

# **Unit 13: Financial Reporting**

**Unit code** K/508/0526

**Unit level** 5

**Credit value** 15

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## **Introduction**

The overall aim of this unit is to develop the knowledge, understanding and skills which are required in the preparation of financial statements. Students will become aware of the appropriate financial standards which influence and inform the production of financial statements. They will also explore the conceptual frameworks for financial reporting and how they are related to the reporting of financial information.

On successful completion of this unit students will be in a position to prepare, analyse and audit financial statements in a workplace context and be able to assist senior colleagues in the interpretation of complex financial information. In addition, students will have the fundamental knowledge and skills to progress on to a higher level of study.

## **Learning Outcomes**

By the end of this unit a student will be able to:

- 1 Analyse the context and purpose of financial reporting.
- 2 Interpret financial statements.
- 3 Evaluate financial reporting standards and theoretical models and concepts.
- 4 Evaluate international differences in financial reporting.

# Essential Content

## LO1 **Analyse the context and purpose of financial reporting**

### *Context of financial reporting:*

Complying with regulatory frameworks.

The governance of financial reporting including duties and responsibilities of responsible officers.

Unincorporated or incorporated organisations.

### *Purpose of financial reporting:*

Meeting user expectations and legislation.

Ensuring all organisations comply with the same rules and standards. Seeking funding/investment.

Predicting future financial positions and cash flow.

## LO2 **Interpret financial statements**

### *Importance and purpose of analysing financial statements:*

Using financial statements to communicate financial positions with stakeholders.

### *Ratio analysis:*

These would include, but not limited to, the use of liquidity ratios, ROI, WACC and debtor periods to determine financial positions.

### *Cash flow, profit and loss and balance sheets:*

Considering how to use cash flow statements to monitor inflows and outflows of cash.

Using the profit and loss account to summarise the financial performance of an organisation in a given time period.

Using a balance sheet as a snapshot of an organisation's position regarding assets and liabilities.

## LO3 **Evaluate financial reporting standards and theoretical models and concepts**

### *Financial reporting standards:*

As a common global language.

How does it facilitate understanding of financial matters across international boundaries?

Differences between International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS).

*Role and use of IFRS:*

Benefits to organisations, governments, investors and other key stakeholders.

Consider the nations which adopt the IFRS and how this is advantageous and/or disadvantageous.

*Theories, models and concepts:*

Equity theory.

Legitimacy theory.

Models of reporting and models for auditing.

#### **LO4 Evaluate international differences in financial reporting**

*International differences:*

Different financial reporting principles in relation to international companies.

The international differences before the IFRS and how countries have responded to the IFRS.

International differences in external financial reporting and factors that influence differences.

## Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Analyse the context and purpose of financial reporting		<b>D1</b> Critically analyse the different regulatory frameworks and governance of financial reporting for specific stakeholders.
<p><b>P1</b> Analyse the context of financial reporting including regulatory frameworks and governance of financial reporting.</p> <p><b>P2</b> Analyse the purpose of financial reporting for meeting organisational objectives, development and growth.</p>	<p><b>M1</b> Assess how the context and purpose of financial reporting meets stakeholder needs and expectations.</p>	
<b>LO2</b> Interpret financial statements		<b>D2</b> Using appropriate theories and models suggest how organisations can effectively respond to existing and potential financial problems.
<p><b>P3</b> Interpret profit and loss, cash flow and balance statements</p> <p><b>P4</b> Calculate and present financial ratios for organisational performance and investment.</p>	<p><b>M2</b> Interpret results of financial ratios of performance and financial status, and investor ratios for users of financial statements to inform decision-making.</p>	
<b>LO3</b> Evaluate financial reporting standards and theoretical models and concepts		<b>LO3 &amp; 4</b> <b>D3</b> Critically evaluate the application of IFRS in application to specific countries and differences in financial reporting based on models and theories.
<p><b>P5</b> Explain the benefits of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).</p> <p><b>P6</b> Evaluate the models of financial reporting and auditing.</p>	<p><b>M3</b> Critically evaluate financial reporting and auditing through the coherent application of theories and models to support judgements and conclusions.</p>	
<p><b>LO4</b> Evaluate international differences in financial reporting</p> <p><b>P7</b> Evaluate the differences and importance of financial reporting across different countries.</p>	<p><b>M4</b> Critically evaluate the factors that influence international differences in financial reporting.</p>	

## **Recommended Resources**

ATRILL, P. and McLANEY, E. (2012) *Accounting and Finance for Non-Accounting Specialists*. 8th Ed. Harlow: Pearson.

ELLIOT, B. and ELLIOT, J. (2013) *Financial Accounting and Reporting*. 16th Ed. Harlow: Pearson.

GRUENING, H. V., SCOTT, D. and TERBLANCHE, S. (2011) *International Financial Reporting Standards: A Practical Guide*. 6th Ed. Washington: The World Bank.

MELVILLE, A. (2011). *International Financial Reporting: A Practical Guide*. 4th Ed. Harlow: Pearson.

WEYGANDT, J. et al (2013) *Financial Accounting, IFRS edition*. 2nd Ed. Oxford: Wiley.

## **Journals**

*Journal of Business Finance and Accounting Review*  
*of Finance and Accounting*

## **Links**

This unit links to the following related units:

*Unit 10: Financial Accounting*

*Unit 14: Advanced Management Accounting Unit*

*15: Financial Management*