



## Certified International Professional Accountant

### Content Outlines

### for the Certified Accounting Practitioner Examinations

### Financial Accounting 1

The content outlines presented below represent the body of knowledge that will be covered on the Financial Accounting 1 examination of the Certified International Professional Accountant program. The outline may be changed in the future when new subject matter becomes part of the common body of knowledge. Candidates for the CAP and CIPA designation are required to pass Financial Accounting 1.

Candidates are responsible for being informed on the most recent developments in the areas covered in the outlines. This includes understanding of public pronouncements issued by accounting organizations such as the International Accounting Standards Board and the International Federation of Accountants as well as being up-to-date on recent developments reported in current accounting, financial and business periodicals. Note that candidates are responsible for knowing accounting and auditing pronouncements six months after a pronouncement's effective date, *unless early application is permitted*. When early application is permitted, candidates are responsible for knowing the new pronouncement six months after the *issuance* date.

The content outlines serve several purposes. These purposes include:

- Establishing the foundation from which each examination will be developed.
- Providing consistent coverage on each examination.
- Communicating to interested parties more detail as to the content of each examination part.
- Aiding candidates in their preparation for each examination.
- Providing information to those who offer courses designed to assist candidates in preparing for the examinations.

Important additional information about the content outlines and the examination is listed below.

1. The percentage range given for each major topic within each examination part does NOT represent the relative weight range given to that topic in an examination part. Instead the relative weight is an indication of the classroom time that should be spent on a particular topic within a 60 hour course. A 5% weight merely indicates that approximately 3 hours (5% x 60 hours) should be devoted to the subject matter. However, individual candidates should study the material to achieve the level of knowledge indicated, regardless of the time necessary to achieve such mastery of the subject.
2. Each examination will attempt to sample from the subject areas contained within each major topic area. No relative examination weights have been assigned to the subject areas. No inference should be made from the order in which the subject areas are listed or from the number of subject areas as to the relative weight or importance of any of the subjects.
3. Each major topic within each major topic area has been assigned a coverage level designating the depth and breadth of topic coverage, ranging from an introductory knowledge of a subject area (Level A) to a



thorough understanding of and ability to apply the essentials of a subject area (Level E). Detailed explanations of the coverage levels and the skills expected of candidates are presented below.

4. The topics for each of the examinations have been selected to minimize the overlapping of subject areas among the examination comprising the CIPA certification program. The topics within an examination and the subject areas within topics may be combined in individual questions.
5. Income taxation issues will be divided into four categories and be contained in questions that relate to the four categories.
  - a. Accounting for income taxes. The financial reporting requirements for income taxes, including the proper treatment of deferred income taxes, will be contained in questions in Financial Accounting 2 and the Finance examinations.
  - b. The Tax Reconciliation Form preparation will be included in the Financial Accounting 1 examination.
  - c. Detailed knowledge of the appropriate tax laws and regulations of the candidate's country will be tested in the Tax and Law examination.
  - d. Tax implications for decisions. The tax code provisions that impact decisions (e.g., depreciation, interest, etc.) will be contained in questions in the Managerial Accounting 1, Managerial Accounting 2, and Finance examinations.
6. Candidates for the CAP and CIPA designations are expected to have a minimum level of business knowledge that transcends all examination parts. This minimum level would include knowledge of economics, time value of money concepts, and elementary statistics.

In order to more clearly define the topical knowledge required by a candidate, varying levels of coverage for the treatment of major topics of the content specification outlines have been identified and defined. The cognitive skills that a successful candidate should possess and that should be tested on the examinations can be defined as follows:

**Knowledge:** Ability to remember previously learned material such as specific facts, criteria, techniques, principles, and procedures (i.e., identify, define, list).

**Comprehension:** Ability to grasp and interpret the meaning of material (i.e., classify, explain, distinguish between).

**Application:** Ability to use learned material in new and concrete situations (i.e., demonstrate, predict, solve, modify, relate).

**Analysis:** Ability to break down material into its component parts so that its organizational structure can be understood; ability to recognize causal relationships, discriminate between behaviors, and identify elements that are relevant to the validation of a judgment (i.e., differentiate, estimate, order).

**Synthesis:** Ability to put parts together to form a new whole or proposed set of operations; ability to relate ideas and formulate hypotheses (i.e. combine, formulate, revise).

**Evaluation:** Ability to judge the value of material for a given purpose on the basis of consistency, logical accuracy, and comparison to standards; ability to appraise judgments involved in the selection of a course of action (i.e., criticize, justify, conclude).

The five levels of coverage can be defined as follows:

**Level A:** Requiring the skill levels of knowledge.

**Level B:** Requiring the skill levels of knowledge, comprehension, and application.

**Level C:** Requiring the skill levels of knowledge, comprehension, application, and analysis.

**Level D:** Requiring the skill levels of knowledge comprehension, application, analysis, and synthesis.

**Level E:** Requiring all six skill levels, knowledge, comprehension, application, analysis, synthesis, and evaluation.

The levels of coverage as they apply to each of the major topics of the Content Outlines are shown on the

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following pages with each topic listing. The levels represent the manner in which topic areas are to be treated and represent ceilings, i.e., a topic area designated as Level C may contain requirements at the “A,” “B,” or “C” level, but a topic designated as Level B will not contain requirements at the “C” level.



**Content Outlines**  
**for the**  
**Certified Accounting Practitioner**  
**Financial Accounting 1**

- A. Essentials of financial statement preparation (*Study weighting—3%, Level B*)
  - 1. Users and their information needs
  - 2. The objective of financial statements
  - 3. Financial position, performance, and changes in financial position
  - 4. Notes and additional materials
  - 5. Underlying assumptions
  - 6. Qualitative characteristics of financial statements
  - 7. Elements of financial statements
  - 8. Recognition of elements of financial statements
  - 9. Measurement of elements of financial statements
- B. Elements of financial statements (*Study weighting—6%, Level B*)
  - 1. Financial position and balance sheet equation
  - 2. Net income
  - 3. Accounting cycle, worksheets, and adjusting entries
  - 4. The purpose and types of financial statements
    - a. Balance sheet
    - b. Income statement
- C. Recognition of revenue and expenses and closing entries (*Study weighting—6%, Level B*)
  - 1. Revenue and expense defined
  - 2. Recognition of revenue
  - 3. Recognition of expenses
  - 4. Recognition of gains and losses
  - 5. Closing entries
- D. Discounted cash flow, present and future value, annuities (*Study weighting—6%, Level A*)
  - 1. Discounted cash flow
  - 2. Interest and future value
  - 3. Present (discounted) value
  - 4. Annuities
- E. Current assets
  - 1. Cash and equivalents (*Study weighting—5%, Level B*)
    - a. Definition of current assets and classification
    - b. Definition of cash and equivalents
    - c. Definition of petty cash
    - d. Internal control system for cash flow
  - 2. Accounts receivable (*Study weighting—6%, Level B*)
    - a. Recognition and measurement of accounts receivable
    - b. Measurement of uncollectible accounts
      - i. Percentage of net credit sales
      - ii. Aging of accounts receivable



- c. Recognition and measurement of notes receivable
- d. Notes receivable versus accounts receivable
- 3. Inventory (*Study weighting—9%, Level B*)
  - a. Definition and classification of inventory
  - b. Inventory valuation methods
    - i. Cost
    - ii. Net realizable value
  - c. Inventory accounting systems
  - d. Analysis of inventory
  - e. Disclosures in financial statements
- F. Property, plant and equipment (*Study weighting—7%, Level B*)
  - 1. Definitions
  - 2. Recognition of property, plant and equipment
  - 3. Initial valuation
  - 4. Acquisition
  - 5. Self-constructed plant and equipment
  - 6. Depreciation methods
  - 7. Subsequent costs
  - 8. Subsequent valuation
  - 9. Disposal
  - 10. Disclosure of property, plant and equipment
- G. Intangible assets (*Study weighting—3%, Level A*)
  - 1. Definitions
  - 2. Classification
  - 3. Principles of accounting for intangible assets
  - 4. Business reputation – unidentifiable intangible asset
  - 5. Research and development cost
- H. Liabilities (*Study weighting—7%, Level B*)
  - 1. Definition
  - 2. Measurement of liabilities
  - 3. Classification of liabilities
    - a. Current liabilities
    - b. Long-term liabilities
      - i. Bonds
      - ii. Long-term notes
- I. Accounting for leases (*Study weighting—4%, Level B*)
  - 1. Definition of lease
  - 2. Types of leases
  - 3. Accounting for leases
  - 4. Financing leases
  - 5. Disclosure in financial statements
- J. Foreign currency (*Study weighting—3%, Level B*)
  - 1. Foreign currency transactions
  - 2. Restating financial statements of foreign enterprises
  - 3. Disclosure of information on foreign currency
- K. Partnership accounting (*Study weighting—3%, Level B*)
  - 1. Accounting for equity in partnerships
  - 2. Distribution of profit and losses in a partnership
  - 3. Dissolution (reregistration) of partnership



4. Liquidation of partnership
- L. Stockholders' equity (*Study weighting—3%, Level A*)
  1. Capital stock
  2. Dividends
  3. Redemption of stock
  4. Additional paid-in capital
- M. Accounting for income taxes (*Study weighting—6%, Level B*)
  1. Definition
  2. Differences between taxable and accounting income
    - a. Permanent differences
    - b. Temporary differences
  3. Accounting for income taxes
  4. Accounting for tax losses from operations
  5. Disclosures in financial statements
- N. Financial instruments (*Study weighting—6%, Level B*)
  1. Financial assets
  2. Recognition and measurement of financial assets
  3. Initial recognition
  4. Initial measurement of financial liabilities
  5. Subsequent measurement of financial assets
  6. Impairment and bad debt on financial assets
- O. Provisions, contingencies, and events after the balance sheet date (*Study weighting—3%, Level B*)
  1. Provisions
    - a. Definition
    - b. Reporting provisions
  2. Contingencies
    - a. Definition
    - b. Reporting contingent losses and liabilities
    - c. Reporting contingent profits
    - d. Disclosure of contingencies
  3. Subsequent events
    - a. Definition of subsequent events
    - b. Disclosure in financial statements
- P. Error correction (*Study weighting—2%, Level B*)
  1. Types of error
  2. Error correction methods and disclosure
- Q. Cash flow statements (*Study weighting—6%, Level B*)
  1. Definitions
  2. Types of activities disclosed in the statement
  3. Reporting cash flows from operating activities
    - a. Direct method
    - b. Indirect method
  4. Disclosures in cash flow statement
- R. Disclosures in financial statements, formation of accounting policy (*Study weighting—6%, Level B*)
  1. Disclosures in financial statements
  2. Presentation in financial statements
  3. Components in financial statements
  4. Structure in financial statements
  5. Disclosures in balance sheet

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6. Disclosures in income statement
7. Disclosures in cash flow statement
8. Disclosures of retained earnings
9. Disclosures in notes
10. Accounting policy