial market, and discussed some of the challenges for the future.

Ladies and gentlemen, welcome to BMW Group Classic! Thank you for joining us today at this very special place. Here, on this spot, more than a hundred years ago, Bayerische Motoren Werke was born.

Hopefully, some of you already had the chance to view our vehicle collection and take a guided tour through one hundred years of history. It is always a highlight for me, every time!
New IFRS conceptual framework revises foundational reporting concepts

By Ken Tysiak
30 March 2018

Accounting and reporting
Articles on financial statements

Understanding major forces of net profit
Aug 2018

8 financial reporting errors — and how to fix them
Dec 2018

IASB clarifies definition of ‘material’
Nov 2018
Topic C – Group accounts

F2: Advanced Financial Reporting
Summary

• Organisations sometimes acquire or merge with other organisations to improve their strategic performance, position and prospects.

• The performance and position of combined operations are reported through group accounts.

• This section covers the application of the relevant financial reporting standards to prepare group accounts.

• The topics covered are those that are essential to conducting conversations with different parts of the business about the performance of the group and its component parts.
F2C: Group accounts

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
</table>
| Prepare group accounts based on IFRS. | Prepare the following based on financial reporting standards: | • IAS 1 — Presentation of Financial Statements  
• IAS 27 — Separate Financial Statements  
• IAS 28 — Investment in Associates and Joint Ventures  
• IFRS 3 — Business Combinations  
• IFRS 5 — Non-current Assets Held for Sale or Discontinued Operations  
• IFRS 10 — Consolidated Financial Statements  
• IFRS 11 — Joint Arrangements | • This is about the preparation of basic group accounts applying the financial reporting standards learned in the previous section.  
• Basic understanding of the technical issues is required.  
• Thus, it should cover the rules of consolidation, goodwill, foreign subsidiaries, minority interests and associated companies.  
• These should be placed in the context of the organisation’s strategy as executed through mergers and acquisitions and the setting up of subsidiaries.  
• In addition, it can be linked to the performance management of responsibility centres. |

Skill level: Application
### F2C: Group accounts (cont’d)

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Discuss additional disclosure issues related to the group accounts.</td>
<td>Discuss disclosure requirements related to:</td>
<td>• IAS 24 — Related Party Disclosures</td>
<td>• What other issues should be disclosed outside the financial statements? Why?</td>
</tr>
<tr>
<td></td>
<td>a. Transaction between related parties</td>
<td>• IAS 33 — Earnings Per Share</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Earnings per share</td>
<td></td>
<td>• Again, the focus is on building awareness and basic understanding of the technical issues in order to equip finance professionals to conduct meaningful discussions with the rest of the organisation about the performance, position and potential of the organisation.</td>
</tr>
</tbody>
</table>

**Skill level:** Application
Example of representative task from exam blueprint

- I can translate and consolidate foreign subsidiaries.
- I can prepare extracts from the consolidated statement of cash flows under the indirect method.
- I can determine the need for and the nature of disclosure of transactions between related parties.

Management Level Exam Blueprint
Resource list

Topic C – Group accounts
IAS 24 — Related Party Disclosures

Article

Related party disclosures (Part 1)

The disclosure requirements of IAS 24:13 and IAS 24:18 do not specify whether the related party relationship should exist at the reporting date in order for the two parties to be considered related.

Purpose of related party disclosures

The objective of IAS 24 is to ensure that financial statements contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by transactions and outstanding balances with related parties. IAS 24:14 The Standard clarifies that 'outstanding balances' include commitments.

IAS 24 notes that related party relationships are a normal feature of business and commerce. It is common, for example, for entities to operate separate parts of their activities through subsidiaries, associates or joint ventures. Such relationships can have an effect on the operating results and financial position of the entities involved.
Important reporting guidance

US, OECD issue country-by-country reporting guidance
By Sally P. Schreiber, J.D., and Alistair M. Nevius, J.D.
30 June 2016

Tax
Topic D – Integrated reporting

F2: Advanced Financial Reporting
Summary

- In a multi-stakeholder world, there has been a call for broader forms of reporting to cover wider audiences and issues of concern to them.

- The International Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC) is one of the most influential frameworks that seeks to fulfil this role.

- This section introduces candidates to the Framework and its components.
## F2D: Integrated reporting

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Discuss the International Framework activities.</td>
<td>a. Describe the role of the International Integrated Reporting Council.</td>
<td>• Context of integrated reporting</td>
<td>• This section looks at the International &lt;IR&gt; Framework as a means of addressing the need for wider forms of reporting in a multi-stakeholder world.</td>
</tr>
<tr>
<td></td>
<td>b. Explain integrated thinking.</td>
<td>• International Integrated Reporting Council</td>
<td>• It introduces the role of the IIRC and uses the concept of integrated thinking as the foundational concept of the International &lt;IR&gt; Framework.</td>
</tr>
<tr>
<td></td>
<td>c. Discuss the International &lt;IR&gt; Framework.</td>
<td>• Integrated thinking</td>
<td>• It also discusses the Framework, its benefits and limitations.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• International &lt;IR&gt; Framework</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Benefits and limitations of the Framework</td>
<td></td>
</tr>
</tbody>
</table>

Skill level: Remembering and understanding
2. **Explain the Six Capitals of Integrated Reporting.**

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
</table>
|              | Explain the measurement and disclosure issues of: | • Definition of the six capitals  
|              | a. Financial capital  
|              | b. Manufactured capital  
|              | c. Intellectual capital  
|              | d. Human capital  
|              | e. Social and relationship capital  
|              | f. Natural capital | • Measurement and disclosure issues relating to the six capitals | • The six capitals are a key part of the International <IR> Framework.  
|              |                  |                      | • This section defines the six capitals and explains the measurement and disclosure issues relating to them. |

**Skill level:** Remembering and understanding
Example of representative task from exam blueprint

I understand the objective of the international integrated reporting framework.

I can understand the benefits and limitations of the international integrated reporting framework.

I can understand the principles of disclosure of the capitals in the international integrated reporting framework.

Management Level Exam Blueprint
Resource list

Topic D – Integrated reporting
What is Integrated Reporting <IR>?

Report released in December 2013
What does an Integrated Report look like?
CIMA academic research grant provided for <IR>
When <IR> first started in 2012

What does an **Integrated Report** look like?

By Michael Bray, KPMG in Australia and Matt Chapman, KPMG in the UK
Materiality in <IR>
IFAC policy position on <IR> in 2017

Summary:

IFAC POLICY POSITION 8: AT A GLANCE
JANUARY 2017

ENHANCING ORGANIZATIONAL REPORTING: INTEGRATED REPORTING KEY

IFAC:

- Considers integrated reporting as the way to achieve more coherent corporate reporting system, fulfilling a need for a single report that provides a fuller picture of organizations’ ability to create value over time;
- Strongly supports the International Integrated Reporting Council (IIRC) and the implementation of the International Integrated Reporting (IIR) Framework;
- Believes that the integrated report can be used as an “umbrella” report for an organization’s broad suite of reports and communications, enabling greater interconnectedness between different reports and recognizing that there is a range of different frameworks and regulations available, and under development;
- Supports reporting that produces information on which assurance conclusions can be expressed, in accordance with high-quality international assurance standards; and
- Recognizes that the accountancy profession has a significant contribution to make, and an important role to play, in developing and implementing enhanced organizational reporting and that professional accountants play an important role in broad-based organizational reporting arrangements, and in providing assurance.

Detail report:
Value creation through <IR>

- Since IFAC issued Policy Position Paper 8, Enhanced Organizational Reporting: Integrated Reporting Key, professional accountancy organizations (PAOs) and other interested organizations have raised various issues and questions as they explore and encourage integrated reporting.

- In this Q&A we answer common questions about integrated reporting.
Integrated reporting in 2019

Integrated reporting gains momentum in Asia

May 2019
Sustainable reporting measure vs integrated reporting

With over 80% of a company’s value now locked up in intangible assets, including brands, trust, customer satisfaction, patents and human resources, businesses need to expand their financial reporting beyond financial data to assess their performance.

In addition, companies need to respond to new risks including environmental and social risks, representing major threats both in terms of likelihood and impact.
Topic E – Analysing financial statements

F2: Advanced Financial Reporting
Summary

• The analyses of financial statements enable organisations to explain their performance and to compare their performance and prospects over time and against others.

• It can show how vulnerable they and their business models are to disruption.

• This section shows how these analyses are conducted and their limitations.
### F2E: Analysing financial statements

<table>
<thead>
<tr>
<th>Lead outcome</th>
<th>Component outcome</th>
<th>Topics to be covered</th>
<th>Explanatory notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Analyse financial statements of organisations.</td>
<td>Analyse financial statements to provide insight on:</td>
<td>• Ratio analysis</td>
<td>• The financial statements narrate how organisations create and preserve value using financial numbers.</td>
</tr>
<tr>
<td></td>
<td>a. Performance</td>
<td>• Interpretation of ratios</td>
<td>• Analyses of financial statements allows finance professionals to go beyond the numbers and put the narrative into everyday business language to facilitate discussions and collaboration with the rest of the organisation.</td>
</tr>
<tr>
<td></td>
<td>b. Position</td>
<td>• Reporting of ratios along the dimensions of the Gartner Data Analytics maturity model — descriptive, diagnostic, predictive and prescriptive</td>
<td>• The analysis could be based on the Gartner Data Analytics model which presents information as descriptive, diagnostic, predictive and prescriptive.</td>
</tr>
<tr>
<td></td>
<td>c. Adaptability</td>
<td>• Link to organisation’s business model</td>
<td>• Thus, it will cover hindsight, insight and foresight into the organisation’s performance, position, resilience (or adaptability) and prospects.</td>
</tr>
<tr>
<td></td>
<td>d. Prospects</td>
<td></td>
<td>• The analyses can be linked to the organisation’s business model.</td>
</tr>
</tbody>
</table>

**Skill level:** Application
## F2E: Analysing financial statements (cont’d)

<table>
<thead>
<tr>
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</tr>
</thead>
</table>
| 2. Recommend actions based on insights from the interpretation of financial statements. | a. Recommend actions | • Linkages between different areas of performance  
• Predictive and prescriptive ratios  
• Impact of recommendations on wider organisational ecosystem | • Draw logical conclusions from the analysis.  
• The focus is mainly predictive and prescriptive areas of data analytics.  
• The recommendations should also be organisation wide and must encompass the ecosystem.  
• A link with the business model framework in E2 is essential. |

**Skill level:** Analysis

New
F2E: Analysing financial statements (cont’d)

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>3. Discuss the limitations of the tools used for interpreting financial statements.</td>
<td>Discuss: a. Data limitations b. Limitations of ratio analysis</td>
<td>• Quality and type of data used • Comparability — both in segment and internationally</td>
<td>• What are the limitations of the data and techniques used in the analyses of financial statements? • How do they affect the recommendations? • How could they be overcome?</td>
</tr>
</tbody>
</table>

Skill level: Remembering and understanding
Example of representative task from exam blueprint

I can use the dimensions of the Gartner Data Analytics maturity model — descriptive, diagnostic, predictive and prescriptive.

I can analyse the actions that could be taken to improve an entity’s financial performance and financial position, including the use of predictive and prescriptive ratios.

I can determine the financial performance, financial position and financial adaptability of an entity based on the information contained in the financial statements.

Management Level Exam Blueprint
Resource list

Topic E – Analysing financial statements
Gartner Data Analytics maturity model

2017 Planning Guide for Data and Analytics

Published: 13 October 2016

Analyst(s): John Hagerty

In 2017, analytics will go viral within and outside the enterprise. Technical professionals will need to holistically manage their data and analytics architecture from end to end and leverage cloud wherever appropriate to meet the requirement for "analytics everywhere."
The story of data and analytics keeps evolving, from supporting internal decision making to continuous intelligence, information products and appointing chief data officers,” she said. “It’s critical to gain a deeper understanding of the technology trends fueling that evolving story and prioritize them based on business value.”
Reading materials on using data analytics

Moving beyond financial data
Putting the 'science' into data analysis
Changing business models for long term success

NOEL TAGOE, PhD, FCMA, CGMA
EXECUTIVE VICE PRESIDENT
MANAGEMENT ACCOUNTING RESEARCH & CURRICULA
Business Models Concepts

• Key focus on how value is
  – Defined by customers, investors and other stakeholders.
  – Created through the harnessing of key resources and relationships.
  – Delivered to ever-more demanding and sophisticated customers.
  – Captured for reinvestment and distribution to shareholders and wider society.
Case study

The big company where everyone's an entrepreneur
The global company Haier split its huge empowered workforce into three categories: platform owner, microenterprise owner, and entrepreneur.
INSEAD Knowledge

Haier’s business model has created a worldwide entrepreneurship movement.
Teacher guide

Ratio analysis - CIMA

Where does the lesson fit?

This session would fit in a Finance module, following an introduction to financial accounts. Students will need to be familiar with balance sheets and income statements to be able to access this session.

10. Limitations of ratio analysis

- Historic: Financial information has only very limited relevance when applied to future decisions.
- Detail: Lack of detailed information - no breakdown of costs.
- Non-financial performance: Largely ignored.
- Accounting figures: May be subject to manipulation by using creative accounting techniques and estimation.
- Accounting policies: Two different company’s figures may well be distorted by different accounting practices and policies.
- Accounting standards: Comparisons may be difficult if competitor using different accounting standards (e.g. US GAAP)
F2: analysis of financial performance and position questions
February 2015

Read a guide to the top 5 most incorrectly calculated ratios for F2 financial performance and position questions. By Financial Trainer Jayne Howson.

Under the 2015 syllabus for the F2 advanced financial reporting objective tests, 25% of the syllabus will examine ‘analysis of financial performance and position’. The questions will examine either the calculation of ratios, evaluation of performance and position or advice.

The style of the question will mean that the answers will be specific and not open to judgement. This means that calculation questions will have a correct answer and incorrect distracters. This article will cover five ratios that students often calculate incorrectly and then give their meaning to help with evaluation questions. Remember that ratios examined extensively in F1 are unlikely to be examined in the same way in F2.
Additional resources
Business games for the classroom
CGMA case study author opportunity

• We are offering a unique opportunity for faculty to review and update former CGMA exam case studies.

• Once updated, the case may be submitted for publication under the new authors’ name.

• Requirement:
  • You must revise and update a significant portion of the case study
  • You must also create teaching notes both for this program and to be eligible for publication submission to a journal of your choice
CGMA case study author opportunity – relevant cases to F2

IC Optical
Eyewear & eye care
May 2016 case study exam

SparkSpace
Hardware manufacturing
Aug 2016 case study exam

Portafone
Cell phone manufacturing
Nov 2016 case study exam

Menteen
Filmmaking
Feb 2017 case study exam
CGMA case study author opportunity – relevant cases to F2

- **BES**
  - Discounted merchandise retail
  - May 2017 case study exam

- **Aurora Auto**
  - Automotive production
  - Aug 2017 case study exam

- **Montel**
  - Manufacturing of cameras and digital photographic equipment
  - Aug 2018 case study exam

- **Grapple**
  - Soft drinks
  - Nov 2018 case study exam
Contact:

Academic.Partners@aicpa-cima.com
Karen.Phang@aicpa-cima.com
Thank you