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Since 1977

THEORY OF ACCOUNTS
TOA.Syllabus

CPA REVIEW

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THE CPA LICENSURE EXAMINATION SYLLABUS THEORY OF ACCOUNTS

(Effective October 2006 Examination)

The subject tests the candidates' conceptual knowledge of financial accounting for business enterprises. Candidates should know and understand the objectives, basic concepts, principles, and terminology of financial accounting and financial statements, including related issues and topics. They should also be familiar with the basic concepts and practices.

Each examination will contain a minimum of 80 and a maximum of 100 multiple-choice questions equitably, allocated to different subject areas, as indicated below. The examination questions shall be based on accounting standards in effect on the date of the examination.

- 1.0 Accounting and Financial Accounting Concepts
 - 1.1 Overview of accounting (definition, purpose and functions, uses of accounting information, branches of accounting)
 - 1.2 Accounting standard setting in the Philippines (institutions and process)
 - a. BOA
 - b. SEC
 - c. ASC/FRSC
 - d. IASB
 - 1.3 Conceptual framework for the presentation of financial statements
 - a. Nature of the framework
 - b. Purposes of the framework
 - c. Components of the framework
 1. Objective of the financial statements
 2. Qualitative characteristics of information
 3. Definition of the elements of financial statements
 4. Recognition of the elements of financial statements
 5. Measurement of the elements of financial statements
 6. Concepts of capital and capital maintenance
- 2.0 Presentation of Financial Statements
 - 2.1 Definition and nature of financial statements
 - 2.2 Responsibility for preparation of financial statements
 - 2.3 Components of financial statements
 - 2.4 Overall considerations in the preparation and presentation of financial statements
 - 2.5 Structure of the financial statements
 - 2.6 Minimum requirements for the content of the financial statements
 - a. Balance sheet
 - b. Income statement
 - c. Statement of changes in equity
 - d. Cash flow statement
 - e. Notes to financial statements
- 3.0 The Accounting Process
 - 3.1 Double-entry accounting system (definition, characteristics, and underlying concepts; distinguished from single entry; logic and techniques)
 - 3.2 The accounting cycle
 - 3.3 Accounting records (journals, ledgers, and voucher system)
- 4.0 Income Determination
 - 4.1 Approaches to income measurement
 - 4.2 Concepts of capital maintenance
 - 4.3 Concept of comprehensive income
 - 4.4 Bases for recognition of income
 - 4.5 Elements of income statement
 - 4.6 Revenue and gains (definition, recognition, measurement, and disclosure requirements)
 - 4.7 Expenses and losses (definition, recognition, measurement, and disclosure requirements)
- 5.0 Discontinued Operations
- 6.0 Accounting for Assets (nature, recognition, measurement, valuation, classification, derecognition, and disclosure)
 - 6.1 Concept of financial and non-financial assets
 - 6.2 Current assets
 - a. Cash and cash equivalents
 - b. Short-term investments (including financial assets at fair value through profit or loss, available-for-sale securities, derivatives)
 - c. Trade and non-trade receivables (including receivable financing)
 - d. Inventories (except LIFO, peso value-LIFO, retail LIFO, and conventional retail method)
 - e. Prepaid expenses
 - f. Other financial assets
 - 6.3 Noncurrent assets
 - a. Noncurrent investments (including held-to-maturity securities, available-for-sale securities, investment in associates, investments in joint ventures, other financial instruments, and investment property)
 - b. Property, plant, and equipment
 - c. Intangibles and other noncurrent assets (including noncurrent assets held for sale)
 - 6.4 Impairment of assets
- 7.0 Accounting for Liabilities (nature, recognition, measurement, valuation, classification, disposition, and disclosure)
 - 7.1 Concepts of financial vs. non-financial liabilities
 - 7.2 Current liabilities (including provisions)
 - 7.3 Noncurrent liabilities
 - 7.4 Debt restructuring
 - 7.5 Other financial liabilities
- 8.0 Accounting for Equity (nature, recognition, measurement, retirement, and disclosure)
 - 8.1 Preference and ordinary shares
 - 8.2 Additional paid-in capital
 - 8.3 Revaluation surplus
 - 8.4 Retained earnings (including dividends and appropriations/accumulated profit or loss)
 - 8.5 Capital restructuring (quasi-reorganization, recapitalization)
 - 8.6 Treasury stock
 - 8.7 Other reserves
 - 8.8 Book value per share

- 9.0 Financial Statements
 - 9.1 Form and content
 - a. Balance sheet
 - b. Income statement
 - c. Statement of changes in equity
 - d. Cash flows statement
 - 9.2 Interim financial statements: Presentation & disclosure requirements
 - 9.3 Segment reporting: Presentation & disclosure requirements
 - 9.4 Accounting for/Disclosure requirements
 - a. Events after the balance sheet date
 - b. Earnings per share
 - c. Contingencies
 - d. Related party
 - e. Accounting policies
 - f. Others
- 10.0 Other Topics
 - 10.1 Accounting changes and prior-period errors
 - a. Change in estimates
 - b. Change in accounting policies
 - c. Prior-period errors
 - 10.2 Accounting for income taxes
 - 10.3 Research and development
 - 10.4 Borrowing costs
 - 10.5 Employee benefits, including retirement benefit costs
 - 10.6 Leases (operating leases, finance leases, sale and leaseback)
 - 10.7 Foreign currency transactions and translations
 - 10.8 Cost accumulation for product costing
 - 10.9 Business combinations and consolidation of financial statements
 - 10.10 Accounting for share-based payments
 - 10.11 Accounting for government grants and disclosure of government assistance
 - 10.12 Financial reporting and changing prices (including hyperinflationary economies)
 - 10.13 Accounting for agricultural activity
 - 10.14 Not-for-profit organizations
 - a. Voluntary health and welfare organization
 - b. Hospitals and other health care organization
 - c. Colleges and universities
 - d. Other not-for-profit organizations such as churches, museums, fraternity, associations, etc.
- 11.0 Government Accounting - New Government Accounting System
- 12.0 Accounting for build-operate-transfer (BOT)