

The IFAP Syllabus

Awarding of membership of Forensic Accounting Program requires completion of the following Twenty One (21) compulsory subjects/Papers:-

Foundation Stage (5 Papers)

- FS 1 Introduction to Forensic Accounting
- FS 2 Concepts & Techniques of Fraud Examination
- FS 3 Forensic Accounting & Litigation Framework
- FS 4 Business Communication & Behavioral Studies
- FS 5 Corporate Performance Management

Certificate Stage (5 Papers)

- CS 6 Investigation Process & Techniques
- CS 7 The Taxation & Company Laws
- CS 8 Evidence & The Forensic Accountant
- CS 9 Forensic Auditing & Assurance
- CS 10 Public Financial Management

Professional Stage (Group I) (5 Papers)

- PS 11 Treasury & Forex Management
- PS 12 Risk Management (Basics & Tools)
- PS 13 Independent Accounting Expert Reports
- PS 14 Banking & Insurance Laws
- PS 15 Corporate Financial Management

Professional Stage (Group II) (6 Papers)

- PS 16 Anti Money Laundering Measures & Business Ethics
- PS 17 Corporate & Financial Reporting
- PS 18 Corporate Governance & Administration
- PS 19 Business Valuation Management
- PS 20 Criminology, Legal Environment & Ethics
- PS 21 Advanced Auditing or Advanced Taxation or Cyber Laws or Bank/Corporate Frauds

Note:

“Research Project/Thesis/Presentation”

The purpose of this subject is to provide students/applicants with an opportunity to undertake independent research in a specialized area of interest to the student. The topic is to be selected in consultation with the subject coordinator but must have a global or transnational focus drawn from subject areas such as financial crime, regulatory issues and corruption. While this is an independent research project/thesis/presentation, students/applicants will be required to consult on a regular basis with their supervisor throughout the session of enrolment. Research Projects are to be 25 – 30 pages at least.

The Course Outlines

Foundation Stage (Comprised 5 Papers)

FS 1 Introduction to Forensic Accounting (Marks: 100)

COURSE DESCRIPTION

Principles of Forensic Accounting provide a solid foundation for building skills in forensic accounting techniques, including gathering, interpreting, and documenting evidence. In this course we examine the investigative techniques used by accountants to conduct forensic examinations as well as the common schemes and techniques used to commit fraud. The skills acquired will enable you to assist businesses in detecting, investigating, documenting, and preventing fraud. The course also introduces you to the many professional opportunities available to **Forensic Accountants (FAs)**.

Advisory

Students considering enrolling in this graduate course should have a thorough understanding of the business transaction cycle and, at a minimum, a background in both financial accounting and auditing, obtained through either prior coursework or professional experience.

COURSE OBJECTIVES

After successfully completing this course, you should be able to:-

- CO1** Implement the best practices used by **Forensic Accountants (FAs)**, including investigative techniques, standards of proof, and report format used to support their conclusions
- CO2** Describe the types of research and the wide array of investigations that **Forensic Accountants (FAs)** are customarily engaged to conduct
- CO3** Discuss the various roles undertaken by **Forensic Accountants (FAs)**, as well as their requirements and certifications
- CO4** Differentiate roles and responsibilities of the financial statement auditor and the forensic investigator
- CO5** Summarize the "red flags" used by **Forensic Accountants (FAs)** to detect fraud.
- CO6** Assess the objectives of the forensic accountant called in as part of the fraud investigation team
- CO7** Describe and practice "professional skepticism"
- CO8** Evaluate the fraudulent schemes commonly encountered by the **Forensic Accountant (FA)**.
- CO9** Plan a forensic investigation by gathering and documenting evidence, including cases where there is known or suspected fraud.
- CO10** Discuss the professional ethical responsibilities of the Forensic Accountant (FA) and develop appropriate recommendations or strategies for resolving potential ethical dilemmas.
- CO11** Identify internal controls or other methods that can be used to help prevent fraud.

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COURSE STRUCTURE/OUTLINES

Principles of Forensic Accounting consist of seven modules. Each module includes an overview, a list of topics, learning objectives, a study assignment, graded assessments (i.e., a combination of one or more discussion forums, review questions, integrative assignments, case assignments, and research assignments), and additional resources to supplement your assigned study materials. The module structure is as follows:-

Module 1—Accounting and Legal Fundamentals for Forensic Accounting

- Course objectives covered in this module include: CO1, 2, 3, 4, 5, 6, 7, 8, 9, 10
- Topics addressed include: role of the **Forensic Accountant (FA)**; differences between forensic accounting and auditing; legal fundamentals (including financial crimes and criminal and civil processes); transaction cycles and internal controls

Module 2—The Auditing Environment and the Sarbanes-Oxley Act of 2002

- Course objectives covered in this module include: CO1, 2, 3, 4, 5, 7, 9, 10, 11
- Topics addressed include: the audit process (including methods and techniques used and types of audit reports issued); the auditor's responsibility to detect fraud; Sarbanes-Oxley Act (including overall objectives, major provisions, compliance with the act, and evaluation of effectiveness)

Module 3—Forensic Accounting Tools and Techniques

- Course objectives covered in this module include: CO1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11
- Topics addressed include: key concepts of forensic science applicable to accounting; key concepts of information security management systems; the effect of suspected fraud on the audit of financial statements or a forensic investigation; common indicators of fraud; common analytical procedures; sources of forensic evidence; investigative techniques used by forensic accountants; interview and interrogation techniques

Module 4—Financial Statement Fraud

- Course objectives covered in this module include: CO1, 2, 4, 5, 6, 7, 8, 9, 10
- Topics addressed include: financial statement fraud schemes (including improper revenue recognition, overstatement of assets, understatement of expenses and liabilities, misappropriation of assets, inappropriate disclosure, and other miscellaneous techniques); characteristics of financial statement fraud; motives of management to commit financial statement fraud; financial statement fraud, the stock market, and insider trading; prevention of financial statement fraud; red flags of financial statement fraud

Module 5—Employee and Vendor Fraud

- Course objectives covered in this module include: CO1, 2, 5, 6, 7, 8, 9, 11
- Topics addressed include: circumstances that lead to employee fraud, types of employee and vendor fraud (including transaction cycle fraud and electronic information fraud); internal control weakness and fraud

Module 6—Tax, Bankruptcy, and Divorce Fraud; Identity Theft; and Money Laundering

- Course objectives covered in this module include: CO1, 2, 5, 6, 7, 8, 9, 10

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- Topics addressed include: overview of tax fraud; the tax practitioner and the IRS; principal tax evasion crimes; civil tax fraud; statute of limitations; methods of proof; tax protesters; bankruptcy fraud; divorce fraud; identity theft; organized crime; terrorism; money laundering

Module 7—Professional Services: Business Valuation, Dispute Resolution, and Litigation

- Course objectives covered in this module include: CO1, 2, 3, 5, 7, 8, 9, 10
- Topics addressed include: overview of business valuation; basic valuation theory; the process of valuing a business; valuation methods; forms of alternative dispute resolution; creating an alternative dispute resolution department; expert consulting and testimony

Detailed

INTRODUCTION TO FORENSIC AND INVESTIGATIVE ACCOUNTING

Definition and Development of Forensic Accounting

- Defining Forensic Accounting
- Historical Roots of Accounting
- History of Financial Reports and Legal Challenges
- Threads of Forensic Accounting
- Accounting Literature Parallels Accounting Practice
- The Phrase "Forensic Accounting" Is Born

Forensic Accounting and Investigative Accounting Come of Age

- The Forensic Accountant Becomes an Investigator
- FBI and Forensics
- First Forensic Accounting Books in United States
- AICPA Practice Aid
- American Management Association Course
- The Panel on Audit Effectiveness
- AICPA Fraud Task Force Report
- Controversy Surrounding the Accountant's Role in Fraud Detection
- Conclusion

FORENSIC ACCOUNTING EDUCATION, INSTITUTIONS, AND SPECIALTIES

Preparing to Become a Forensic Accountant

- College and University Programs
- keystones of Forensic Accounting Curricula
- KSAs and Education of the Forensic Accountant

Career Tracks in Forensic Accounting

- Income Expectations for Forensic Accountants
- Specialties within Forensic and Investigative Accounting

Professional Groups and Credentials

- The Institute of Forensic Accountants of Pakistan (IFAP)
- The Institute of Certified Forensic Accountants (ICFA USA/Canada)
- Caribbean Institute of Forensic Accountants (CIFA West Indies)
- The Institute of Forensic Accountants (IFA Nigeria)
- The Institute of Forensic Accounting and Investigative Audit (IFAIA India)

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- American College of Forensic Examiners
- Association of Certified Fraud Examiners
- Association of Certified Fraud Specialists
- Forensic Accounting Society of North America
- National Association of Certified Valuation Analysts
- National Litigation Support Services Association
- Network of Independent Forensic Accountants
- Institute of Business Appraisers
- Other Organizations Serving Forensic Practitioners
- Conclusion

FRAUDULENT FINANCIAL REPORTING

Importance of Transparent Financial Information

- Statement of Financial Accounting Concepts

Means and Schemes of Financial Reporting Fraud

- Three M's of Financial Reporting Fraud
- Ten Fraud Schemes Bases on SEC Releases
- Shenanigans to Boost Earnings

Sources of Fraudulent Financial Reporting

- Internal Versus External Fraud

Motivation and Contributing Factors

- Contributing Factor Model
- Risk Factor Analysis
- Internal Controls

Incidence of Crime and Characteristics of Perpetrators

- Studies of the Prevalence of Fraud in Business
- Characteristics of the White-Collar Criminal

Earnings Management and GAAP versus IFRS

- Flexibility of GAAP and IFRS
- Restatements of Earnings
- Conclusion

DETECTING FRAUD IN FINANCIAL REPORTING

Responsibilities and Roles in Financial Reporting

- Independent Audit Procedures and the Auditor's Role
- Internal Auditor's Procedures and Role
- Audit Committee's Role
- Management Role
- Forensic Accountant's Role

Financial Statement Fraud Categories and Red Flags

- Overstated Revenues
- Management Estimates
- Pro Forma Can Mislead
- Earnings Problems: Masking Reduced Cash Flow

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- Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)
- Excessive Debt
- Inventory Problems
- Sales and Expenses Problems
- Big Bath
- Balance Sheet Account Problems
- Pension Plan Problems
- Reserve Estimates
- Personal Piggy Bank
- Barter Deals

Financial Fraud Detection Tools

- Interviewing the Executives
- Analytics
- Percentage Analysis
- Using Checklists to Help Detect Fraud
- Conclusion

EMPLOYEE FRAUD THE MISAPPROPRIATION OF ASSETS

Fraud Schemes and Their Schemers

- Company Susceptibility to Fraud
- Employee Fraudsters

Types of Misappropriations

- Embezzlement
- Cash and Check Schemes
- Accounts Receivable Fraud
- Inventory Fraud
- Fictitious Disbursements
- Walking the Walk of Fraud Detection Programs

Company Fraud Prevention, Detection, and Mitigation Measures

- Companies on the Front Lines in Preventing Employee Fraud

Non profit Entities as Special Fraud Targets

- Reasons for Fraud in Not-for-Profits
- Prevention Programs for Not-for-Profits
- Fraud in Federal, State, and Local Governments

When It's Time to Call in Professionals

- Forensic Accountant's Techniques
- Conclusion

INDIRECT METHODS OF RECONSTRUCTING INCOME

Forensic Audit Approaches Used by the IRS

- Minimum Income Probes
- Lifestyle Probes
- IRS's Financial Status Audits

Indirect Methods

- Market Segment Specialization Program

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- Cash T
- Source and Application of Funds Method (Expenditure Approach)
- Net Worth Method
- Bank Deposit Method
- Conclusion

MONEY LAUNDERING AND TRANSNATIONAL FINANCIAL FLOWS

Money Laundering: An Introduction

- Legal and Illegal Laundering
- Cyber cash Creates New Laundering Opportunities
- Who Uses Money Laundering Practices?

Financial Institutions' Role in Money Laundering

- Correspondent Banking
- Tools Banks Use to Identify Money Launderers
- Due Diligence Laws for Banks
- Shell Banks

Other Businesses' Role in Money Laundering

- Cash-Oriented Businesses
- Audit Trail for Business Money Laundering Schemes

Finding Money Laundering Schemes

- Likely Sources

Guarding Against Money Laundering

- Individual due Diligence Using Identity Checks
- Company Due Diligence in Verification Procedures
- Trust Due Diligence Using Trust Deeds
- Organization-wide Suspicious Activities
- The Accountant's Role as Gateway Keeper
- New Initiatives: USA Patriot Act of 2001
- Conclusion

LITIGATION SERVICES PROVIDED BY ACCOUNTANTS

Types of Litigation Services Provided by Accountants

- Consultant
- Expert Witness
- Masters and Special Masters

Standards of Conduct for Performing Litigation Services

- Knowledge, Skills, Experience, Training, and Education
- Professional Codes of Conduct
- Conflicts of Interest
- Written Agreement to Perform Litigation Services

Becoming an Expert Witness

- Expert Witnesses Distinguished from Lay Witnesses
- What Lawyers Look for in an Expert Witness
- Qualifying as an Expert Witness

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- Court-Appointed Expert Witnesses

Preparing to Testify as an Expert Witness

Maintaining Independence from the Client
Evidence upon Which Experts May Rely
Use of Confidential Client Information
Expert Reports
Working Papers
Evaluation of Other Experts
Exhibits and Other Demonstrative Evidence

Testifying as an Expert Witness

Testifying at a Deposition
Preparing to Testify at Trial
Testifying at Trial

Liability of Expert Witnesses

Witness Immunity
Bases for Liability
Conclusion

PROPER EVIDENCE MANAGEMENT

Basic Rules of Evidence

What Are the Rules of Evidence?
What Is Evidence?
Process for Determining the Admissibility of Evidence
Relevance Requirement
Privileged Communications
Hearsay Rule
Authentication Requirement
Best Evidence Rule
Demonstrative Evidence
Special Rules for Criminal Cases
Special Rules in Administrative Proceedings

Management of Evidence

Maximizing Client Confidentiality
Using Technology to Gather Evidence
Computer Evidence
Ensuring the Admissibility of Evidence in Court
Security for Evidence and Working Papers
Evidence Database
Evaluating the Quality and Persuasiveness of Evidence
Record Retention
Conclusion

COMMERCIAL DAMAGES

The Expert

Expert Witnesses' Qualifications
Expert Witnesses' Testimony Requirements

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Basics of Damages Litigation

The Legal Framework of Damages
Two Types of Harm: Tort and Breach of Contract
Two Types of Damages: Restitution and Reliance

Approaches to Loss Estimation

Damages Calculation Approaches
The Lost Profits Methods
Study of Losses Process
Economic Framework for the Lost Profits Estimation Process

Measuring the Loss

Length of the Loss Period
Components of Damages
The Defendant's Damages Estimate
The Plaintiff's Damages Estimate
Lost Sales and Profits
Production or Other Cost Increases
Customer Ill Will and Future Lost Profits
Other Adverse Effects

The Expert's Journey through the Legal System

Testimony Early in Case
Defending the Expert Report

Cost Behavior and Damages Calculations

Cost Behavior Defined
Common Types of Cost Behavior
Cost Behavior Assumptions
Damages Period and Discount Rate
Conclusion

LITIGATION SUPPORT IN SPECIAL SITUATIONS

Antitrust Litigation

Overview of Antitrust Laws
Role of Accountants in Antitrust Litigation
Actions That Constitute Predatory Pricing
Determining a Company's Average Variable Costs
Estimating Cost Behavior Patterns
Case Study: Coho Grocery

Federal False Claims Act Litigation

Overview of the Federal False Claims Act
The Accountant's Role in False Claim Act Litigation
Conclusion

INTERNET FORENSICS ANALYSIS: PROFILING THE CYBERCRIMINAL

Sifting for Clues to Cybercrimes

Collecting Evidence
Clues versus Evidence

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Technical Searches

Internet Protocols: Technical Searches Begin Here
Decoding Packet Information
Decoding Simple Mail Transfer Protocol (SMTP)
Decoded IP Addresses: Tracing Tools
Decoded IP Addresses: Narrowing the Search

Informational Searches

Internet Databases: Informational Searches Begin Here
Web Page Searches
Government Data Searches
Miscellaneous Searches
Conclusion

CYBERCRIME MANAGEMENT: LEGAL ISSUES

Cybercrimes: An Introduction

Net Frauds
Unauthorized Access to Network Assets
Types of Unauthorized Access

Criminality of Cybercrimes

When Is a Cybercrime Really a Cybercrime?
Legislation as Lagging Technology

Cybercrime Statutes

International Law
Federal Legislation
State Legislation

Guidelines for Cybercrime Management

KSAs for Fighting Cybercrime
Filing Reports of Cybercrimes
Conclusion

CYBERCRIME LOSS VALUATIONS

Attacks on Tangibles and Intangibles

Extent of the Problem
Statutory Loss Valuations
High-Tech "Tangible" Losses Attributed to Cyber Attacks
High-Tech Intangible Losses

Loss Valuations and Insurance Claims

Insurers
Costs and Types of Coverage
Qualifying for Coverage
Conclusion

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BUSINESS VALUATIONS

Fundamentals

Valuation and Appraiser Accreditations
Engagement Agreements That Create Successful Client Relationships
Purposes for Obtaining Business Valuations
Standards of Value
Purpose of the Valuation Affects the Valuation Methods Used

The Three Valuation Approaches

Income Approach
Market Approach
Cost Approach

Gathering Initial Information

Initial Information Request
Discerning What Data Is Required

Financial Analysis

How Much History Is Enough?
Spreading Financial Statements
Analyzing Financial Statements for Trends and Risks
Revenues
Gross Profits
Operating Expenses
Operating Profits
Other Income and Expense
Pretax Profitability

Practical Illustrations

Earnings History
Income Statement Methods of Determining a Business Valuation
Cash Flow Methods of Determining the Business Valuation
Rules of Thumb—Valuation on the Cheap

Business Valuation Standards

Uniform Standards of Professional Appraisal Practice (USPAP)
American Institute of Certified Public Accountants (AICPA)
Common Requirements of Business Valuation Standards of Valuation Societies
Features of the Standards

Business Valuation Reports

Organization of the Report
Attention to Mechanics
Main Sections of the Valuation Report
Conclusion

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Recommended Reading

1. Hopwood, W. S., Leiner, J. J., & Young, G. R. (2008). Forensic accounting. Boston: McGraw-Hill Irwin. ISBN 978-0-07-352685-0.
2. Knapp, M. C. (2010). Forensic accounting—ACC 501. Two case studies. Custom publication. Mason, OH: Cengage Learning. ISBN-10: 1-111-29530-1.
3. Forensic and Investigative Accounting by D. Larry Crumbley, Lester E Heitger & G. Stevenson Smith, published by CCH Incorporated WoltersKluwer Company.
1. Introduction to Forensic Accounting by Robert K. Minniti, CPA, CFE, Cr.FA, CFF, MBA President, Minniti CPA, LLC
2. Fraud Auditing and Forensic Accounting by Tommie W. Singleton
3. Forensic Accounting in Matrimonial Divorce by James A. DiGabriele
4. Forensic Accounting by John Taylor ISBN10: 0273722964 ISBN13: 9780273722960
Publisher: Pearson Education Limited Financial Times Prentice Hall Publication
date: 11 Nov 2010

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FS 2 Concepts & Techniques of Fraud Examination (Marks: 100)

Course Description

Fraud examination will cover the principles and methodology of fraud detection and deterrence. The course includes such topics as skimming, cash larceny, check tampering, cash register disbursement schemes, billing schemes, payroll and expense reimbursement schemes, non-cash misappropriations, corruption, accounting principles and fraud, fraudulent financial statement, and interviewing witnesses.

Course Objective

- To develop an understanding of how and why occupational fraud is committed;
- To recognize how fraudulent conduct may be deterred; and
- To determine how allegations of fraud should be investigated and resolved.

Course Requirements

Class sessions will consist of lectures, case studies, video presentations, and discussions. The sessions will be interactive, with students working through the cases, developing investigative strategies, and seeking to prove how the fraud was committed.

Course Overview

Chapter 1	Introduction
Chapter 2	Skimming
Chapter 3	Cash Larceny
Chapter 4	Billing schemes
Chapter 5	Check Tampering
Chapter 6	Payroll Schemes
Chapter 7	Expense Reimbursement Schemes
Chapter 8	Cash Register Disbursement Schemes
Chapter 9	Non-Cash Assets
Chapter 10	Corruption
Chapter 11	Accounting Principles & Fraud
Chapter 12	Fraudulent Financial Statement Schemes
Chapter 13	Interviewing Witnesses
Chapter 14	Conducting Investigations and Writing Reports
Chapter 15	Occupational Frauds and Abuse: The Big Picture

Course Outlines

Introduction

- Fraud Examination methodology
- predication
- Fraud Theory Approach
- Tools used in Fraud Examinations
- Defining Occupational Fraud and Abuse
- Defining Fraud
- Defining Abuse
- Research in Occupational Fraud and Abuse.

Skimming

- Skimming Schemes

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- Sales Skimming
- Receivables Skimming
- Proactive Computer Audit Tests Detecting Skimming
- Case Studies.

Cash Larceny

- Cash Larceny Schemes
- Larceny at the Point of Sale
- Larceny of Receivables
- Cash Larceny from the Deposit
- Proactive Computer Audit Tests for Detecting Cash Larceny,
- Case Studies.

Billing Schemes

- Billing Schemes
- Shell Company Schemes
- Billing Schemes Involving Non – Accomplice Vendors
- Pay – and – Return Schemes
- Overbilling with a Non – Accomplice Vendor's Invoices
- Personal Purchases with Company Funds
- Personal Purchases through False Invoicing
- Personal Purchases on Credit Cards or Other Company Accounts
- Proactive Computer Audit Tests for Detecting Billing Schemes
- Case Studies.

Check Tampering

- Check Tempering Schemes
- Forged Maker Schemes
- Forged Endorsement Schemes
- Altered Payee Schemes
- Concealed Checks Schemes
- Authorized Maker Schemes
- Concealing Check Tempering
- The Fraudster Reconciling the Bank Statement
- Re – Altering Checks
- Falsifying the Disbursements Journal
- Reissuing Intercepted Checks, Bogus Supporting Documents
- Proactive Computer Audit Tests for Detecting Check Tempering Schemes
- Case Studies.

Payroll Schemes

- Payroll Schemes
- Ghost Employees
- Falsified Hours and Salary
- Commission Schemes
- Proactive Computer Audit Tests for Detecting Payroll Frauds/ Schemes
- Case Studies.

Expense Reimbursement Schemes

- Expense Reimbursement Schemes
- Mischaracterized Expense Reimbursements

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- Overstated Expense Reimbursements
- Fictitious Expense Reimbursement Schemes
- Multiple Reimbursement Schemes
- Proactive Computer Audit Tests for Detecting Expense Reimbursement Schemes
- Case Studies.

Cash Register Disbursement Schemes

- Register Disbursement Schemes
- False Refunds
- False Voids
- Concealing Register Disbursements
- Small Disbursements
- Destroying Records
- Preventing and Detecting Register Disbursement Schemes
- Proactive Computer Audit Tests for Detecting Register Disbursement Schemes
- Case Studies

Non-Cash Assets

- Non Cash Misappropriation Schemes
- Misuse of Non Cash Assets
- Unconcealed Larceny Schemes
- Asset Requisitions and Transfers
- Purchasing and Receiving Schemes
- False Shipments of Inventory and Other Assets
- Other Schemes
- Concealing Inventory Shrinkage
- Altered Inventory Records
- Fictitious Sales and Accounts Receivable
- Write Off Inventory and Other Assets
- Physical Padding
- Preventing and Detecting Noncash Thefts That are Concealed by Fraudulent Support
- Proactive Computer Audit Tests for Detecting Noncash Misappropriations
- Case Studies

Corruption

- Corruption Schemes
- Bribery
- Kickback Schemes
- Bid – Rigging Schemes
- Something of Value
- Illegal Gratuities
- Economic Extortion
- Conflicts of Interest
- Purchasing Schemes
- Sales Schemes
- Other Conflict of Interest Schemes
- Preventing and Detecting Conflicts of Interest
- Proactive Computer Audit Tests for Detecting Corruption
- Case Studies

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Accounting Principles & Fraud

- Fraud in Financial Statements
- Who Commits Financial Statement Fraud?
- Why Do People Commit Financial Statement Fraud?
- How Do People Commit Financial Statement Fraud?
- Conceptual Framework for Financial Reporting
- Economic Activity
- Going Concern
- Monetary Unit
- Periodicity
- Historical Cost
- Revenue Recognition
- Matching
- Full Disclosure
- Cost – Benefit
- Materiality
- Industry Practice
- Conservatism
- Relevance and Reliability
- Comparability and Consistency
- Responsibility for Financial Statements
- Users of Financial Statements
- Types of Financial Statements
- The Sarbanes – Oxley Act of 2002
- Public Company Accounting Oversight Board (PCAOB)
- Certification Obligations for CEOs and CFOs
- New Standards for Audit Committee Independence
- New Standards for Auditor Independence
- Enhanced Financial Disclosure Requirements
- Protection for Corporate Whistleblowers under Sarbanes Oxley Act 2002
- Enhanced Penalties for White – Collar Crime
- Frequency and Cost
- Types of Fraudulent Financial Statement Schemes
- Case studies

Fraudulent Financial Statement Schemes

- Defining Financial Statement Fraud
- Costs of Financial Statement Fraud
- Fictitious Revenues
- Sales with Conditions
- Pressures to Boost Revenues
- Red Flags Associated with Fictitious Revenues
- Timing Differences
- Matching Revenues with Expenses
- Premature Revenue Recognition
- Long Term Contracts
- Channel Stuffing
- Recording Expenses in the Wrong Period
- Red Flags Associated with Timing Differences
- Concealed Liabilities and Expenses
- Liability/Expense Omissions

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- Capitalized Expenses
- Expensing Capital Expenditures
- Returns and Allowances and Warranties
- Red Flags Associated with Concealed Liabilities and Expenses
- Improper Disclosures
- Liability Omissions
- Subsequent Events
- Management Fraud
- Related – Party Transactions
- Accounting Changes
- Red Flags Associated with Improper Disclosures
- Improper Asset Valuation
- Inventory Valuation
- Accounts Receivable
- Business Combinations
- Fixed Assets
- Red Flags Associated with Improper Asset Valuation
- Detection of Fraudulent Financial Statement Schemes
- SAS No.99 – Consideration of Fraud in a Financial Statement Audit
- Financial Statement Analysis
- Deterrence of Financial Statement Fraud
- Reduce Pressures to Commit Financial Statement Fraud
- Reduce the Opportunity to Commit Financial Statement Fraud
- Reduce Rationalization of Financial Statement Fraud
- Case Studies

Interviewing Witnesses

- Introductory Questions
- Informational Questions
- Closing Questions
- Assessment questions
- Admission – Seeking Questions
- Review Questions
- Discussion Issues
- Case Studies

Conducting Investigations and Writing Reports

- When Is an Investigation Necessary?
- Planning the Investigation
- Selecting the Investigation Team
- Developing Evidence
- Covert Operations
- Surveillance
- Using Informants
- “Dumpster Diving”
- Subpoenas
- Search Warrants
- Voluntary Consent
- Preserving Documentary Evidence
- Chronologies
- To – Do Lists
- Using Computer Software to Organize Documents and other Data

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- Sources of Information
- In – House Sources
- Public Information
- Report Writing
- Purpose of the Report
- Know the Reader
- Format
- Opinions or Conclusions in Report
- Case Studies

Occupational Frauds and Abuse: The Big Picture

- Defining Abusive Conduct
- Measuring the Level of Occupational Fraud and Abuse
- The Human Factor
- Understanding Fraud Deterrence
- The Impact of Controls
- The Perception of Detection
- The Corporate Sentencing Guidelines
- Definition of Corporate Sentencing
- Vicarious or Imputed Liability
- Requirements
- The Ethical Connection
- Concluding Thoughts
- Case Studies

Recommended Reading Material

1. Fraud Examination (with ACL CD + ROM) by W Steve Albrecht, Conan C. Albrecht, Chad O. Albrecht and Mark Zimbelman (3rd Edition) Published by South Western Cengage Learning.
2. Essentials of Corporate Frauds by Tracy L Coenen, published by John Wiley & Sons Inc.
3. Corporate Fraud Handbook: Prevention and Detection by Joseph T. Wells
4. Fraud & Forgery Laws (Latest Edition) by Emmanuel Zafar, published by Nadeem Law Book House, Lahore.

FS 3 Forensic Accounting & Litigation Framework (Marks: 100)

This subject will address the role of law in dealing with cases of fraud or misconduct, and the legal framework within which the Forensic Accounting process, from preliminary stages, to investigation and ultimately to prosecution or litigation. In particular, the subject will address the legal framework (at the state, national and international level) within which allegations of fraud are addressed; the concept of the corporation and the cope for abuse; the duties, roles and responsibilities of the key players in corporations and in the investigation of corporate misconduct; and the legal obligations of professional such as auditors, and the implications of these for the **Forensic Accountants (FAs)**.

Course Outlines

Part I The Litigation Environment

- The Role of the Forensic Accountant in Litigation Services
- Causation Issues in Expert Testimony
- The Economics in Accounting for Litigation
- Alternative Dispute Resolution

Part II Damages Techniques

- Statistical Estimation of Incremental Cost from Accounting Data
- Econometric Analysis
- Estimating the Cost of Capital
- Ex Ante versus Ex Post damages Calculations
- Prejudgment Interest
- The Flaw of Averages in Law and Accounting
- Valuing Losses in New Businesses
- Business Interruption Insurance Claims
- Business Valuations (Adjusted Present Value (APV) Method
- Lost Earnings of Persons
- Punitive Damages
- Tax Treatment of Damages Awards

Part III Litigation Tools

- Data Management

Part IV Civil Litigation

Securities and Accountant Liability

- Federal Securities Acts and Areas of Expert Analysis
- Accountant Liability

Intellectual Property

- Economic Analysis of Non patent Intellectual Property Rights and Damages Measures
- Intellectual Property Damages in the Entertainment Industry
- Patent Infringement Damages
- License Compliance: Performing Royalty Examinations

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Antitrust/Business Combination

- Antitrust
- Disputes in Mergers & Acquisition Transactions

Construction and Real Property Disputes

- Construction Claims
- Quantifying Damages in Real Estate Litigation

Other Civil Litigation

- The Troubled Business and Bankruptcy
- Alter Ego
- Employment Litigation
- Federal Contract Disputes

Part V Family Law

- Valuation and Division of Marital Property
- Child and Spousal Support Awards
- Marital Dissolution: Professional Goodwill and Related Intangibles
- Marital Dissolution: Tracing and Apportionment of Assets
- Marital Dissolution: Tax Considerations

Part VI Criminal Cases

- Tax Fraud

Part VII Investigations

- Financial Statement Investigation
- International Investigation

Recommended Reading:-

1. Litigation Services Handbook, Fourth Edition (The Role of the Forensic Accountant/Financial Expert by Roman L Weil, Peter B Frank, Christian W Hughes and Michael J Wagner, Published by Wiley & Sons Inc.
2. Litigation Support and Financial Assessment of Damages Donald R. Chilvers, Christopher J. Lemar, Tim Lawrence, Andrew Mainz, Nicholas Sherrard, David Anton ISBN: 9780406002594 Publisher: LexisNexis UK
3. Litigation Support, The Coopers & Lybrand Guide to the Financial Assessment of Damages and Donald R. Chilvers, Christopher J. Lemar, Tim Lawrence, Andrew Mainz, Nicholas Sherrard, David Anton ISBN: 9780406049940 Publisher: LexisNexis UK Edition: 3rd Revised edition

IFAP SYLLABUS FOR FA PROGRAM

FS 4 Business Communication & Behavioral Studies (Marks: 100)

Objective

The course aims to introduce students to the key concepts of business communication and their application. The course also intends to incorporate an understanding of the concepts of organizational behavior to develop problem solving skills, negotiation skills and leadership qualities in the students.

Indicative Grid

Syllabus Content Area	Weight-age
Principles of Effective Business Communication	25
Communication Methods and Skills	40
Organizational Behavior	30
Total	100

Note: The weight-ages given above are for guidance purposes only and some deviations in setting of paper could be expected.

Syllabus Contents

Principles of Effective Business Communication

Introduction

Concepts and benefits of effective communication

Components of communication including effective listening

Problems of communication

Basic principles of Business Communication

Seven C's of effective communication

Interpersonal Communication (IPC)

Universal of IPC

Axioms of IPC

Types of IPC

Communication Methods and Skills

Business Messages

Planning before communication

Basic organizational plans

Appearance and design

Letters to customers

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Circular letters

Job application and Curricular Via tea (Resume)

Good news messages & bad news messages

Persuasive messages

Business letters, memos, faxes and e-mail

Meetings

Preparation of Agenda, Notice and Minutes of Meetings

Report and proposal writing

Short report

Long report

Proposals

Organizational Behavior (OB)

Introduction

Approaches to Organizational Behavior (OB)

Definitions and characteristics of Organizational Behavior (OB)

Challenges faced by the management – Globalization, Information Technology, Diversity and Ethics

Organizational processes

Organizational structure & design (principles of organization, different ways of structuring organization)

Organizational Change (nature of change process, resistance of change)

Organizational culture (concept, dysfunctional aspect of culture)

Individual Behavior

Perception

Attitude

Job satisfaction

Job stress

Motivation

Types of Motivation

Theories of Motivation

Applications – Job Design

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Goal setting and Management by Objectives (MBO)

Management by Exception (MBE)

Leadership

Types of Leadership

Theories of Leadership

Applications – Roles, Activities, Skills of Leaders

Group dynamics and team work (types of groups, group formation, group structure, individual in groups, team work)

Conflict and Negotiation

Levels of Conflict

Conflict Resolution

Negotiation & Stages of negotiation

Peculiar Negotiation Situation

Recommended Reading

1. The Effective Business Communication by Herta a Murphy, Herbert Hildebrandt, Jane P. Thomas. The book covers substantial part of the syllabus area of business communication.
2. Organizational Behavior by Stephen P. Robbins.
3. Organizational Behavior by Fred Luthans. These are very useful books for understanding the theoretical and practical aspects of organizational behavior.

Supplementary Study Material

1. Business Communication and Behavioral Study Text and Revision Series by Professional Business Publications (PBP).
2. Business Communication and Behavioral Study Text and Revision series by AT Foulks Lynch Pakistan.

FS 5 Corporate Performance Management (Marks: 100)

Aim

The aim of this subject is to introduce students to the development of corporate performance management theory and practice, with particular reference to concepts, functions and the integration of activities. Students will learn about the environmental factors which influence the success of an organization, and explore the role of critical and creative thinking in problem solving and decision making. Current issues in corporate performance management will be discussed, including business ethics and corporate social responsibility. The principles, concepts and practice provide forms the basis for the subsequent study of subjects such as Information Systems, Management Accounting, Corporate Laws and Governance, Managerial Finance, Strategy and Leadership and Strategic Performance Management.

Learning Outcomes

On successful completion of this subject, students should be able to:-

- Explain the evolution of corporate performance management theory in the context of recent developments, ethical principles and corporate social responsibility.
- Identify the principles and practices of organization design, structure and behavior, and the implications for leadership and employee morale.
- Explain the conditions and requirements necessary for effective internal and external communication.
- Distinguish the role, functions and impact of human resource management within an organization.
- Illustrate the nature and impact of environmental factors on an organization, and illustrate how critical and creative thinking may be used in problem solving and decision making.

Detailed Syllabus

DEVELOPMENT OF CORPORATE PERFORMANCE MANAGEMENT THEORY AND PRACTICE

- Schools of corporate performance management thought and their inter-relationship.
- Economic, social, political and technological factors which affect business and other organizations.
- Ethical principles and corporate social responsibility in corporate performance management practice.

ORGANISATION STRUCTURES AND BEHAVIOUR

- Purpose and nature of organization structures.
- Organization design and development.
- Organizational culture and change.
- Group dynamics.
- Integration of managerial roles and functions within an organization.
- Leadership and motivation.
- Personal effectiveness and self direction.

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EFFECTIVE COMMUNICATION

- Principles of successful communication.
- Verbal and non-verbal communication.
- Effective listening.
- Cross-cultural aspects of communication.
- Barriers to effective communication.
- Roles and conduct at meetings.
- Public relations.
- Communication channels, including social media.

HUMAN RESOURCE MANAGEMENT

- Evolution of human resource management.
- Human resource management functions including staff recruitment, selection, training, development and appraisal.
- Job design and job evaluation.
- Change management and employee morale.
- Discipline and grievance procedures.
- Employer and employee representation.
- Developing and supporting a learning culture.

PROBLEM SOLVING AND DECISION MAKING IN MANAGEMENT

- Approaches to managerial problems and decisions.
- Critical and creative thinking-definitions and components.
- Qualities of critical and innovative thinkers.
- Socratic questioning, intellectual integrity, objectivity and subjectivity within the thinking process.
- Applications of critical and innovative approaches to problem solving and decision making in management.
- Current issues in corporate management practice.

BUSINESS PLANNING AND ANALYSIS

- The growth and development of the organization.
- National and international business environments
- Strategic and tactical planning
- Sources of finance for business development
- Decision making, profit maximization and other considerations.
- Goal and target setting
- Marketing and sales concepts, roles and functions
- Market planning and analysis,
- Influences on consumer behavior.
- The marketing mix
- Services marketing
- Environmental, cultural and
- technological factors in marketing and sales
- Quantitative and qualitative research
- Sales techniques and influences
- Ethical behavior in marketing and selling.
- Analytical techniques
- Moving averages and regression analysis.

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THE STRATEGY PROCESS

- **The Concept of Strategy:-**
 - a. Levels of strategy and planning.
 - b. Setting mission, aims, goals & objectives.
 - c. Matching strategy and structure.
 - d. The competitive environment.
 - e. Ethical, political & social considerations.
- Strategic Management and Operational Management.
- **Perspectives on Strategy:**
 - a. Deliberate and emergent strategy.
- **The Marketing Dimension:**
 - a. Marketing management Concepts
 - b. Analyzing marketing opportunities.
 - c. Market segmentation.
 - d. The marketing mix.
 - e. Strategic planning and marketing management.
 - f. Market place models

THE STRATEGIC POSITION

- **Environmental Analysis:-**
 - a. The macro environment.
 - b. Industry/Sector analysis.
 - c. Market analysis.
 - d. Opportunities & threats.
- **Assessing Strategic Capability:-**
 - a. Critical success factors.
 - b. Assessing resources.
 - c. Identifying core competencies.
 - d. Benchmarking.
 - e. Assessing strengths and weaknesses.
- **Measuring Stakeholder Expectations:-**
 - a. Corporate governance.
 - b. Stakeholder analysis.
 - c. Identifying stakeholder expectations.
 - d. Business ethics.
 - e. Cultural considerations.

STRATEGIC CHOICES

- Corporate Level:-
 - a. The role of the corporate centre:
 - b. Portfolio manager.
 - c. Corporate core competencies.
 - d. Manager.
 - e. Restructurer.
 - f. Synergy manager.
 - g. Parental developer.
 - h. The Corporate Portfolio.
 - i. The Growth/Share Matrix.
 - j. The Directional Policy Matrix.
 - k. The Relatedness Matrix.
 - l. Corporate Diversification.

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- **Business Level:-**

- a. Bases of competitive advantage (Price, differentiation, etc.).
- b. Sustaining competitive advantage.
- c. Game theory.
- d. Competition and collaboration.
- e. Value Innovation.
- f. Business ecosystems.
- g. Business case development.
- h. Supporting the entrepreneur & new venture creation.

- **Strategy Development:**

- i. Directions.
- j. Methods.
- k. Success criteria

STRATEGY IMPLEMENTATION

- **Structure and Processes:-**

- a. Organization structure.
- b. Planning & control systems (incl. ERP, Balanced Scorecard).
- c. Market mechanisms.
- d. Social/cultural process.

- **Managing Key Enablers:-**

People:

- a. H.R. Management
- b. Organizational behavior.

Leadership:

- a. Culture change.
- b. Knowledge creation.

Information and Technology:

- a. Knowledge management.

Managing the Change Process:

- a. Change management;
- b. Analyzing the change situation.
- c. The nature of change.
- d. Changing organizational culture.
- e. Organizational communications.

Project management:

- a. Project objective and scope.
- b. Project teams, sponsors and responsibilities.
- c. Project timeline and milestones.
- d. Allocation of resources.
- e. Critical path analysis.
- f. Project reporting procedures.
- g. Project evaluation.

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ADVANCED DECISION-MAKING

- Pricing decisions (including strategic considerations, revenue management, profit maximization, services pricing, and product bundling).
- Target costing and Lifecycle costing.
- Product and segment profitability analysis.
- Customer profitability analysis.
- Theory of constraints, throughput and back flush accounting.
- Activity-based analysis for decision making.
- Measuring and managing uncertainty (including risk appraisal, expected values, maximax/maximin and sensitivity analysis).
- Decision making with multiple limiting factors including the formulation of problems and interpretation of results using linear programming and the simplex algorithm.
- Assessment of mutually exclusive projects, projects with unequal lives.

PLANNING AND CONTROL

- The purpose of budgetary control systems.
- Alternative approaches to budgeting, including incremental budgeting, zero-based budgeting, activity-based budgeting, rolling budgets, and beyond budgeting' approaches.
- Budgetary control of engineered, committed and discretionary costs.
- Advanced variance analysis (including sales mix and yield; materials mix and yield; planning & operational; market size and market share).
- Critical appraisal of standard costing and variance analysis in modern manufacturing environments.
- Advantages and disadvantages of forecasting techniques including; time series, trend analysis, smoothing techniques and seasonal variances.

PERFORMANCE EVALUATION

- Divisional profitability: Return on investment and residual income.
- The distinction between economic and managerial performance evaluation.
- Economic value added.
- Value-based management.
- Transfer pricing (including cost-plus, market, negotiated and dual prices).
- Interaction of transfer pricing and taxation.

PERFORMANCE MEASUREMENT SYSTEMS

- Mission statements, objectives, strategies and goals.
- Performance measurement in modern manufacturing environments including JIT, TQM, world class manufacturing, and supply chain management issues.
- Scenario planning 'what if' analysis.
- Alternative competitive strategies.
- Monitoring of the external environment (including competitor accounting).
- Financial and non-financial performance measurement.
- Performance measurement models, including the balanced scorecard.
- Incentive schemes.

CURRENT DEVELOPMENTS IN CORPORATE PERFORMANCE MANAGEMENT

- Benchmarking.
- Impact of developments in information technology and ecommerce.
- Business process re-engineering.
- Corporate governance.

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Recommended Books:

1. Five Key Principles of Corporate Performance Management by Bob Paladino published by Wiley.
2. Corporate Performance Management (Improving Human Performance) by David Wade & Ron Recardo published by taylor & francis.
3. Performance Management: Integrating Strategy Execution, Methodologies, Risk, and Analytics (Wiley and SAS Business Series) by Gary Cokins published by wiley.
4. The Performance Management Revolution: Business Results through Insight and Action by Howard Dresner published by Wiley.
5. Business Performance Measurement: Unifying Theory and Integrating Practice by Andy Neely Cambridge University Press.

CERTIFICATE STAGE (Comprised 5 papers)

CS 6 Investigation Process & Techniques (Marks: 100)

This subject adopts an interdisciplinary approach to introduce the investigative processes used by **Forensic Accountants (FAs)** to identify, examine and prevent fraudulent financial activity. Students are provided with the opportunity to learn the specific elements involved in a financial investigation from the moment of predication through to case profiling and the investigation processes, including the process of setting, testing, adjusting and eliminating the case hypothesis. The subject focuses on both qualitative and quantitative investigative procedures including investigative interviewing and data mining techniques. In addition, students are exposed to Forensic Accounting issues beyond financial statement and employee fraud, to also understand and appreciate the roles and responsibilities of a **Forensic Accountant (FA)** when investigating a case and working along side members of various regulatory bodies, including the legal ability and limitations faced by a **Forensic Accountant (FA)**.

This subject also explores complex qualitative investigation techniques utilized by a **Forensic Accountant (FA)** to further gather evidence in order to adequately and appropriately detect and investigate the existence of financial crime. Students will learn how to apply sophisticated investigation techniques to complex investigations of both domestic and offshore financial crimes. Advanced study of investigative interviewing and human behavior analysis is undertaken to correctly detect deception and understand a subject motives and rationalization for committing financial crime utilizing this knowledge in the overall financial investigation. In consideration of evidence gathering and custodial issues students will be taught how to undertake the use of electronic discovery, a crucial component to any forensic accounting investigation complimented by the **Forensic Accountant's (FA)** responsibility throughout the investigation to issues of privacy and confidentiality.

Syllabus Contents

Part I

Introduction

- Chapter 1 Investigating Forensic Accounting
- Chapter 2 Why the World Needs Forensic Accountants

Part 2

- Chapter 3 Meeting Your Methods of Investigation
- Chapter 4 Walking through the Investigation Process
- Chapter 5 Tracing the Flow of Money
- Chapter 6 Going to the Source: Obtaining Records
- Chapter 7 Tapping into Electronic Evidence

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- Chapter 8 Who Wants to Know? Reporting on Your Findings
- Chapter 9 Preparing for Trial: Business Litigation
- Chapter 10 Organizing Evidence and Serving as an Expert Witness.
- Chapter 11 Peeking Inside Federal Government Fraud Cases

Part 3

- Chapter 12 Preventing Occupational Fraud
- Chapter 13 Helping Small Businesses Prevent Fraud
- Chapter 14 Assisting Larger Businesses with Fraud Prevention
- Chapter 15 Keeping Employees Honest (and Happy)
- Chapter 16 Applying Technology to Fraud Prevention
- Chapter 17 A Historical Account of the Auditor's Role
- Chapter 18 The Roles of the Auditor and the Forensic Accounting Investigator
- Chapter 19 Auditor Responsibilities and the Law
- Chapter 20 Today's Auditors Are Not Forensic Accounting Investigators

Recommended Reading

1. A Guide to Forensic Accounting Investigation, Thomas W. Golden, Steven L. Skalak, Mona M. Clayton ISBN 9780470599075 Published by John Wiley and Sons Ltd Edition 2nd Revised edition
2. Anatomy of a Fraud Investigation, Stephen Pedneault ISBN10: 0470560479 ISBN13: 9780470560471 Published by John Wiley and Sons Ltd John Wiley & Sons Ltd Publication date: 19 Feb 2010
3. Forensic Accounting, How to Investigate Financial Fraud by William Thornhill ISBN 9781556237331
4. Expert Fraud Investigation by Tracy L Coenen ISBN10 0470387963 ISBN13 9780470387962 published by John Wiley and Sons Ltd John Wiley & Sons Ltd Publication date: 10 Mar 2009

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CS 7 The Taxation & The Company Laws (Marks: 100)

Part 1 The Taxation Laws (Marks: 50)

Objective

The aim of this paper is to develop basic knowledge and understanding in the core areas of Income Tax and its chargeability as envisaged in the Income Tax Ordinance 2001 and the Income Tax Rules 2002/2008 (relevant to the syllabus), Sales Tax Act 1990 and the Sales Tax Rules (relevant to the syllabus)

Indicative Grid

Syllabus Content Area	Weight-age
Income Tax	
Basic concepts of taxation	15
Heads of Income, Computation of Income, Determination of tax liability	40
Types of persons and their taxation	10
Procedures and Administration	
Income Tax Rules 2002	10
Sales Tax	
Prescribed chapters of Sales Tax Act and Rules	25
Total	100

The weight-ages given above are for guidance purposes only and some of deviations in setting of papers could be expected.

Note

Finance Act/Ordinance, Notifications and circulars issued within a period of less than 4 months from the date of examination shall not be tested.

Chapters, Parts and Divisions not mentioned here specifically are excluded from the syllabus. However, it is clarified to eliminate any ambiguity that if only a chapter is mentioned it includes all parts and if only a part is mentioned it includes all divisions.

The weight-age given above are for guidance purposes only and some deviations in setting of papers could be expected.

Students are not expected to remember the tax rates. Some if applicable shall be given in the question paper.

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Syllabus Contents

Income Tax Ordinance, 2001

Basic concepts of taxation

- Chapter I Preliminary (concepts of terms defined)
- Chapter II Charges of tax (excluding section 7)
- Chapter IV Common rules (Part I & II)

Heads of income, Computation of income, Determination of tax liability

- Chapter III Tax on taxable income (excluding Section 29A, 30 & 31)
- Chapter IX Minimum Tax
- Chapter X Part V Advance tax and deduction of tax at source
- Chapter XII Transitional Advance Tax Provisions

Types of persons and their taxation

- Chapter V Part Central concepts
- Chapter V Part II – Division I Individuals
- Chapter V Part III Association of persons
- Chapter VII Part II Taxation of foreign – source of residents

Procedures and Administration

- Chapter X Part I Returns
- Chapter X Part II Assessments
- Chapter X Part III Appeals including Alternative Dispute Resolution
- Chapter X Part IV Collection and recovery of tax ((Sections 137 to 140)
- Chapter X Part VIII Audit (Section 177)
- Chapter XI Part I Administration – General (excluding section 224 to 227)

Income Tax Rules 2002/2008

The rules related to the above chapters of the Income Tax Ordinance, 2001 shall also be examined.

Sales Tax Act 1990

- Chapter I Preliminary (concepts of terms defined)
- Chapter II Scope and payment of tax
- Chapter III Registration

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Chapter IV Book keeping and invoicing requirements

Chapter V Returns

The following rules (excluding annexure and forms) of the Sales Tax Rules – 2006 related to the relevant chapters of the Sales Tax Act may be examined. Rules other than the following shall not be examined at this stage:-

Chapter I Registration, Voluntary registration and De – Registration

Chapter II Filing of returns

Chapter III Credit and Debit Note and Destruction of Goods

Chapter IV Apportionment of Input Tax

Recommended Reading

1. Complete Income Tax Law by S A Salam
2. Law & Practice of Income Tax by Dr. Ikram-ul-Haq
3. Bare Act, Rules, Notifications; Circulars etc. on syllabus topics are included in these books with brief explanations
4. Sales Tax Ready Reference by S A Salam
5. Bare Act, Rules, Notifications; Circulars etc. on syllabus topics are included in these books with brief explanations.
6. Synopsis of taxation by Mirza Munawar Hussain
7. Pakistan Income Tax Law Principles and Practice by Mian Safiullah and Kashif Aziz Jahangir

These books are very useful for understanding practical application of taxation.

1. Khalid Petiwala's Notes on Income Tax and Sales Tax

The Book provides summarized notes to the students which will help them at the time of revision. The book also includes practical questions and original Income Tax Ordinance and Rules & Sales Tax Act and Rules.

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Recommended Reading

1. Complete Company Law by S A Salam (Relevant topics)
2. Bare law and brief explanation thereon are included in the book
3. Practical Approach to the Companies Ordinance, 1984 by Nazir Ahmed Shaheen (Relevant topics). This book is useful for understanding practical application of law.

Supplementary Study

Company Law Study Text and Revision Series by A T Foulks Lynch Pakistan

Company Law Study Text and Revision Series by Professional Business Publications (PBP)

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CS 8 Evidence & the Forensic Accountant (FA) (Marks: 100)

This subject will focus on the law of evidence as it applies to the **Forensic Accountant (FA)** and investigator, from the inception of an investigation through to presentation of evidence in court, including expert evidence. Students will explore the implications of law for the identification of sources of evidence, collection of evidence and presentation of evidence in a manner most suitable for the purposes of their investigation and/or role in the litigation of a relevant matter. Adducing evidence, admissibility of evidence and specific issues of expert evidence will be considered. Communication issues will be an underlying theme throughout, specifically accountant – lawyer communication.

Part 1

Understanding Evidence:

The Foundations of the Law;

An Introduction to the Law of Evidence;

The Aims of the Law of Evidence;

Relevance and Admissibility;

Facts and Fact finding;

Part 2

Obtaining Evidence:

Pre-Trial Procedures and the Regulation of Access;

The Privilege against Self-Incrimination and the Right to Silence;

Confessions;

Identification Evidence;

Evidence Obtained by Illegal or Unfair Means;

Disclosure and Immunity;

Legal Professional Privilege;

Part 3

Adducing Evidence:

Trial Procedures and the Principles of Proof;

Burden and Standard of Proof;

Forms of Proof and Alternatives to Proof;

Witnesses; Examination of Witnesses;

Vulnerable and Suspect Witnesses;

Part 4

Using Evidence:

The Scope and Limits of Exclusionary Rules;

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The Scope and Rationale of the Hearsay Rule;

The Hearsay Rule: Exceptions and Reforms;

Evidence of Character and Other Misconduct;

Cross-Examination of the Accused;

Opinion and Expert Evidence

Recommended Reading

1. The Law of Evidence by Ian Dennis ISBN10: 1847038565 ISBN13: 9781847038562
Publisher: Sweet & Maxwell Ltd Sweet & Maxwell Edition: 4th Revised edition
2. The Law of Evidence by John Bruce Norton ISBN10: 1103222872 ISBN13: 9781103222872
Publisher: BiblioLife, LLC BiblioBazaar, LLC
3. The Law of Evidence by David Paciocco, Lee Stuesser ISBN10: 1552211061 ISBN13: 9781552211069
Publisher: Irwin Law Inc Edition: 4th Revised edition
4. Evidence (Questions & Answers) by Christopher Allen, published by Cavendish Publishing Company, London.
5. The Qanun-e-Shahadat Order 1984 by M Mahmood, published by Pakistan Law Times Publications.

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CS 9 Forensic Auditing & Assurance (Marks: 100)

Aim

To develop knowledge and understanding of the process of carrying out the assurance engagement and its application in the context of the professional regulatory framework.

MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to:-

- Explain the nature, purpose and scope of assurance engagements including the role of the external audit and its regulatory and ethical framework
- Explain the nature of internal audit and describe its role as part of overall performance management and its relationship with the external audit
- Demonstrate how the auditor obtains an understanding of the entity and its environment, assesses the risk of material misstatement (whether arising from fraud or other irregularities) and plans an audit of financial statements
- Describe and evaluate information systems and internal controls to identify and communicate control risks and their potential consequences, making appropriate recommendations
- Identify and describe the work and evidence required to meet the objectives of audit engagements and the application of the International Standards on Auditing
- Evaluate findings and modify the audit plan as necessary
- Explain how the conclusions from audit work are reflected in different types of audit report explain the elements of each type of report.

RATIONALE

The Forensic Audit and Assurance syllabus is essentially divided into seven areas. The syllabus starts with the nature, purpose and scope of assurance engagements, including the statutory audit, its regulatory environment, and introduces professional ethics relating to audit and assurance. It then leads into internal audit, including the scope of internal audit as well as the differences between internal audit and external audit. The syllabus then covers a range of areas relating to an audit of financial statements. These include planning and risk assessment, evaluating internal controls, audit evidence, and a review of the financial statements. The final section then deals with reporting, including statutory audit reports, management reports, and internal audit reports.

DETAILED SYLLABUS

A. Audit Framework and Regulation

1. The concept of audit and other assurance engagements
2. Statutory audits
3. The regulatory environment and corporate governance
4. Professional ethics and IFAP's Code of Ethics and Conduct

B. Internal audit

1. Internal audit and corporate governance
2. Differences between the external auditor and the internal audit function
3. The scope of the internal audit function
4. Outsourcing the internal audit function
5. Internal audit assignments

C. Planning and risk assessment

1. Objective and general principles
2. Understanding the entity and its environment
3. Assessing the risks of material misstatement and fraud
4. Analytical procedures
5. Planning an audit
6. Audit documentation
7. The work of others

D. Internal control

1. Internal control systems
2. The use of internal control systems by auditors
3. Transaction cycles
4. Tests of control
5. The evaluation of internal control components
6. Communication on internal control

E. Audit evidence

1. The use of assertions by auditors
2. Audit procedures
3. The audit of specific items
4. Audit sampling and other means of testing
5. Computer-assisted audit techniques
6. Not-for-profit organizations

F. Review

1. Subsequent events
2. Going concern
3. Written representations
4. Audit finalization and the final review

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G. Reporting

1. Audit reports
2. Reports to management
3. Internal audit reports

APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a three-hour paper based examination, consisting of five compulsory questions. The bulk of the questions will be discursive but some questions involving computational elements will be set from time to time. The questions will cover all areas of the syllabus. Question 1 will be a scenario-based question worth 30 marks. Question 2 will be a knowledge-based question worth 10 marks. Questions 3, 4 and 5 will be worth 20 marks each.

Study Guide

A AUDIT FRAMEWORK AND REGULATION

1. The concept of audit and other assurance engagements

- a) Identify and describe the objective and general principles of external audit engagements.
- b) Explain the nature and development of audit and other assurance engagements.
- c) Discuss the concepts of accountability, stewardship and agency.
- d) Discuss the concepts of materiality, true and fair presentation and reasonable assurance.
- e) Explain reporting as a means of communication to different stakeholders.
- f) Explain the level of assurance provided by audit and other review assignments.

2. Statutory audits

- a) Describe the regulatory environment within which statutory audits take place.
- b) Discuss the reasons and mechanisms for the regulation of auditors.
- c) Explain the statutory regulations governing the appointment, rights, removal and resignation of auditors.
- d) Discuss the types of opinion provided in statutory audits.
- e) State the objectives and principle activities of statutory audit and assess its value (e.g. in assisting management to reduce risk and improve performance).
- f) Describe the limitations of statutory audits

3. The regulatory environment and corporate governance

- a) Explain the development and status of International Standards on Auditing.
- b) Explain the relationship between International Standards on Auditing and national standards.
- c) Discuss the objective, relevance and importance of corporate governance.
- d) Discuss the need for auditors to communicate with those charged with governance.

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- e) Discuss the provisions of international codes of corporate governance (such as OECD) that are most relevant to auditors.
- f) Describe good corporate governance requirements relating to directors' responsibilities (e.g. for risk management and internal control) and the reporting responsibilities of auditors.
- g) Analyze the structure and roles of audit committees and discuss their benefits and limitations.
- h) Explain the importance of internal control and risk management.
- i) Compare the responsibilities of management and auditors for the design and operation of systems and controls.

4. Professional ethics and IFAP's Code of Ethics and Conduct

- a) Define and apply the fundamental principles of professional ethics of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
- b) Define and apply the conceptual framework.
- c) Discuss the sources of, and enforcement mechanisms associated with, IFAP's Code of Ethics and Conduct.
- d) Discuss the preconditions, requirements of professional ethics and other requirements in relation to the acceptance of new audit engagements.
- e) Discuss the process by which an auditor obtains an audit engagement.
- f) Explain the importance of engagement letters and state their contents.

B INTERNAL AUDIT

1. Internal audit and corporate governance

- g) Discuss the factors to be taken into account when assessing the need for internal audit.
- h) Discuss the elements of best practice in the structure and operations of internal audit with reference to appropriate international codes of corporate governance.

2. Differences between the external auditor and the internal audit function

- a) Compare and contrast the role of external and internal audit regarding audit planning and the collection of audit evidence.
- b) Compare and contrast the types of report provided by internal and external audit.

3. The scope of the internal audit function

- a) Discuss the scope of internal audit and the limitations of the internal audit function.
- b) Explain the types of audit report provided in internal audit assignments.
- c) Discuss the responsibilities of internal and external auditors for the prevention and detection of fraud and error.

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4. Outsourcing the internal audit function

- a) Explain the advantages and disadvantages of outsourcing internal audit.

5. Internal audit assignments

- a) Discuss the nature and purpose of internal audit assignments including value for money, IT, best value and financial.
- b) Discuss the nature and purpose of operational internal audit assignments including procurement, marketing, treasury and human resources management.

C PLANNING AND RISK ASSESSMENT

1. Objective and general principles

- a) Identify and describe the need to plan and perform audits with an attitude of professional skepticism.
- b) Identify and describe engagement risks affecting the audit of an entity.
- c) Explain the components of audit risk.
- d) Compare and contrast risk based, procedural and other approaches to audit work.
- e) Discuss the importance of risk analysis.
- f) Describe the use of information technology in risk analysis.

2. Understanding the entity and its environment

- a) Explain how auditors obtain an initial understanding of the entity and its environment.

3. Assessing the risks of material misstatement and fraud

- a) Define and explain the concepts of materiality and performance materiality.
- b) Compute indicative materiality levels from financial information.
- c) Discuss the effect of fraud and misstatements on the audit strategy and extent of audit work.

4. Analytical procedures

- a) Describe and explain the nature and purpose of analytical procedures in planning.
- b) Compute and interpret key ratios used in analytical procedures.

5. Planning an audit

- a) Identify and explain the need for planning an audit.
- b) Identify and describe the contents of the overall audit strategy and audit plan.
- c) Explain and describe the relationship between the overall audit strategy and the audit plan.
- d) Develop and document an audit plan.
- e) Explain the difference between interim and final audit.

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6. Audit documentation

- a) Explain the need for and the importance of audit documentation.
- b) Describe and prepare working papers and supporting documentation.
- c) Explain the procedures to ensure safe custody and retention of working papers.

7. The work of others

- a) Discuss the extent to which auditors are able to rely on the work of experts.
- b) Discuss the extent to which external auditors are able to rely on the work of internal audit.
- c) Discuss the audit considerations relating to entities using service organizations.
- d) Discuss why auditors rely on the work of others.
- e) Explain the extent to which reference to the work of others can be made in audit reports.

D INTERNAL CONTROL

The following transaction cycles and account balances are relevant to this capability:-

- Revenue,
- Purchases,
- Inventory,
- Revenue and capital expenditure,
- Payroll,
- Bank and cash.

1. Internal control systems

- a) Explain why an auditor needs to obtain an understanding of internal control activities relevant to the audit.
- b) Describe and explain the key components of an internal control system.
- c) Identify and describe the important elements of internal control including the control environment and management control activities.
- d) Discuss the difference between tests of control and substantive procedures.

2. The use of internal control systems by auditors

- a) Explain the importance of internal control to auditors.
- b) Explain how auditors identify weaknesses in internal control systems and how those weaknesses limit the extent of auditors' reliance on those systems.

3. Transaction cycles

- a) Explain, analyze and provide examples of internal control procedures and control activities.
- b) Provide examples of computer system controls.

4. Tests of control

- a) Explain and tabulate tests of control suitable for inclusion in audit working papers.
- b) List examples of application controls and general IT controls.

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5. The evaluation of internal control components

- a) Analyze the limitations of internal control components in the context of fraud and error.
- b) Explain the need to modify the audit strategy and audit plan following the results of tests of control.
- c) Identify and explain management's risk assessment process with reference to internal control components.

6. Communication on internal control

- a) Discuss and provide examples of how the reporting of internal control deficiencies and recommendations to overcome those deficiencies are provided to management.

E AUDIT EVIDENCE

1. The use of assertions by auditors

- a) Explain the assertions contained in the financial statements.
- b) Explain the principles and objectives of transaction testing, account balance testing and disclosure testing.
- c) Explain the use of assertions in obtaining audit evidence.

2. Audit procedures

- a) Discuss the sources and relative merits of the different types of evidence available.
- b) Discuss and provide examples of how analytical procedures are used as substantive procedures.
- c) Discuss the problems associated with the audit and review of accounting estimates.
- d) Describe why smaller entities may have different control environments and describe the types of evidence likely to be available in smaller entities.
- e) Discuss the quality of evidence obtained.

3. The audit of specific items

For each of the account balances stated in this sub capability:-

- Explain the purpose of substantive procedures in relation to financial statement assertions,
- Explain the substantive procedures used in auditing each balance, and
- Tabulate those substantive procedures in a work program.

a) Receivables:-

i) Direct confirmation of accounts receivable

ii) Other evidence in relation to receivables and prepayments, and

iii) The related income statement entries.

b) Inventory:-

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- i) Inventory counting procedures in relation to year-end and continuous inventory systems
 - ii) Cut-off
 - iii) Auditor's attendance at inventory counting
 - iv) Direct confirmation of inventory held by third parties,
 - v) Other evidence in relation to inventory.
- c) Payables and accruals:-
- i) Supplier statement reconciliations and direct confirmation of accounts payable,
 - ii) Obtain evidence in relation to payables and accruals, and
 - iii) The related income statement entries.
- d) Bank and cash:-
- i) Bank confirmation reports used in obtaining evidence in relation to bank and cash
 - ii) Other evidence in relation to bank and cash, and
 - iii) The related income statement entries.
- e) Tangible non-current assets and long-term liabilities:-
- i) Evidence in relation to non-current assets and
 - ii) Non-current liabilities and
 - iii) The related income statement entries.

4. Audit sampling and other means of testing

- a) Define audit sampling and explain the need for sampling.
- b) Identify and discuss the differences between statistical and non-statistical sampling.
- c) Discuss and provide relevant examples of, the application of the basic principles of statistical sampling and other selective testing procedures.
- d) Discuss the results of statistical sampling, including consideration of whether additional testing is required.

5. Computer-assisted audit techniques

- a) Explain the use of computer-assisted audit techniques in the context of an audit.
- b) Discuss and provide relevant examples of the use of test data and audit software for the transaction cycles and balances mentioned in sub-capability 3.
- c) Discuss the use of computers in relation to the administration of the audit.

6. Not-for-profit organizations

- a) Apply audit techniques to small not-for-profit organizations.
- b) Explain how the audit of small not-for-profit organizations differs from the audit of for-profit organizations.

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F REVIEW

1. Subsequent events

- a) Explain the purpose of a subsequent events review.
- b) Discuss the procedures to be undertaken in performing a subsequent events review.

2. Going concern

- a) Define and discuss the significance of the concept of going concern.
- b) Explain the importance of and the need for going concern reviews.
- c) Explain the respective responsibilities of auditors and management regarding going concern.
- d) Discuss the procedures to be applied in performing going concern reviews.
- e) Discuss the disclosure requirements in relation to going concern issues.
- f) Discuss the reporting implications of the findings of going concern reviews.

3. Written representations

- a) Explain the purpose of and procedure for obtaining written representations.
- b) Discuss the quality and reliability of written representations as audit evidence.
- c) Discuss the circumstances where written representations are necessary and the matters on which representations are commonly obtained.

4. Audit finalization and the final review

- a) Discuss the importance of the overall review of evidence obtained.
- b) Explain the significance of unadjusted differences.

G REPORTING

1. Audit reports

- a) Describe and analyze the format and content of unmodified audit reports.
- b) Describe and analyze the format and content of modified audit reports.

2. Reports to management

- a) Identify and analyze internal control and system deficiencies and their potential effects and make appropriate recommendations to management.

3. Internal audit reports

- a) Describe and explain the format and content of internal audit review reports and other reports dealing with the enhancement of performance.
- b) Explain the process for producing an internal audit report.

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READING LIST

ACCA's official publishers:-

BPP Learning Media

Contact number: +44(0)20 8740 2222

Website: www.bpp.com

Kaplan Publishing

Contact number: +44(0)118 989 0629

Website: www.kaplanpublishing.co.uk

Additional reading:-

Cosserat, G.W, Modern Auditing,
(Second edition), John Wiley and Sons Ltd. (2004)

Alternative reading:-

Accountancy Tuition Centre (ATC) International

Contact: info@atc-global.com

Website: www.atc-global.com

International Financial Publishing Limited

Contact number: +44 (0)1344 751674

Website: www.ifpbooks.com

CS 10 Public Financial Management (Marks: 100)

Aim

The PFM focus culminating in a Master of International Development Policy qualification is designed to enable international development decision makers and managers to improve public sector budgeting and financial management and enhance the efficient, accountable and equitable delivery of public services.

Course Highlights

PFM reforms are being implemented to create an enabling environment for economic growth, socio-economic development and poverty reduction. These reforms are designed to effectively integrate revenue and expenditure, achieve effective expenditure control and prioritization, through the development of medium-term and performance-oriented budgets. Improved PFM enhances transparency and accountability in public resource management, reducing fiduciary risks which affect the ability to mobilize domestic revenue, borrowing, foreign investment and aid. The PFM focus will develop those leadership management and technical skills needed to design and implement successful PFM reforms throughout the world. The faculty brings together a unique combination of academic and professional practice from being involved in numerous international public sector management reforms linked to planning, budgeting, fiscal policy, expenditure analysis, tax policy and administration, fiscal decentralization and local government finance.

Detailed Syllabus

Chapter 1 ECONOMIC PRINCIPLES FOR PUBLIC FINANCE

Examines the principles of microeconomics and macroeconomics required for the analysis of taxes and expenditures. The microeconomic component covers basic market principles and applied welfare economics needed for public financial analysis. Accounting conventions underlying costs and profits are examined. The impacts of taxes, subsidies and other policies on domestic and international markets are studied. The macroeconomic component covers national accounting aggregates and input-output structures of an economy and relates them to the structure and growth of tax bases. The relationships between savings, investment and growth are examined. The effects of government expenditure, revenue and deficit policies on the balances in the domestic and international financial and trade markets are introduced.

Chapter 2 ANALYTICAL METHODS FOR PUBLIC FINANCE

Covers the quantitative analytical methods and tools required in public financial analysis, forecasting of revenues and public expenditures and statistical analysis. Microcomputer-based packages and techniques for handling, analyzing, modeling and presenting revenue and expenditure data and analytical results are reviewed. Modeling and statistical methods are studied to assist in the analysis and forecasting of growth in the economy, expenditure and revenues, and the distributional impacts of revenues and expenditures, including the building of databases for, and the use of, micro-simulation models.

Chapter 3 PUBLIC FINANCE IN DEVELOPING AND EMERGING ECONOMIES

Covers the basic theory, policy and practice of public finance in these economies. It examines the economic roles and rationale for government, and potential methods of financing government. The nature of fiscal policy and its relationship to macroeconomic

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policy is examined, including issues of foreign aid, debt financing, and inflation. The course analyzes the approaches to pricing, financing and evaluating public sector outputs such as transport, water, education and electricity. It then reviews and analyzes taxes on trade, consumption, income, property and natural resources considering their economic efficiency, and administrative costs and distributional impacts. Special topics include the design and role of tax incentives and environmental taxes and the role of intergovernmental fiscal relations.

Chapter 4 PUBLIC BUDGETING AND FINANCIAL ADMINISTRATION

Focuses on the policies, procedures, and skills needed for effective budgeting and financial management in the public sector. Core topics to be covered in the course include budget systems and controls, public sector accounting and costing, financial reporting for accountability, and capital budgeting and debt management. The course provides the analytical skills needed to understand the links between budgeting and the macro-fiscal framework, the political decision-making process, and the interests of citizens. The emphasis is on the theory and international practice of budgeting, with particular application to developing countries. Issues of program and performance budgeting, participatory budgeting and citizen accountability, and decentralized fiscal systems will be discussed.

Chapter 5 MACROECONOMIC ANALYSIS OF THE PUBLIC SECTOR

Focuses on how public sector activities and finances affect economic growth and other macroeconomic outcomes. The course develops an accounting and analytical framework that can be used to assess fiscal policy choices, discusses approaches to fiscal targeting, examines tax and expenditure issues from a medium-term perspective, and considers the use of fiscal policy for short-term macroeconomic stabilization. Among the specific topics covered are: debt sustainability, public investment, fiscal responsibility frameworks, aid and natural resource management, globalization and capital flows, and financial crises.

Chapter 6 EVALUATIONS OF PUBLIC EXPENDITURES

Focuses on basic development of cost benefit analysis from alternative points of view (e.g., equity, debt, and the economy as a whole). Techniques include: construction of cash flow, alternative investment rules, inflation adjustments, optimal timing and duration of projects, private and social pricing. Adjustments for economic distortions, foreign exchange adjustments, risk and income distribution examined in the context of present value rules. Examples and cases are drawn from both developed and developing countries.

Chapter 7 FISCAL DECENTRALIZATION AND LOCAL GOVERNMENT FINANCE

Focuses on analyzing policy and administrative options to effectively empower local governments to improve service delivery, economic governance and citizen participation. The course covers the theory and practice of fiscal decentralization with detailed analysis on the four pillars of rationalizing central-local expenditure and revenue responsibilities, designing effective intergovernmental transfers and structuring local borrowing. Special attention will be paid to the practical aspects of designing and implementing effective decentralization reforms to improve efficiency and accountability within the public sector.

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Chapter 8 ECONOMIC ANALYSIS FOR DEVELOPMENT

Provides a survey of the basic economic principles and policy issues in the study of economic growth and development. The course provides a framework in development theory and practice to understand the interrelated roles of physical, natural and human capital, technological innovation, productivity improvements and institutions in explaining patterns and causes of variations in growth and development performance of countries. The course includes applications to the financial crises, trade and fiscal policies, foreign aid and direct investment, debt burdens and forgiveness, and corruption and governance.

Chapter 9 POLICY ANALYSIS FOR DEVELOPMENT

Provides an introduction to policy analysis for international development. It assists Fellows to develop several sets of skills: how to understand the challenge of development as well as its policy environment and context; how to use technical tools of policy analysis and evaluation, including cost-benefit and decision analysis; issues in policy implementation; and how to produce and effectively communicate practical policy advice to decision-makers. Emphasis is put on the use of case studies and specific policy problems of interest to Fellows.

Chapter 10 ECONOMIC FOUNDATIONS FOR DEVELOPMENT

Provides an overview of microeconomic and macroeconomic principles related to development. The objective of the course is to provide analytical tools for the study of economic policies and problems in developing countries. Real world applications of economic theory with relevance to developing countries are stressed.

Chapter 11 EMPIRICAL ANALYSIS FOR ECONOMIC DEVELOPMENT

Provides the statistical tools to analyze policy alternatives and impacts related to economic and social development and public policy. The course includes a review of basic statistics and the statistical/analytical application to policy issues relevant to developing and emerging economies, especially in the context of economic development and growth. The course covers descriptive statistics and regression analysis with single and multiple predictors, including categorical variables with interaction terms.

Recommended Books:

1. Public Financial Management by Howard A Frank Published by Taylor & Francis.
2. Financial Management Theory In The Public Sector by Aman Khan, W. Bartley Hildreth published by Greenwood Publishing Group.
3. Financial Management in the Public Sector: Tools, Applications, and Cases by Xiaohu Wang published by M.E. Sharpe.
4. Public Finance: A Contemporary Application of Theory to Policy published by Cengage Learning.
5. Public Sector Financial Management by Andreas Bergmann published by Financial Times Management.

PROFESSIONAL STAGE (GROUP I) (5 Papers)

PS 11 Treasury & Forex Management (Marks: 100)

Part 1 Treasury Management (50 Marks)

Traditionally, **Forensic Accountants (FAs)** have been focusing on cash management and investment decisions. In many organizations, management of cash assets continues to be a key aspect of treasury function. Effective cash management adds significantly to the liquidity and profitability of an organization. In fact, treasury is a profit center in many banks and companies.

The dynamics of financial markets the world over are undergoing a transformation as businesses are increasingly getting globalized and more and more economies are becoming market-driven. One of the major consequences of this changing scenario is the increasing volatility in money supply, credit off-take, interest rates, exchange rates and general price levels. This has added a new dimension of risk management to the traditional functions of treasury managers.

This part of treasury Management introduces the subject to the candidates and facilitates their assimilation of the knowledge and skills required for effective treasury management.

Course Coverage

This part covers the following topics:-

1. Scope and Functions of Treasury Management

- Corporate Finance and its linkages with other Functional areas of Management
- The Key Decisions: Investment Decision and Financing Decision
- The role of **Forensic Accountant (FA)** as Chief Financial Officer (CFO)
- A Conceptual framework for treasury function
- Responsibilities of the Treasurer
- Funds Management
- Foreign Exchange Management
- Risk Management

2. Financial Forecasting

- Introduction to Forecasting Techniques
- Financial Forecasting Techniques
- Sales Forecasting
- Cash Flow Forecasting
- Budgeting and Financial Planning

3. Short term Financial Planning

- Estimating Working Capital Requirements
- Managing Liquidity
- Managing Receivables and Payables
- Managing Inventory
- Managing Short Term Funds – Excess Liquidity and Liquidity Crunch

4. Financial Markets and Instruments

- Money Market and Money Market Instruments

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- Repos
- Commercial Paper
- Certificate of Deposits
- Inter-corporate Deposits
- Bankers Acceptances
- Treasury Bills
- Agency Discount Notes
- Floating Rate Instruments
- Money Market Mutual Funds – Investment objectives and criteria
- Capital Market and Capital Market Instruments

5. Long Term Funds

- Estimating Long Terms Needs
- Capital Structure Decisions
- Sources and Cost of Capital
- Capex Decisions
- Diversion of Funds – Dangers
- Long Term Planning and Outlook

6. Internal Treasury controls

- Structure and Organization of Treasury
- Internal Audit
- Accounting and Control
- Physical controls
- Custodial Controls
- Insurance Controls
- Information Systems and Reporting
- Measuring Treasury Performance

7. Tax Planning and Management

- Opportunities for Tax Planning
- Tax Issues Relating to Non-routine Transactions
- Tax Compliance and Management

8. Managing Bankruptcy

- Financial Crisis and Bankruptcy
- Early Warning Signals
- Reorganizations Plans
- Priority Claims
- Creditor Relations – Settlement with Creditors Voluntary Liquidation

9. Banking Relationships

- Selection of Bankers
- Electronic Banking
- Utilization of Banking Services
- Relationship Management with Bankers and Lenders
- Communications and Negotiations
- Honesty and Integrity in Relationship Management

10. Managing Investors Relationships

- Investment Community

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- Investors
- Analysis
- Intermediaries
- Regulators
- Information needs of Investment Community
- Effective Investor Relations Programs
- Annual Meetings
- Handling Crisis and Hostility
- Current Developments

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Part 2 Foreign Exchange Management (50 Marks)

The foreign exchange market is the largest of all the markets in the world. This is a 24-hour market, which moves from one financial center to another, across the world. High volatility is a distinct feature of the foreign exchange market. In the wake of increasing integration of world economies, the risks of investing globally in terms of exchange risk and country risk need to be understood, measured and managed effectively. Similarly, cash flows of foreign currencies from international operations and rising of resources from foreign markets need to be carefully monitored and hedged against the potential risks.

The Forensic Accountant (FA) should have an appreciation of the international economic environment, the institutional mechanism to facilitate as well regulate foreign exchange flows, the arbitrage opportunities, and the international capital and money market instruments. The factors affecting exchange rates, forecasting of exchange rates, the foreign exchange trading mechanisms and practices, the speculative aspects in foreign exchange dealings, transactional dimensions of international trade, and international taxation are also to be appreciated to deepen the understanding of and successfully operate in the foreign exchange market.

The volatility of currencies in the international markets highlights the need for effective management of exchange risk by using various risk management tools and hedging techniques. There is growing application of derivatives like options and futures in the foreign exchange market. This part on Foreign Exchange Management helps the candidates analyze the international financial markets in terms of their environment, efficiency, opportunities and challenges. Further, this part facilitates an understanding of the fundamental factors that affect the markets and explains the operational aspects of dealing in foreign exchange markets.

Course Coverage

1. International Economics and International Finance

- The Interdependence of National Economies
- Comparative Advantage
- International Trade
- Balance of Payments
- Dynamics of Export-led Growth
- The WTO
- MIGA
- Trading Blocks
- Super 301 and Special 301
- The Global Economy
- The International Monetary System
- Capital Flows and Flight
- International Liquidity
- External Debt and Equity Financing
- The Role of IMF, IBRD, Development Banks and International

2. Investors

- Foreign Exchange Markets
- Cash and Spot Exchange
- Eurocurrency Markets
- The Role of Commercial Banks
- Mechanics of Making a Foreign Payment
- SWIFT

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- Costs associated with International Payments

1. Determination of Exchange Rates

- Factors affecting Exchange Rates
- The Law of One Price
- Purchasing Power Parity
- Interest Parity and its Limitations
- Forecasting Forex Rates
- The Forward Rate as a Short – Term Forecast Technical Forecasts
- Economic Models
- Forecasting of Fixed Exchange Rates from Convertible Currencies

2. Forex Trading

- Forex Trading Infrastructure and networks
- Controls on Order Placing
- Cross Rates
- Speculation
- Psychology of Forex Trader
- Computerized Trading Program
- Information Analysis for Trading

3. Financing of International Trade

- The Transactional Dimension of International Trade
- Managing International Trade Transactions
- Letter of Credit
- Cash in Advance and Consignment Sales
- Banker's Acceptances
- Counter trade
- International Banking Services

4. International Working Capital Management

- Managing Multinational Funds Flows
- International Dimensions of Taxation
- Strategies to avoid National Taxes and Restrictions
- Centralized vs. Decentralized Cash Management
- Managing International Accounts Receivables
- International Factoring, and Forfeiting
- Receivables Insurance
- Efficiency of Money Market

5. Multinational Corporations

- The growth of Multinationals
- Transfer Pricing
- Country Risk
- Relationships with Government
- Public Relations
- Current Developments

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Recommending Reading

The Bankers Handbook 3rd Edition by William Baughn, Thomas Storrs and Charles Walker

Finance of International Trade 7th Edition by Cowdell/Hyde/Watson

Finance of Foreign Trade & Foreign Exchange latest Edition by Asrar H Siddiqi

International Trade, Investment & Debt Management published by the Institute of Bankers Pakistan (IBP).

Bankers International Trade Finance & Foreign Exchange Volume I – II published by the Institute of Bankers Pakistan (IBP)

Advanced Financial Management (INT), ISBN10: 1848081294, ISBN13: 9781848081291

Publisher: Get Through Guides

Edition: Revised edition

Treasury Operations and the Foreign Exchange Challenge

By Dimitris N Chorafas

ISBN10: 0471543934 ISBN13: 9780471543930

Publisher: John Wiley and Sons Ltd John Wiley & Sons Inc

Global Treasury Management

Derek A Ross

ISBN10: 1859785190 ISBN13: 9781859785195

Publisher: Informa Professional Informa Business Publishing

Profiting With Forex

John Jagerson, S Wade Hansen

ISBN10: 0071464654 ISBN13: 9780071464659

Publisher: McGraw-Hill Education - Europe McGraw-Hill Professional

Edition: illustrated edition

Opportunities and Challenges in the Global Business

V K Gautam, B S Bhandari, S M Anas Iqbal, Vivek Kapre

ISBN10: 8174467181 ISBN13: 9788174467188

Publisher: Excel Books

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PS 12: Risk Management (Basics & Tools) (Marks: 100)

Part 1 Risk Management (Basics) (50 Marks)

Introduction to Risk Management

- Elements of uncertainty
- Sources of Risk
- Decision Making Process
- Types of Risks dealt by treasurers
- Interest Rate Risk
- Purchasing Power Risk
- Currency Risk-Transaction, Translation and Economic Risks
- Compensation for Risk – taking implications of Currency Risk for a Firm
- Limitations of Risk Management

Quantitative Techniques

- Economic Applications of Graphs and Equations
- Derivatives and the Rules of Differentiation
- Uses of Derivative in Economics
- Linear Programming
- Integral Calculus
- Differential Equations
- Probability and Probability Distributions
- Mathematics of Finance
- Compounding and Discounting
- Continuous Compounding

Macro economies Factors

- National Income Accounting
- Income Determination and Multiplier
- The Goods Market, Money Market and Simultaneous in both the Markets
- Monetary and Fiscal Policy
- The Demand for Money
- Money Supply, Credit Creation and the Role of Central Bank

Fixed Income Instruments, Prices Yields

- Characteristics of debt instruments
- Treasury yield curve
- Factors influencing the interest levels
- Price volatility
- Interest rate sensitivity of asset value
- Quantifying interest rate risk
- Hedging and interest rate risk
- Hedging and anticipated debt offering – preliminary
- Considerations fixing a rate
- Capping a rate
- Fixed income risk management – design and practice

Interest Rate Risk

- Composition of interest rate risk
- The structure of interest rates
- Interest rate theories

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- Hedging with duration

Asset Liability Management

- Rate sensitive Gap Management
- Rate adjusted Gap Management
- Duration Analysis

Introduction to Derivatives

- Historical Perspective
- The Mechanics of Derivative Markets
- The Role of Clearing Houses
- Market Players
- Trading Techniques

Futures

- Cash and Futures Markets for Debt Instruments
- The Foreign Currency Futures Market
- Treasury bond and Treasury Note Futures
- Their Prices
- Hedging with T-Bond Future: Arbitraging
- Foreign Exchange Futures and Forward Contracts
- Their Prices
- Application Case Studies

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Part 2 Risk Management (Tools) (50 Marks)

The Forensic Accountants (FAs) need to familiarize themselves well with various risk management tools and their features. Derivative products like options, futures and financial swaps were originally created for hedging risks. These derivative products find application in capital markets, money markets and currency markets.

This Part covers in-depth features of these derivative products which include identification of the type of risk and management of the risk using each type of product: strategies, pricing and valuation. While using these products, difference between hedging risk and speculation needs to be clearly understood. The level of risk can be reduced by using appropriate derivative products. In the pursuit of higher profits, treasury managers may use derivatives and in the bargain expose the firm to higher levels of risk. Use of these products unmindful of the risk level for generating higher profits leads to speculation which may in turn lead to financial disaster of the entire business.

It is important for treasury managers to understand the accounting and tax implications for business when they use these derivative products. Otherwise, apparent gains made using derivative products may not result consideration accounting and tax aspects may in the overall context, result in losses.

This Part addresses issues related to ethical dilemmas which are often faced by treasury managers in the practice of their profession.

Course Coverage

This part covers the following topics.

- Options
- Financial Swaps
- Pricing of Derivatives: a generic approach
- Sources and Types of Exchange Risk
- Managing Exchange Risk
- Hedging & Speculation using Derivatives
- Accounting and Tax Implications
- Ethical Dilemmas
- Current Development

Learning Benefits

- Understand the mechanics of options and swaps
- Acquire the skills to use derivatives for risk management including pricing
- Understand the distinction between hedging and speculation and the implications
- Appreciate the complexities involved ethical dilemmas

Detailed Curriculum

Options

- Stock Options
- Interest Rate Options
- Currency Options
- Options on Futures Contracts
- Trading Strategies with Options
- Factors Affecting Option Prices
- Black-Scholes Model of Option Pricing
- Other Models of Option Pricing

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- Exotic Options
- Application Case Studies

Financial Swaps

- Interest Rate Swaps
- Currency Swaps
- Option on Swap
- Uses of Swaps
- Mechanics of Swap Transactions
- Valuation of Swaps
- Application Case Studies

Pricing Derivatives – A General Approach

- Value of the Underlying Asset
- Role of Interest Rates in Pricing of Derivatives
- Valuation of Securities Dependent on Several Variables
- Market Price of Risk
- Quantos

Sources and Types of Exchange Risk

- Difference between Risk and Exposure
- Transaction Exposure
- Translation Exposure
- Economic Exposure
- Measurement of Exposure

Managing Exchange Risk

- Manager's Dilemma – to Hedge or not Hedge
- Difference between Internal and external Hedging Techniques
- Suitability of Various Techniques to Different Situations
- Use of Forwards, Futures, Options and Swaps for Managing Exposure
- Use of Money Market for Hedging Exposure
- Hedging via Leading and Lagging
- Hedging via Currency of Invoicing
- Hedging via Sourcing
- Cost of Hedging

Speculation with Derivatives

- Speculation and Market efficiency
- Bad effects of Speculation
- Ways to Speculate in the Derivatives Market
- Market Inefficiencies and Speculation Opportunities
- Recent Case Studies of Disastrous Speculation in Derivatives

Accounting and Tax Implications

- Translation of Foreign Currency Transactions
- Translation of Foreign – Currency Denominated Assets and Liabilities
- Translation of Accounts of a Related Foreign Entity
- Accounting for Derivatives
- Accounting Standards in Major Countries
- Tax Implications of International Transactions
- Double – Taxation Avoidance Agreements

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- Tax Implications of Transactions Involving Derivatives

Ethical Dilemmas

- Role of Internal Controls in Treasury Operations
- Importance of Ethical Behavior
- Principle of Transparency
- Disclosure to Management and Shareholders
- Agency Problems
- Code of Professional Conduct and Standards of Practice

Recommended Readings:-

Risk Management by Michel Chroury, Dan Galali and Robert Mark, McGraw Hill.

Financial Risk Management: Brian A. Eales, McGraw Hill.

Financial Modelling for Business Decisions: Bryan Kefford, Chartered Institute of Management, Kogan Page

The Bankers' Handbook: Edited by William H. Baughn, Thomas I. Storrs and Charles E. Walker, Topman International Edition, Tokyo

Foreign Exchange Handbook: Paul Bishop & Don Dixon, McGraw Hill Inc.

Financial Risk Management in Banking - The Theory and Application of Asset and Liability Management: Uyemura, Dennis G. & van Deventer, Donald R., McGraw-Hill

Performance management: Richard S. Williams, Thomson Press.

Liberation Management: Tom Peters, Fawcett Columbine, New York.

The Talent Management Handbook: Berger, Lance A. & Berger, Dorothy R., McGraw-Hill

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PS 13 Independent Accounting Experts Reports (Marks: 100)

This subject draws on professional guidelines, judicial reviews and documented experiences and outcomes of the preparation and defense of independent expert reports in a wide range of litigation and dispute resolution matters. The subject material will deal specifically with acceptance of engagement as an independent expert especially issues of appropriateness of expertise, training and independence, professional guidelines dealing with conducting an investigation, documentation of the investigation and the product of the investigation in the form of the independent expert report.

Attention will also be given to the experiences of practitioners in the defense of expert reports in a court of law or similar forum. Common mistakes and pitfalls of acceptance of an independent expert engagement, investigation and preparation of an expert report and appearance of as an expert witness will also be addressed. Materials will specifically draw on judicial and similar reviews of the appropriate role, duties and obligations of the independent expert.

From opposing the local **Forensic Accountant (FA)** to tackling the Big Five - Everything you need to know about accounting in the courtroom. With the recent boom in litigation and malpractice charges concerning tax, accounting, financial litigation, and fraud disputes, more and more accounting professionals are being hired as expert witnesses. Yet, few lawyers have a full understanding of what accountants can contribute to their cases. And few accountants are familiar enough with the legal system to recognize everything they have to offer as an expert witness. In turn, many relevant issues are missed and financial disputes are often settled with unfavorable outcomes. Conceived and written in the trenches, **"Expert Witnessing in Forensic Accounting: A Handbook for Lawyers and Accountants"** candidly shows how to be successful in the courtroom through the hands-on experiences of both a Forensic Accountant (FA) and a trial attorney. Zeph Telpner and Michael Mostek guide you through the entire judicial process - revealing their own and others' mistakes and triumphs along the way and presenting guidelines for everything from choosing an accountant to analyzing the opposing expert's deposition. The law of civil procedure, evidence, expert opinions, trial procedure, and the presentation of expert testimony are a mystery to many accountants and even some lawyers. This straightforward book pulls together all the essential information on the topic. Providing numerous case studies, annotated court documents, expert witness reports, and an actual trial transcript of an expert's testimony, **"Expert Witnessing in Forensic Accounting: A Handbook for Lawyers and Accountants"** helps you discover the relevant issues and facts needed to win the dispute. Lawyers: Know how and when to choose and work with the right Forensic Accountant (FA); determine whether to hire your Forensic Accountant (FA) as a consultant or an expert witness; decide how early to bring the accounting expert in on the case; discover everything that Forensic Accountants (FAs) can accomplish for you; match the accounting expert with the job to be done; help the accountant do a superior job in discovery; use the Forensic Accountant (FA) to the greatest benefit; ask the right questions during direct and cross-examination; and, build a successful working relationship with the Forensic Accountant (FA). Accountants: learn how to best advise lawyers during discovery and litigation; discover the procedural and evidentiary rules that most often affect Forensic Accountant (FA) specialists; know how to respond and what to expect while you're on the witness stand; successfully rebut the opinions of the opposing expert accountant Perform superior services in discovery, accounting guidance, and writing expert reports; know how to write a job engagement letter and negotiate fees; and, see how an expert supported the valuation of a

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particular business in accordance with judicial requirements Build a successful working relationship with the lawyer.

Course Outlines

The Forensic Accountant (FA)

- A Forensic Accountant as Expert Witnesses or Consultant
- Expert Witness
- Consultant
- When the Forensic Accountant should be hired for Litigation Matters
- Where to find an Expert Forensic Accountant
- Must the Accounting Expert Witnesses be Forensic Accountant (FA) by The Institute of Forensic Accountants of Pakistan (IFAP)
- How to determine whether the Right Forensic Accountant has been selected
- How the Expert prepares for and responds to the Initial Interview by the Lawyer
- What a Curriculum Vitae should contain, representative engagements in Forensic Accounting, expert witnessing and litigation support
- Business Termination
- Bankruptcy
- Loss of Earnings
- Accounting for Assets
- Antitrust Price Fixing Communication, Petition of Appeal
- Water Utility Rate Dispute
- Trademark Infringement Profits
- Independent Contractor or Employee
- Breach of Contract
- Miscellaneous Other Litigation
- Representative work in Tax Non Litigation Matters
- Books and articles written
- Continuing Professional Education
- Education and Corporate Business Clients etc
- Articles and Columns
- Teaching Experience
- Employment
- Education Awards etc
- Licenses and Certificates
- Professional Membership
- Accounting Honors and Awards
- Attorney Reference

The Accounting Expert Witness

- Introducing the Attorney to an Accounting Expert Witness
- The relationship between the Attorney and the Accounting Expert Witness
- The importance of the engagement letter
- The Expert's determination of where to begin
- The general responsibility of the Attorney to the Expert Witness
- The Attorney's responsibility to the testimony of the Accounting Expert Witness
- Legal qualification of the Accounting Expert Witness
- The general requirement of competency
- Lack of personal knowledge
- The oath or affirmation
- Other grounds for disqualifying lay witnesses

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- Opinions from lay witnesses
- Mixed expert and lay opinions

The Expert's Job Engagement Letter

- The importance of a job engagement letter
- Examples of job engagement letters

Where to Begin

- Begin with a philosophy and knowledge of Forensic Consulting and expert Witnessing
- The making of a successful Accounting Expert Witness
- Continuing Education
- Expert engaged before a dispute has started through the court system
- Expert engaged after the dispute is in court
- Petitions, Interrogatives, Orders and Depositions
- Basic concepts and techniques
- What are the facts?
- What are the Issues?
- Where and how do I resolve the issues?
- Where do I begin?
- How do I proceed?
- How do I know when I am finished?
- How should I report my findings?
- The Expert's work begins
- Interrogatories
- Interrogatory No.2
- Answer to Interrogatory No.2
- Counterclaim
- Application for temporary hearing
- Deposition of Plaintiff Expert

How to Continue

- Discovery
- Deposition of the Expert Witness for the city of Racine
- Direct Examination
- The Issues
- The Work Program
- The Working Papers
- The Expert's Report
- Report Issued by the Expert

Substance versus Form and the Nonfactual Fact 109

- The most important concepts of Forensic Accounting and Expert Witnessing
- What Causes Testimony or Reports to be Rejected
- What are Issues?
Section 162: Trade or Business Expenses
Section 162 (c) Illegal Bribes, Kickbacks and Other Payments
- What is the Significant Issues?
- The Nonfactual Fact
The Nonfactual Fact in Action
Substance versus Form and the Nonfactual Fact Recognized
Deposition of Michael James

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- Direct Examination
- Cross Examination
- Understanding Simple and Basic Accounting
- Statement of Facts
- Commentary
- Knowing and Understanding Facts Means Issues will Resolve Themselves

The Effect of the Attorney – Client Privilege and Work Product Doctrine

- Preface to the Attorney Reading This Chapter
- The Attorney – Client Privilege
 - The General Requirements for any Privilege
 - Requirements for Application of the Attorney – Client Privilege
 - The meaning of “Communication”
 - The Meaning of “Lawyer”
 - The meaning of “Client”
 - The meaning of “Obtaining Legal Advice or Services”
 - The meaning of “Intended to be Confidential”
 - Waiver of the Privilege
- The work Product Doctrine
 - The Attorney's Preparation of the case 224
 - The Work Product Rule as stated by the Federal Courts
 - Discovery of Work Product
 - Discovery of Ordinary Work Product and Opinion Work Product
 - Discovery of Trial Preparation: Experts
 - Waiver of the Work Product Protection
- How Privilege and Work Product Protection can affect the decisions and work of the Expert

Research Sources for the Expert

- Introduction
- Nothing but the facts
- Filling in the Background
- Do you Yahoo
- Don't do It Yourself
- Corporate Files

The Expert's Written Report

- The Requirements for a Report
- The contents of the Report
- The writing of the expert's Report
- Analysis of Reports
- Expert Report to Howard William Conseki on Valuation of the Conseki Drive – In
- Using Experience from previous cases

The Expert' Testimony

Recommended Reading

1. Expert Witnessing in Forensic Accounting by Walter J. Pagano
2. Expert Witnessing in Forensic Accounting: A Handbook for Lawyers and Accountants by Zeph Telpner and Michael Mostek

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PS 14 Banking & Insurance Laws (Marks: 100)

Part 1 Banking Laws (50 Marks)

1. Banking Companies Ordinance, 1962 & 2006

This is the fundamental law under which all banks exist and operate. As such, candidates are expected to acquire a detailed knowledge of this law.

2. STATE BANK OF PAKISTAN ACT

Candidates must acquire a general knowledge of this law particularly those provisions which give powers to the State Bank to regulate and oversee the working of a Bank.

3. FOREIGN EXCHANGE REGULATION ACT AND EXCHANGE CONTROL REGULATIONS

Candidates are expected to have a general knowledge of the provisions of this law and regulations particularly those provisions which affect banks operations as an Authorized Dealer.

4. FINANCIAL INSTITUTIONS (RECOVERY OF FINANCES) ORDINANCE, 2001

This is the law which makes special provisions for recovery of banks' dues from its customers. Candidates are expected to have a general over all knowledge of this law so that they are familiar with its requirements for initiating legal actions against defaulting customers and ultimate recovery. Provision of this law which enables banks to enforce its mortgages without the intervention of courts must be thoroughly mastered by candidates as they are of utmost importance for ensuring prompt recovery of dues of a bank.

5. PRUDENTIAL REGULATIONS OF STATE BANK

Candidates must be familiar with these regulations as a banker is expected to know them to be able to ensure that he is able to conduct correctly the business of the bank without committing a breach of any of them.

6. UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDITS

This is a very important document and has the force of law. It provides for the manner in which Letter of Credit transactions are handled. Candidates must study these provisions in detail as they will need to be well familiar with them for handling foreign trade business of the bank.

7. OFFENCES IN RESPECT OF BANKS (SPECIAL COURTS) ORDINANCE

Candidates must study in detail the provisions of this law which provide for various offences in respects of dealings between a bank and its customers and also offences committed by bank staff in the course of performance of their duties in the bank.

8. ISLAMIC BANKING

Candidates must familiarize themselves with various modes of non-interest based and sharia compliant financing. Candidates should familiarize themselves with various circulars issued by State Bank of Pakistan from time to time prescribing various modes under which banks can provide finance to their customers.

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9. MISCELLANEOUS LAWS

There are a number of laws e.g. Banks (Nationalization) Act, National Bank of Pakistan Act, Agricultural Development Bank, Industrial Development Bank, etc., which affect the operations of individual banks. Although candidates need not study the provisions of these special laws, they must be familiar with their existence so that whenever needed, they should be able to find the relevant provisions.

RECOMMENDED READING MATERIALS

A number of books written by various authors are available in the market on different laws. The candidates are recommended to study any of the books on each of the following laws.

1. Practice & Laws of Banking in Pakistan (Latest Edition) by Dr. Asrar H. Siddiqi, published by Royal Book Company, Karachi.
2. Complete Banking Laws in Pakistan by Justice (R) Muhammad Naseem Chaudhry, published by Nadeem Law Book House, Lahore.
3. Banking Companies Ordinance, 2006.
4. State Bank of Pakistan Act, 1956.
5. Financial Institutions (Recovery of Finances,) Ordinance, 2001.
6. Offences in Respect of Banks (Special Courts) Ordinance, 1984.
7. Manual of Banking Laws in Pakistan.
8. Prudential Regulations issued by State Bank of Pakistan.
9. State Bank circulars on non-interest bank financing and opening of Islamic Banking branches of banks.

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PART 2 INSURANCE LAWS AND PRACTICE (50 MARKS)

1. Definition of risk and uncertainty; classification of risk; sources of risk - external and internal.
2. Insurance - meaning, nature and significance; essential requirements and principles of risk insurance; re-insurance; nationalization of insurance business in Pakistan; Insurance Ordinance.
3. Life insurance - law relating to Life Insurance; general principles of life insurance contract; proposals and policy; assignment and nomination; title and claims; concept of trusts in life policy; Life Insurance Corporation - role and functions.
4. General insurance – law relating to general insurance; different types of general insurance; general insurance and life insurance; nature of fire insurance; various types of fire policy; subrogation; double insurance; contribution; proximate cause; claims and recovery.
5. Accident and motor insurance - nature, disclosure, terms and conditions; claims and recovery; third party insurance; compulsory motor vehicle insurance; accident insurance.
6. Deposit and credit insurance - nature, terms and conditions, claim, recovery, etc; public liability insurance; emergency risk insurance.
7. Structure, power and function of General Insurance Corporation of Pakistan (SECP Rules & Regulations); Deposit Insurance and Credit Guarantee Corporation; Claims Tribunal.
8. Marine insurance – law relating to marine insurance; scope and nature; types of policy; insurable interest; disclosure and representation; insured perils; proximity cause; voyage; warranties; measurement of subrogation; contribution; under insurance Ordinance.
9. Risk management - nature, risk analysis, planning, control and transfer of risk; administration of company's properties and provision of adequate security arrangements.
10. Insurance surveyorship – appointment, legal provisions and licensing, functions.
11. Company Secretary *vis-a-vis* insurance and risk management; recent developments in the insurance sector.
12. **Principles of Takaful (Objective: to develop in the candidates):-**
 - A knowledge and understanding of the technical aspects of Islamic Insurance (Takaful) and its application in the global marketplace.

At the end of this unit, candidates should be able to demonstrate an understanding of:-

- Nature and principles of Islamic Insurances;
- Shariah framework of Islamic Insurance;
- Operational framework of Islamic Insurance;
- Structure of Islamic insurance markets;
- Constraints and opportunities for Islamic insurance;
- Way in which ethical considerations of Islamic insurance are applied and practiced.

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Summary of learning outcomes

- Explain the main features of Islamic contracts;
- Discuss prohibited contracts from the Shariah point of view;
- Explain why traditional insurance is prohibited from the Shariah point of view;
- Discuss the main features of Islamic insurance vis-à-vis conventional insurance;
- Explain the operational framework of Islamic insurance including the different models applying in different countries;
- Discuss the management principles and practices relating to Islamic insurance companies:
 - a. Organizational structure;
 - b. Shariah Board roles and responsibility;
 - c. Financial management aspects and investment policies which are acceptable to Islamic insurance companies;
 - d. Technical management aspects and acceptable underwriting policy from a Shariah point of view.
- Explain the constraints and opportunities for Islamic insurance;
- Explain the application of ethical considerations of Islamic insurance practice and their impact on underwriting policy and practice.
- **Explain the main features of Islamic contracts**
 - a. **The main features:-**
 - b. Mudaraba (Partnership);
 - c. Wakala (Agency);
 - d. Tabarau (Donation);
 - e. Kafallh (Sponsorship).
- **Discuss prohibited contracts from the Shariah point of view**
 - a. **Contracts prohibited in Shariah:-**
 - b. Usury (Riba);
 - c. Ambiguity (Gharar);
 - d. Gambling (Miser).
- **Explain why traditional insurance is prohibited from the Shariah point of view**
 - a. **Nature of Islamic insurance:-**
 - b. Historical background;
 - c. Conventional insurance;
 - d. Arguments against conventional insurance;
 - e. Gharar in insurance contracts;
 - f. Riba in insurance contracts ;
 - g. Other arguments.
- **Discuss the main features of Islamic insurance vis-à-vis conventional insurance**
 - a. **Islamic insurance:-**
 - b. Shariah point of view;
 - c. Mutually;
 - d. Relationship between Islamic insurance companies and policyholders;
 - e. Investment policy.
 - f. **Islamic insurance vs. mutual insurance**
 - g. Differences between mutual's and Islamic insurance.

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- **Explain the operational framework of Islamic insurance including the different models applying in different countries (Mudaraba-Wakala)**
 - a. **Operation of Islamic insurance:-**
 - b. Pure mutual vs. commercial models;
 - c. Islamic insurance (pure mutual model);
 - d. Islamic insurance (commercial model);
 - e. Surplus and deficit treatment.
 - f. **Mudaraba – Wakala model:**
 - g. Mudaraba and Wakala features;
 - h. Wakala as a portfolio management contract;
 - i. Mudaraba as an investment and fund management contract.
 - j. **Practice in different markets:**
 - k. Sudan;
 - l. Malaysia and Asia – Pacific markets;
 - m. Jordon;
 - n. Gulf Area;
 - o. Pakistan.

- **Discuss the management principles and practices relating to Islamic insurance companies**
 - a. **Management Principles and Practices:-**
 - b. Organizational structure;
 - c. Shariah Board's roles and responsibility;
 - d. **Financial management aspects:-**
 - e. Principles of Islamic accounting;
 - f. Investment policies which are acceptable to Islamic insurance companies;
 - g. AAOIFI accounting and auditing and governance's standard;
 - h. Technical management Aspects;
 - i. Acceptable underwriting policy from a Shariah point of view;
 - j. Prohibited business.

- **Explain the constraints and opportunities for Islamic insurance**
 - a. **Islamic insurance constraints and opportunities:-**
 - b. Reinsurance;
 - c. Lack of qualified people;
 - d. Opportunities.

- **Explain the application of the ethical considerations of Islamic insurance practice and their impact on underwriting policy and practice**
 - a. **Ethical considerations of Islamic insurance practice:**
 - b. Framework of Islamic ethics;
 - c. Islamic ethics and Islamic insurance.

Reading List

The following list provides details of various publications which may assist with your studies. The primary text for this syllabus is shown in bold type. Periodicals and publications listed as additional reading will be of value in ensuring candidates keep up to date with developments and in providing a wider coverage of syllabus topics. Any reference materials cited are authoritative, detailed works which should be used selectively as and when required.

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Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination. IFAP Members/students can borrow most of these additional study materials from CII Knowledge Services and the BIBF library and may be able to purchase some at a special discount. For further information on lending and discounts go to www.cii.co.uk/knowledge or www.bibf.com.

- Introduction to Islamic Insurance (Takaful) – Bahrain: BIBF Publication.
- M. S. Najatullah Islamic Insurance and Economy, Witherby.
- Accounting Standards of Islamic Financial Institutions, Accounting & Auditing Organization, 2008

Periodicals

- The Journal: The CII, six issues a year. Also available online (CII/Personal Finance Society members only) at www.cii.co.uk/knowledge/journal
- Policy: Middle East Insurance Magazine, four issues a year.

Examination guides

You are strongly advised to study these before the examination. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Exam technical/study skills

There are many modestly priced guides to study skills and exam techniques in bookshops. You will also find advice at www.cii.co.uk/careersupport (CII/Personal Finance Society members only).

For a more interactive approach, you should consider: Winning the brain game, London: The CII, 2006, CD-Rom.

Colinvaux's Law of Insurance Professor Robert M Merkin ISBN10: 0414042336 ISBN13: 9780414042339 Publisher: Sweet & Maxwell Ltd Sweet & Maxwell Edition: 9th Revised edition.

The Modern Law of Insurance by Andrew McGee ISBN10: 140575107X ISBN13: 9781405751070 Publisher: LexisNexis UK Butterworths Law Edition: 3rd Revised edition Publication date: 30 Apr 2011.

PS 15 Corporate Financial Management (Marks: 100)

Introduction

The Corporate Financial Management course focuses at introducing the students about the various aspects of corporate finance which facilitates the decision making domain pertaining to financing, investment and dividend decisions. This course aims at providing the inputs related to the three major decision areas of financial management of an organization. This course will give the introduction and conceptual understanding about the various topics of corporate finance.

Course objective

The primary objective of this course is to familiarize the student with basic concepts of corporate finance which is the life blood of any business and its various decision variables in the areas of financing, investment and dividend decisions.

Course Contents

- Introduction to subject & Comparison of Financial Statements,
- Time Value of Money,
- Discounted Cash Flow & Effective Annual Interest,
- Bond & Term Structure of Interest Rates,
- Common Stock Valuation (Dividend Models),
- Capital Budgeting,
- Methods of Project Evaluations(Net Present Value,
- Internal Rate of Return (IRR),Payback Period
- Method & Discounted Payback Period, Accounting Rate of Return ARR,
- Profitability Index),Advance Evaluation Methods(Sensitivity Analysis,
- Profitability Analysis, Break Even Accounting, Break even–economic,
- Degree of Operating Leverage) Operating Leverage & Capital Rationing,
- Single and Multi Period Capital Rationing,
- Risk and Returns, Portfolio & Diversification,
- Securities Market Line & Capital Asset Pricing Model (CAPM),
- Cost of Capital & Capital Structure,
- Cost of Debt & Weighted Average Cost of Capital (WACC),
- Capital Structure and Financial Leverage,
- Capital Structure & Cost of Equity,
- Modigliani and Miller Model,
- Problems Associated With High Gearing & Dividend Policies,
- Dividend Policy & Financial Planning Process and Control,
- Budgeting Process
- Cash Flow Statement, Working Capital Management,
- Cash Management & Inventory Management & Credit Policy,
- Mergers & Acquisitions, Share Valuations & Corporate Restructuring,
- Financial Distress and Foreign Exchange Market,
- Currency Risks, Interest Rate Risk & Forward Rate Agreements,
- Interest Rate Futures, Foreign Exchange Market's Options & Foreign Exchange Market's Swaps,
- Exchange Rate System & Multinational Companies (MNCs) & Foreign Investment.

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Recommended Books:

1. "Corporate Finance" by Micheal C Ehrhardt and Eugene Brigham, (THOMSON South Western).
2. Fundamentals of Corporate Finance by Robert Parrino, David S. Kidwell published by John Wiley & Sons.
3. The Theory of Corporate Finance by Jean Tirole published by Princeton University Press.
4. Fundamentals of Corporate Finance Stephen A Ross, Randolph W Westerfield & Bradford D Jordon published by Tata McGraw-Hill Education
5. Fundamentals of corporate finance by Jonathan B. Berk, Peter M. DeMarzo, Jarrad V. T. Harford published by Pearson Prentice Hall.

Professional Stage (Group II) (6 Papers)

PS 16 Anti Money Laundering Measures and Business Ethics (Marks: 100)

1. Definitions

- 1.1 Money Laundering
- 1.2 Terrorism Financing
- 1.3 Relationship with other crimes and world economy

2. Money Laundering

A. Methodology

- 2.A.1 Placement
- 2.A.2 Layering
- 2.A.3 Integration
- 2.A.4 Issuance of Check

B. Sources and Techniques

- 2.B.1 Crimes and Civil wrongs

Nature of crimes

- 2.B.2 Corruption, Drug Trafficking, Ransom, Counterfeiting, Copy Rights violations, Arms Smuggling, Stock Exchange Frauds Learning from 79 Federal Violations in USA

Nature of Civil Wrongs

- 2.B.3 Structured Insurance Policies, Letter of Credit, Abuse of Credit Cards, Structured Loans, Under or Over Invoicing, Transit Trade, Free Zone Concessions, Correspondent Banking , Negotiable instruments, Telegraphic Transfers, Off shore transactions.

Formal Institutions

- 2.B.4 Off shore or shell Banks, Insurance and Investments Companies, Bureau De Change, Pension Funds, Shell Corporations, Venture Capital, Casinos, Travel Agencies, Real Estate Agents.

Informal Institutions

- 2.B.5 Cash Business and Transactions, Hundi, Hawala, Fin Chin, Peso Exchange System, Antique Dealers, Precious Commodities dealers and Lotteries.

3. How the banks are abused?

- 3.1 Review of the accounts with case Studies
- 3.2 Review of the customers with case studies
- 3.3 Review of the transactions with case studies
- 3.4 Case studies of BCCI , Bank of America etc
- 3.5 Walking Accounts and Numbered Accounts

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4. International Initiatives and relevance with KYC

A. Initiatives

- 4.A.1 Concepts and Objectives
- 4.A.2 Bank of International Settlement and Basel Committee
- 4.A.3 UN Convention on Financing of Terrorism 1999
- 4.A.4 UN Convention on Narcotic Drugs 1988
- 4.A.5 OECD Conventions on Corruption and Bribery 1997
- 4.A.6 UN Convention Against Transnational Organized Crimes 2000
- 4.A.7 Financial Action Task Force's Recommendations (1990 and 2001)
40 + 8

B. Implications

- 4.B.1 National and International Implications
- 4.B.2 Initiatives by national agencies like State Bank, SECP and National Accountability Bureau.
- 4.B.3 Identification, Monitoring, Training, Auditing And Anti Money Laundering Units
- 4.B.4 Reporting to AML units and to Authorities.
- 4.B.5 Global co-operation and KYC.

5. How to exercise KYC in Pakistan

- 5.1 Procedure laid down by Financial Action Task Force
- 5.2. Procedure laid down by State Bank
- 5.3 Recommended steps
 - Step One Policy
 - Step Two Identification and Record Keeping
 - Step Three Monitoring
 - Step Four Reporting
- 5.4 Evaluation of
 - Customer related risks
 - Transaction related risks
 - Jurisdiction related risks
- 5.5 Role of AML units and Compliance Officers
- 6. A review of legislation and initiatives within the trading partners USA, UAE, Japan and common law jurisdictions UK, India and banking havens like Switzerland ?

Business Ethics

- 1. Ethics and approaches in Ethics
- 2. Ethical Power: Purpose, Perspectives, Patience, Persistence, Pride

3. **Work Ethics:-**

- 3.1 Mission and Goal related
- 3.2 Work related
- 3.3 Style related
- 3.4 Belief related

4. **Building Ethical Organization:-**

- 4.1 Organizational Tools to Cultivate ethics

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- 4.2 Ethical Decision making
5. Factors responsible for Ethical & moral erosion
6. Promoting ethics at work place

RECOMMENDED READING MATERIAL

CORE READINGS

1. Pakistan, Institute of Bankers Anti-Money Laundering Measures –
A Guide for Bankers
2. Pakistan, Institute of Bankers Business Ethics in the Banking Sector
3. Munir A. Malik. Banker's Guide on Anti-Money Laundering
Initiatives & Legislation
4. International Monetary Fund, Financial System Abuse, Financial Crimes and
Money Laundering, Background Paper Washington D.C.IMF 2001

SUPPLEMENTARY READINGS

1. Blunden Bon The Money Launderers, How they do it and
how to catch them at all Chalford England,
Management Books 2000 - 2001.
 2. Jack A Blum Financial Havens, Banking Secrecy and Money
Laundering. US Crime Prevention and
Criminal Justice News Letter 8, No 34/35
1998.
 3. Salva Sandeep Money Laundering and Financial Intermediaries.
The Hague, Kluwer Law International 2001.
- Selected reading of National Accountability Bureau Ordinance of 1999, Anti Narcotic Law of 1997 and Anti Terrorism Law of 1997 and the Circulars of SBP on KYC and related section of Prudential regulations

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PS 17: Corporate & Financial Reporting (Marks: 100)

Part 1 Corporate Reporting (50 MARKS)

AIM

To apply knowledge skills and exercise professional judgment in the application and evaluation of financial reporting principles and practices in a range of business contexts and situations.

Main Capabilities

On successful completion of this paper/subject students should be able to:-

- a. Discuss the professional and ethical duties of the Forensic Accountant.
- b. Evaluate the financial reporting framework.
- c. Advise on and report the financial performance of entities.
- d. Prepare the financial statements of groups of entities in accordance with relevant accounting standards.
- e. Explain reporting issues relating to specialized entities.
- f. Discuss the implications of changes in accounting regulation on financial reporting.
- g. Appraise the financial performance and position of entities.
- h. Evaluate current developments

The syllabus takes the subject into greater depth and contextualizes the role of the Forensic Accountant as a professional steward and adviser/analyst by initially exploring the wider professional duties and responsibilities of the Forensic Accountant to the stakeholders of an organization.

The syllabus examines the financial reporting framework within which the Forensic Accountant operates and examines detailed financial reporting requirements for entities leading to the preparation of group financial reports in accordance with generally accepted accounting practice and relevant standards. The syllabus then deals with the nature of reporting for specialized entities including not – for – profit and small and medium sized enterprises.

The final sections of the syllabus explore in more depth the role of the Forensic Accountant as financial analyst and adviser through the assessment of financial performance and position of entities, and the Forensic Accountant's role in assessing and advising on the implications of accounting regulation on corporate reporting. Finally, the syllabus covers the evaluation of current developments and their implications for financial reporting.

Detailed Syllabus:

A. The professional and ethical duty of the forensic accountant

1. Professional behavior and compliance with accounting standards
2. Ethical requirements of corporate reporting and the consequences
3. Social Responsibility

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B. The financial reporting framework

1. The contribution and limitations of financial statements in meeting the needs of users and capital markets
2. The applications, strengths and weaknesses of an accounting framework
3. Critical evaluation of principles and practices

C. Reporting the financial performance of entities

1. Performance reporting
2. Non – current assets
3. Financial instrument
4. Leases
5. Segment reporting
6. Employee benefits
7. Income taxes
8. Provisions, contingencies and events after the reporting date
9. Related parties
10. Share – based payment

D. Financial statements of groups of entities

1. Group accounting including statements of cash flows
2. Continuing and discontinued interests
3. Changes in group structures
4. Foreign transaction and entities

E. Specialized entities

1. Financial reporting in specialized, not – for – profit and public sector entities
2. Reporting requirements of small and medium – sized entities (SMEs)

F. Implications of changes in accounting regulation on financial reporting

1. The effect of changes in accounting standards on accounting systems
2. Proposed changes to accounting standards

G. The Appraisal of financial performance and position of entities

1. The creation of suitable accounting policies
2. Analysis and interpretation of financial information and measurement of performance

H. Current Developments

1. Environmental and social reporting
2. Convergence between national and international reporting standards
3. Comparison of national reporting requirements

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4. Current reporting issues

Study Guide

A. THE PROFESSIONAL AND ETHICAL DUTIES OF THE FORENSIC ACCOUNTANT

1. Professional behavior and compliance with accounting standards

- a. Appraise and discuss the ethical and professional issues in advising on corporate reporting.
- b. Assess the relevance and importance of ethical and professional issues in complying with accounting standards.

2. Ethical requirements of corporate reporting and the consequences of unethical behavior

- a. Appraise the potential ethical implications of professional and managerial decisions in the preparation of corporate reports.
- b. Assess the consequences of not upholding ethical principles in the preparation of corporate reports.

3. Social Responsibility

- a. Discuss the increased demand for transparency in corporate reports, and the emergence of non-financial reporting standards.
- b. Discuss the progress towards a framework for environmental and sustainability reporting.

B. THE FINANCIAL REPORTING FRAMEWORK

1. The contribution and limitations of financial statements in meeting User's and capital market's needs

- i. Evaluate the consistency and clarity of corporate reports.
- ii. Assess the insight into financial and operational risks provided by corporate reports.
- iii. Discuss the usefulness of corporate reports in making investment decisions

2. The applications, strengths and weaknesses of an accounting framework

- a. Evaluate the valuation models adopted by standard setters.
- b. Discuss the use of an accounting framework in underpinning the production of accounting standards.
- c. Assess the success of such a framework in introducing rigorous and consistent accounting standards.

3. Critical evaluation of principles and practices

- a. Identify the relationship between accounting theory and practice.
- b. Critically evaluate accounting principles and practices used in corporate reporting.

C. REPORTING THE FINANCIAL PERFORMANCE OF ENTITIES

1. Performance reporting

- a. Prepare reports relating to corporate performance for external stakeholders.

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- b. Discuss the issues relating to the recognition of revenue.
- C. Evaluate proposed changes to reporting financial performance.

2. Non-current assets

- a. Apply and discuss the timing of the recognition of non-current assets and the determination of their carrying amounts including impairments and revaluations.
- b. Apply and discuss the treatment of non-current assets held for sale.
- c. Apply and discuss the accounting treatment of investment properties including classification, recognition and measurement issues.
- d. Apply and discuss the accounting treatment of intangible assets including the criteria for recognition and measurement subsequent to acquisition and classification.

3. Financial Instruments

- a. Apply and discuss the recognition and derecognizing of financial assets and financial liabilities.
- b. Apply and discuss the classification of financial assets and financial liabilities and their measurement.
- c. Apply and discuss the treatment of gains and losses arising on financial assets and financial liabilities.
- d. Apply and discuss the treatment of impairments of financial assets.
- e. Account for derivative financial instruments, and simple embedded derivatives.
- f. Outline the principles of hedge accounting and account for fair value hedges and cash flow hedges including hedge effectiveness.

4. Leases

- a. Apply and discuss the classification of leases and accounting for leases by lessors and lessees.
- b. Account for and discuss sale and leaseback transactions.

5. Segment Reporting

- a. Determine the nature and extent of reportable segments.
- b. Specify and discuss the nature of segment information to be disclosed.

6. Employee Benefits

- a. Apply and discuss the accounting treatment of defined contribution and defined benefit plans.
- b. Account for gains and losses on settlements and curtailments.
- c. Account for the "Asset Ceiling" test and the reporting of actuarial gains and losses.

7. Income taxes

- a. Apply and discuss the recognition and measurement of deferred tax liabilities and deferred tax assets including the exceptions to recognition.

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- b. Determine the recognition of tax expense or income and its inclusion in the financial statements.

8. Provisions, contingencies and events after the reporting date

- a. Apply and discuss the recognition, de-recognition and measurement of provisions, contingent liabilities and contingent assets including environmental provisions.
- b. Calculate and discuss restructuring provisions.
- c. Apply and discuss the accounting for events after the reporting date.
- d. Determine and report going concern issues arising after the reporting date.

9. Related parties

- a. Determine the parties considered to be related to an entity.
- b. Identify the implications of related party relationships and the need for disclosure.

10. Share based payment

- a. Apply and discuss the recognition and measurement criteria for share-based payment transactions.
- b. Account for modifications, cancellations and settlements of share based payment transactions.

D. FINANCIAL STATEMENTS OF GROUPS OF ENTITIES

1. Group accounting including statements of cash flows

- a. Apply the method of accounting for business combinations including complex group structures.
- b. Apply the principles in determining the cost of a business combination.
- c. Apply the recognition and measurement criteria for identifiable acquired assets and liabilities and goodwill including step acquisitions.
- d. Apply and discuss the criteria used to identify a subsidiary and an associate.
- e. Determine and apply appropriate procedures to be used in preparing group financial statements.
- f. Apply the equity method of accounting for associates.
- g. Outline and apply the key definitions and accounting methods which relate to interests in joint ventures.
- h. Prepare and discuss group statements of cash flows.

2. Continuing and discontinued interests

- a. Prepare group financial statements where activities have been discontinued, or have been acquired or disposed of in the period.
- b. Apply and discuss the treatment of a subsidiary which has been acquired exclusively with a view to subsequent disposal.

3. Changes in group structures

- a. Discuss the reasons behind a group re-organization.

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- b. Evaluate and assess the principal terms of a proposed group re-organization.

4. Foreign transactions and entities

- a. Outline and apply the translation of foreign currency amounts and transactions into the functional currency and the presentational currency.
- b. Account for the consolidation of foreign operations and their disposal.
- c. Describe the principal objectives of establishing a standard for enterprises reporting in the currency of a hyper inflationary economy.

E. SPECIALISED ENTITIES

1. Financial reporting in specialized, not-for-profit and public sector entities

- a. Apply knowledge from the syllabus to straightforward transactions and events arising in specialized, not-for-profit, and public sector entities.

2. Reporting requirements of small and medium entities (SMEs)

- a. Outline the principal considerations in developing a set of accounting standards for SMEs.
- b. Discuss solutions to the problem of differential financial reporting.

F. IMPLICATIONS OF CHANGES IN ACCOUNTING REGULATION ON FINANCIAL REPORTING

1. The effect of changes in accounting standards on accounting systems

- a. Apply and discuss the accounting implications of the first time adoption of a body of new accounting standards.
- b. Outline the issues in implementing a change to new accounting standards including organizational, behavioral, and procedural changes within the entity.

2. Proposed changes to accounting standards

- a. Identify issues and deficiencies which have led to a proposed change to an accounting standard.
- b. Apply and discuss the implications of a proposed change to an accounting standard on the performance and statement of financial position of an entity.

G. THE APPRAISAL OF FINANCIAL PERFORMANCE AND POSITION OF ENTITIES

1. The creation of suitable accounting policies

- a. Develop accounting policies for an entity which meets the entity's reporting requirements.
- b. Identify accounting treatments adopted in financial statements and assess their suitability and acceptability.

2. Analysis and interpretation of financial information and measurement of performance

- a. Select and calculate relevant indicators of financial and nonfinancial performance.

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- b. Identify and evaluate significant features and issues in financial statements.
- c. Highlight inconsistencies in financial information through analysis and application of knowledge.
- d. Make inferences from the analysis of information taking into account the limitation of the information, the analytical methods used and the business environment in which the entity operates.

H. CURRENT DEVELOPMENTS

1. Environmental and social reporting

- a. Appraise the impact of environmental, social, and ethical factors on performance measurement.
- b. Evaluate current reporting requirements in the area.
- c. Discuss why entities might include disclosures relating to the environment and society.

2. Convergence between national and international reporting standards

- a. Evaluate the implications of worldwide convergence with International Financial Reporting Standards.
- b. Discuss the implementation issues arising from the convergence process.

3. Comparison of national reporting requirements

- a. Identify the reasons for major differences in accounting practices, including culture.
- b. Discuss the influence of national regulators on international financial reporting.

4. Current reporting issues

- a. Discuss current issues in corporate reporting.

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Reading List

ACCA's Official Publishers:-

BPP Learning Media

Contact Number: +44 (0) 20 8740 2222

Website: www.bpp.com

Kaplan Publishing

Contact Number: +44 (0) 118 989 0629

Website: www.kaplanpublishing.co.uk

Additional Reading:

"International GAAP 2009" – Ernst and Young LexisNexis

Abbas Ali Mirza, Grham J Holt, Magnus Orrell,

"International Financial Reporting Standards Workbook and Guide Wiley (2008)"

Alternative reading:

Accountancy Tuition Centre (ATC) International

Contact: info@atc-global.com

Website: www.atc-global.com

International Financial Publishing Limited

Contact number: +44 (0) 1344 751674

Website: www.ifpbooks.com

IFAP SYLLABUS FOR FA PROGRAM

Part 2 Financial Reporting (50 Marks)

AIM

To develop knowledge and skills in understanding and applying accounting standards and the theoretical framework in the preparation of financial statements of entities, including groups and how to analyze and interpret those financial statements.

Main CAPABILITES

On successful completion of this paper, candidates should be able to:-

- a. Discuss and apply a conceptual framework for financial reporting.
- b. Discuss a regulatory framework for financial reporting.
- c. Prepare and present financial statements which conform with international accounting standards.
- d. Account for business combinations in accordance with international accounting standards.
- e. Analyze and interpret financial statements.

DETAILED SYLLABUS

A. A conceptual framework for financial reporting

1. The need for a conceptual framework.
2. Understandability, relevance, reliability and comparability.
3. Recognition and measurement.
4. The legal versus the commercial view of accounting.
5. Alternative models and practices.
6. The concept of 'faithful representation' ('true and fair view').

B.A regulatory framework for financial reporting

1. Reasons for the existence of a regulatory framework.
2. The standard setting process.
3. Specialized, not-for-profit, and public sector entities.

C Financial statements

1. Statements of cash flows.
2. Tangible non-current assets.
3. Intangible assets.
4. Inventory.
5. Financial assets and financial liabilities.
6. Leases.
7. Provisions, contingent liabilities, and contingent assets.
8. Impairment of assets.

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9. Taxation.
10. Regulatory requirements relating to the preparation of financial statements.
11. Reporting financial performance.

D Business combinations

1. The concept and principles of a group.
2. The concept of consolidated financial statements.
3. Preparation of consolidated financial statements including an associate

E Analyzing and interpreting financial statements

1. Limitations of financial statements.
2. Calculation and interpretation of accounting ratios and trends to address users and stakeholders needs.
3. Limitations of interpretation techniques.
4. Specialized, not-for-profit, and public sector entities.

Study Guide

A. A CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING

1. The need for a conceptual framework

- a. Describe what is meant by a conceptual framework of accounting.
- b. Discuss whether a conceptual framework is necessary and what an alternative system might be.

2. Understandability, relevance, reliability and comparability

- a. Discuss what is meant by understandability in relation to the provision of financial information.
- b. Discuss what is meant by relevance and reliability and describe the qualities that enhance these characteristics.
- c. Discuss the importance of comparability to users of financial statements.
- d. Distinguish between changes in accounting policies and changes in accounting estimates and describe how accounting standards apply the principle of comparability where an entity changes its accounting policies.
- e. Recognize and account for changes in accounting policies and the correction of prior period errors.

3. Recognition and measurement

- a. Define what is meant by 'recognition' in financial statements and discuss the recognition criteria.
- b. Apply the recognition criteria to:-
 - i. Assets and liabilities.
 - ii. income and expenses
- c. Discuss revenue recognition issues; indicate when income and expense recognition should occur.

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- d. Demonstrate the role of the principle of substance over form in relation to recognizing sales revenue.
- e. Explain the following measures and compute amounts using:-
 - i. Historical cost.
 - ii. Fair value/current cost.
 - iii. Net realizable value.
 - iv. Present value of future cash flows.

4. The legal versus the commercial view of accounting

- a. Explain the importance of recording the commercial substance rather than the legal form of transactions – give examples where recording the legal form of transactions may be misleading.
- b. Describe the features which may indicate that the substance of transactions differs from their legal form.
- c. apply the principle of substance over form to the recognition and de-recognition of assets and liabilities.
- d. Recognize the substance of transactions in general, and specifically account for the following types of transaction:-
 - i. Goods sold on sale or return/consignment inventory.
 - ii. Sale and repurchase/leaseback agreements
- iii. Factoring of receivables.

5. Alternative models and practices

- a. Describe the advantages and disadvantages of the use of historical cost accounting.
- b. Discuss whether the use of current value accounting overcomes the problems of historical cost accounting.
- c. Describe the concept of financial and physical capital maintenance and how this affects the determination of profits.

8

6. The concept of 'faithful representation' ('true and fair view')

- a. Describe what is meant by financial statements achieving a faithful representation.
- b. Discuss whether faithful representation constitutes more than compliance with accounting standards.
- c. Indicate the circumstances and required disclosures where a 'true and fair' override may apply.

B. A REGULATORY FRAMEWORK FOR FINANCIAL REPORTING

1. Reasons for the existence of a regulatory framework

- a. Explain why a regulatory framework is needed.
- b. Explain why accounting standards on their own are not a complete regulatory framework.

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- c. Distinguish between a principles based and a rules based framework and discuss whether they can be complementary.

2. The standard setting process

- a. Describe the structure and objectives of the IASC Foundation, the International Accounting Standards Board (IASB), the Standards Advisory Council (SAC) and the International Financial Reporting Interpretations Committee (IFRIC).
- b. Describe the IASB's Standard setting process including revisions to and interpretations of Standards.
- c. Explain the relationship of national standard setters to the IASB in respect of the standard setting process.

3. Specialized, not-for-profit and public sector entities

- a. Distinguish between the primary aims of not-for profit and public sector entities and those of profit oriented entities.
- b. Discuss the extent to which International Financial Reporting Standards (IFRSs) are relevant to specialized, not-for-profit and public sector entities.

C. FINANCIAL STATEMENTS

1. Statements of Cash flows

- a. Prepare a statement of cash flows for a single entity (not a group) in accordance with relevant accounting standards using the direct and the indirect method.
- b. Compare the usefulness of cash flow information with that of an income statement or statement of comprehensive income.
- c. Interpret a statement of cash flows (together with other financial information) to assess the performance and financial position of an entity.

2. Tangible non-current assets

- a. Define and compute the initial measurement of a non-current (including a self-constructed) asset.
- b. Identify subsequent expenditure that may be capitalized (including borrowing costs), distinguishing between capital and revenue items.
- c. Discuss the requirements of relevant accounting standards in relation to the revaluation of noncurrent assets.
- d. Account for revaluation and disposal gains and losses for non-current assets.
- e. Compute depreciation based on the cost and revaluation models and on assets that have two or more significant parts (complex assets).
- f. Apply the provisions of relevant accounting standards in relation to accounting for government grants.
- g. Discuss why the treatment of investment properties should differ from other properties.
- h. Apply the requirements of relevant accounting standards for investment property.

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3. Intangible assets

- a. Discuss the nature and accounting treatment of internally generated and purchased intangibles.
- b. Distinguish between goodwill and other intangible assets.
- c. Describe the criteria for the initial recognition and measurement of intangible assets.
- d. Describe the subsequent accounting treatment, including the principle of impairment tests in relation to goodwill.
- e. Indicate why the value of purchase consideration for an investment may be less than the value of the acquired identifiable net assets and how the difference should be accounted for.
- f. Describe and apply the requirements of relevant accounting standards to research and development expenditure.

4. Inventory

- a. Describe and apply the principles of inventory valuation.
- b. Define a construction contract and discuss the role of accounting concepts in the recognition of profit.
- c. Describe the acceptable methods of determining the stage (percentage) of completion of a contract.
- d. Prepare financial statement extracts for construction contracts.

5 Financial assets and financial liabilities

- a. Explain the need for an accounting standard on financial instruments.
- b. Define financial instruments in terms of financial assets and financial liabilities.
- c. Indicate for the following categories of financial instruments how they should be measured and how any gains and losses from subsequent measurement should be treated in the financial statements:-
 - i. Fair value through profit and loss.
 - ii. Held to maturity (use of amortized cost, interest to income).
 - iii. Available for sale (carried at fair value with changes to equity, but dividends to income).
 - iv. Loans and receivables.
- d. Distinguish between debt and equity capital.
- e. Apply the requirements of relevant accounting standards to the issue and finance costs of:-
 - i. Equity.
 - ii. Redeemable preference shares and debt instruments with no conversion rights (principle of amortized cost).
 - iii. Convertible debt.

6. Leases

- a. Explain why recording the legal form of a finance lease can be misleading to users (referring to the commercial substance of such leases).

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- b. Describe and apply the method of determining a lease type (i.e. an operating or finance lease).
- c. Discuss the effect on the financial statements of a finance lease being incorrectly treated as an operating lease.
- d. Account for assets financed by finance leases in the records of the lessee.
- e. Account for operating leases in the records of the lessee.

7. Provisions, contingent liabilities and contingent assets

- a. Explain why an accounting standard on provisions is necessary.
- b. Distinguish between legal and constructive obligations.
- c. State when provisions may and may not be made and demonstrate how they should be accounted for.
- d. Explain how provisions should be measured.
- e. Define contingent assets and liabilities and describe their accounting treatment.
- f. Identify and account for:-
 - i. Warranties/guarantees.
 - ii. Onerous contracts.
 - iii. Environmental and similar provisions
 - iv. Provisions for future repairs or refurbishments.

8. Impairment of assets

- a. Define an impairment loss.
- b. Identify the circumstances that may indicate impairments to assets.
- c. Describe what is meant by a cash generating unit.
- d. State the basis on which impairment losses should be allocated, and allocate an impairment loss to the assets of a cash generating unit.

9. Taxation

- a. Account for current taxation in accordance with relevant accounting standards.
- b. Record entries relating to income tax in the accounting records.
- c. Explain the effect of taxable temporary differences on accounting and taxable profits.
- d. Compute and record deferred tax amounts in the financial statements.

10. Regulatory requirements relating to the preparation of financial statements

- a. Describe the structure (format) and content of financial statements presented under IFRS.
- b. Prepare an entity's financial statements in accordance with the prescribed structure and content.

11. Reporting financial performance

- a. Discuss the importance of identifying and reporting the results of discontinued operations.

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- b. Define and account for non-current assets held for sale and discontinued operations.
- c. Indicate the circumstances where separate disclosure of material items of income and expense is required.
- d. Prepare and explain the contents and purpose of the statement of changes in equity.
- e. Describe and prepare a statement of changes in equity.
- f. Earnings per share (eps).
 - calculate the eps in accordance with relevant accounting standards (dealing with bonus issues, full market value issues and rights issues)
 - Explain the relevance of the diluted eps and calculate the diluted eps involving convertible debt and share options (warrants)
 - Explain why the trend of eps may be a more accurate indicator of performance than a company's profit trend and the importance of eps as a stock market indicator
 - discuss the limitations of using eps as a performance measure

D BUSINESS COMBINATIONS

1. The concept and principles of a group

- a) Describe the concept of a group as a single economic unit.
- b) Explain and apply the definition of a subsidiary within relevant accounting standards.
- c) Describe why directors may not wish to consolidate a subsidiary and the circumstances where this is permitted.
- d) Explain the need for using coterminous year ends and uniform accounting policies when preparing consolidated financial statements.
- e) Explain why it is necessary to eliminate intra-group transactions.

2. The concept of consolidated financial statements

- a) Explain the objective of consolidated financial statements.
- b) Indicate the effect that the related party relationship between a parent and subsidiary may have on the subsidiary's entity statements and the consolidated financial statements.
- c) Explain why it is necessary to use fair values for the consideration for an investment in a subsidiary together with the fair values of a subsidiary's identifiable assets and liabilities when preparing consolidated financial statements.
- d) Describe and apply the required accounting treatment of consolidated goodwill.

3. Preparation of consolidated financial statements including an associate

- a) Prepare a consolidated statement of financial position for a simple group (parent and one subsidiary) dealing with pre and post acquisition profits, minority interests and consolidated goodwill.

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- b) Prepare a consolidated income statement and consolidated statement of comprehensive income for a simple group dealing with an acquisition in the period and minority interest.
- c) Explain and account for other reserves (e.g. share premium and revaluation reserves).
- d) Account for the effects in the financial statements of intra-group trading.
- e) Account for the effects of fair value adjustments (including their effect on consolidated goodwill) to:-
 - Depreciating and non-depreciating noncurrent assets
 - Inventory
 - Monetary liabilities
 - Assets and liabilities not included in the subsidiary's own statement of financial position, including contingent assets and liabilities
- g. Account for goodwill impairment.
- g. Define an associate and explain the principles and reasoning for the use of equity accounting.
- h) Prepare consolidated financial statements to include a single subsidiary and an associate.

E ANALYSING AND INTERPRETING

FINANCIAL STATEMENTS

1. Limitations of financial statements

- Indicate the problems of using historic information to predict future performance and trends.
- Discuss how financial statements may be manipulated to produce a desired effect (creative accounting, window dressing).
- Recognize how related party relationships have the potential to mislead users.
- Explain why figures in a statement of financial position may not be representative of average values throughout the period for example, due to:-
 - Seasonal trading
 - Major asset acquisitions near the end of the accounting period.

2 Calculation and interpretation of accounting ratios and trends to address users' and Stakeholders' needs

- * Define and compute relevant financial ratios.
- * Explain what aspects of performance specific ratios are intended to assess.²
 - Analyze and interpret ratios to give an assessment of an entity's performance and financial position in comparison with:-
 - _ An entity's previous period's financial statements
 - _ Another similar entity for the same reporting period
 - _ Industry average ratios.

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- Interpret an entity's financial statements to give advice from the perspectives of different stakeholders.
- Discuss how the interpretation of current value based financial statements would differ from those using historical cost based accounts.

3. Limitations of interpretation techniques

- * Discuss the limitations in the use of ratio analysis for assessing corporate performance.
- * Discuss the effect that changes in accounting policies or the use of different accounting policies between entities can have on the ability to interpret performance.
- * indicate other information, including nonfinancial information that may be of relevance to the assessment of an entity's performance.

4. Specialized, not-for-profit and public sector entities

- Discuss the different approaches that may be required when assessing the performance of specialized, not-for-profit and public sector organizations.

Reading List

ACCA's official publishers:-

BBP Learning Media

Contact Number: +44(0)20 8740 2222

Website: www.bpp.com

Kaplan Publishing

Contact Number: 44(0)118 989 0629

Website: www.kaplanpublishing.co.uk

Additional Reading:

Clare Finch, A student's guide to International Financial Reporting Standards – Kaplan Publishing

Alternative Reading:

Accountancy Tuition Center (ATC) International

Contact: info@atc-global.com

Website: www.atc-global.com

Get Through Guides

Contact Number: +44(0)845 257 5729

Website: www.GetThroughGuides.com

International Financial Publishing Limited

Contact Number: +44(0)1344 751674

Website: www.ifpbooks.com

IFAP SYLLABUS FOR FA PROGRAM

PS 18 Corporate Governance & Administration (Marks: 100)

Part 1 Corporate Governance (50 Marks)

Syllabus

Aim

Corporate Governance has emerged on the global agenda in pursuit of proper and efficient practice in the administration of the business entity. The objective is probity in business activity, compliance with law and regulation, and the securing of reputation and confidence towards the attraction of inward investment. The Forensic Accounting is the key corporate player and the global Profession has emerged as a benchmark of the development of best practice.

The aim of the module is to instill the knowledge and key skills necessary for the Forensic Accountant to act as a chief adviser to the Board on best practice in corporate governance, and as the catalyst for systematic application in the major global forms of organization.

Learning Outcomes

At the conclusion of this module, the candidate will be able to:-

- Research and apply the growing global information sources on corporate governance;
- Promote awareness of, and be responsible for continuing self and personnel development of corporate governance themes;
- Promulgate corporate governance principles and best practice in the employing or client organization;
- Apply professional knowledge and skills to the resolution of practical issues and problems in the proper governance of the employing or client organization;
- Understand and apply the concepts of probity and ethical standards in governance;
- Understand and advise on the impact of corporate governance principles on the role of Directors, the Secretary and the Audit function.

Pre-Requisite Learning

Evidence of assessed pre-requisite knowledge and understanding in the following disciplines must be demonstrated through the Institute's examinations, or those of equivalent qualifications which have been approved as meeting the Institute's required curriculum and standards:-

- Corporate Law
- Strategic and Operations Management
- Financial Accounting
- Management Accounting

The Definitions and Objectives of Corporate Governance

- The corporate entity legality separation of ownership and operation.
- The concepts of ownership and accountability ethics and performance.

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- The “enlightened shareholder and stakeholder” concepts. The state as shareholder.
- Models of hierarchic and functional relationships in sound governance. Unitary (one-tier) and two-tier Boards.
- The external and internal pressures for sound governance.
- History and ongoing developments in corporate governance.
- The Reports: from Cadbury and King onwards; National and international sources.
- The combined Code, Institutional guidelines.
- Corporate governance guidelines: OECD; the Commonwealth Association; corporate scorecards.
- The governance agenda in the developing and developed economies, International networking.

The Regulatory and Ethical Framework

- The role of legislation and regulation in corporate governance.
- The nature and importance of compliance.
- Compliance statements.
- Explanation of non-compliance.
- The ethical dimension: codes and practices.
- The assessment of corporate performance: yardsticks and measurement; corporate review; disclosure.
- Social and environmental responsibility: importance, assessment and measurement; reporting; relevance to all industries and activities.
- Key concepts: openness and transparency; honesty; probity; accountability; judgment; reputation

The Basis of Sound Governance

- The concept of best practice in governance: in companies.
- Statutory corporations and trusts.
- Understanding the distinctly and separate roles, duties and responsibilities of corporate officers and stakeholders: chairman, chief executive officer, directors, secretary and shareholders/members.
- Shareholders: majority control; minority rights; the rights of members in guarantee companies.

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- Responsibilities of institutional shareholders; communications with shareholders. Internal controls.
- Overall business risk management and review, including the recommendations of the Turnbull Committee.
- Internal structural relationships in the organization.

The Secretary and Corporate Governance

- The importance and special position of secretary; the role in sound and effective governance.
- Appointment and qualification. Control of corporate information and corporate reporting; the annual report; the website and electronic communications.
- Communication with stakeholders. The “whistle blowing” concept: issues and problems, protection.

Board of Directors

- Executive and non-executive directors.
- Chairman, managing director, shadow and alternate directors.
- The concept of independent directors, comparison of roles, needs, powers and duties: appointment, reappointment and rotation, remuneration, removal, retirement and disqualification.
- The importance of the proper mix of appointments to the Board, Service contracts, induction, orientation and training.
- Responsibilities of the Board, committees and their role; composition, operation and accountability; especially Audit.
- Remuneration, Nomination, Board effectiveness Directors' liabilities, indemnity and insurance.
- Borrowing powers, Conflict and disclosure of interest. Share dealing; model codes; insider dealing.
- Company record, Directors' disclosures, service contracts, remuneration and agreements.

Audit

- The contribution of internal and external audit to sound governance.
- Audit reports and their use.
- Appointment, removal. Independence and remuneration: rights, powers and duties in the governance framework.
- Responsibilities to shareholders and the board.

IFAP SYLLABUS FOR FA PROGRAM

Part 2 Corporate Administration (50 Marks)

Aim

The Forensic Accountant is regularly employed in a position of strategic responsibility for administrative operations within and across the organization. The aim of the module is to instill knowledge and key skills in handling the responsibilities of corporate administration in both the strategic and functional contexts, to develop competence in advising the Board and leading teams in administrative best practice, and in ensuring compliance with external regulation and internal procedures.

Learning Outcomes

At the conclusion of this module, the candidate will be able to:-

- Understand the scope of strategic and functional administration and apply it within the employing or client organization;
- Access information sources and deliver knowledge and information internally to the optimum benefit of the organization and its needs;
- Evaluate the requirements of the legal and regulatory environment in corporate administration, advise the Board accordingly, and ensure compliance;
- Take responsibility for the administration of corporate knowledge and information, the human resources, pension schemes, insurance and risk, and physical corporate assets;
- Understand the impact of corporate taxation on administration and ensure taxation compliance within systems.

Pre-requisite Learning

Evidence of assessed pre-requisite knowledge and understanding in the following disciplines must be demonstrated through the Institute's examinations, or those of equivalent qualifications which have been approved as meeting the Institute's required curriculum and standards:-

- Strategic and Operations Management
- Corporate Law

Learning content

Role and Functions

- The role and functions of the corporate administrator.
- Administration as a support service in organization.
- The concept of best practice.
- The sources and application of guides to best practice.

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Knowledge and Information

- The sources of information on law, regulation and administrative best practice.
- Copyright and intellectual property, including asset protection.
- Trademarks and patents.
- Information, data and technology as a corporate resource.
- Technological change and innovation: internet and website applications and management.
- Security and integrity of information; control of access.
- Data protection legislation, Confidentiality.

The Human Resource

- Employment law and regulation.
- The employment contract.
- Concepts of added value and continuous improvements.
- Securing and monitoring the people resources: human resource planning, recruitment and selection, job descriptions and person specifications.
- Maximizing performance: job design; job enrichment; reward and recognition systems; job evaluation. Training and development.
- Performance appraisal. Working with consultants.
- Health and safety at work: legislation and practice.
- Environmental issues: legislation and best practice.

Pensions, Insurance and Risk

- Pensions: their relevance and purposes.
- Scheme types – occupational, state, personal.
- Stakeholder pensions and group personal pensions.
- The management and proper control of pension schemes.
- The impact of legislation.
- Funds and their management.
- Principles and practice of trusteeship; administrative secretary ship and support.
- The duties of trustees in law. Trust deeds and rules.
- The nature of corporate and business risks; management and control. Corporate liability and the implications.
- Insurance classes, types and uses for companies.
- The insurance market; brokers and intermediaries.
- The use of consultants and advisers.
- Disaster planning.

Corporate Taxation

- The impact of corporate taxation: corporation Tax; Sales, Value Added or Goods and Services Taxes, Income Tax.
- Corporate responsibilities under law and regulation.

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Corporate Assets

- The management of physical assets.
- Facilities administration: role and functions.
- Security and the application of systems. Purchasing principles and procedures.

Recommended Reading

1. Manual of Corporate Governance, published by the Pakistan Institute of Corporate Governance (PICG).
2. Compilation of Corporate Laws (Latest Edition) by Abdul Rauf Shakoori & Shakobia Asghar, published by Federal Law House, Lahore & Rawalpindi.
3. Corporate Governance: A Synthesis of Theory, Research, and Practice H. Kent Baker (Editor), Ronald Anderson (Editor) ISBN: 978-0-470-49913-9
4. Governance Theory and Practice Vasudha Chhotray, Gerry Stoker ISBN10: 0230250394 ISBN13: 9780230250390 Publisher: Palgrave Macmillan
5. Corporate and Business Law (UK) ISBN10: 1848082401 ISBN13: 9781848082403 Publisher: Get Through Guides Edition: Ed. 3, Version 1
6. Tolley's Company Secretary's Handbook Jerry P L Lai ISBN10: 1405750006 ISBN13: 9781405750004 Publisher: LexisNexis UK Tolley Publishing Edition: 20th Revised edition
7. The Company Secretary's Handbook Helen Ashton ISBN10: 0749453214 ISBN13: 9780749453213 Publisher: Kogan Page Ltd Edition: 5th Revised edition
8. Corporate Governance D Geeta Rani, R K Mishra ISBN10: 8174466835 ISBN13: 9788174466839 Publisher: Excel Books

PS19 Business Valuation Management (Marks: 100)

Objectives:

- To gain knowledge in different techniques of valuation of assets and liabilities
- To understand the legal implications of merger and acquisitions

1. Valuation Basis (10%)

- Principles and techniques of valuation.
- Asset valuation.
- Earnings valuation.
- Cash flow valuation.
- Other valuation basis.
- Efficient market hypothesis.
- Impact of changing capital structure on the market value of the company.
- Priorities of different stakeholders in terms of business valuation.

2. Valuation of Mergers and Acquisitions (20%)

- Assets and cash flows.
- The strengths and weaknesses of various valuation method.
- Recognition of the interest of various stakeholders.
- Selection of appropriate cost of capital for valuation.
- Synergistic benefits.
- Forms of consideration and terms of acquisitions.
- Post merger integration process.
- Implications of regulations for business combinations.
- Types of exit strategies and their implications.

3. Valuation of Assets and Liabilities (40%)

- Forms of intellectual property and methods of valuation.
- Valuation of fixed assets.
- Valuation of inventories.
- Valuation of investments.
- Valuation of shares.
- Dividend growth valuation models.
- MM theory.
- Valuation of options.
- Valuation of intangibles.
- Human resource accounting.
- Valuation of Goodwill, Patents and copyrights.
- Valuation of brands.
- Valuation of real estate.
- Relevant accounting standards.

4. Case studies (30%)

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Recommending Reading

Valuation by McKinsey & Company, Inc , Tim Koller, Marc Goedhart, David Wessels

ISBN10: 0470424656 **ISBN13:** 9780470424650

Publisher: John Wiley and Sons Ltd John Wiley & Sons Ltd

Edition: 5th Revised edition

Financial Valuation: Applications and Models, 3rd Edition

Author: James R. Hitchner, CPA/ABV, ASA

Publisher: John Wiley and Sons

Understanding Business Valuation: A Practical Guide to Valuing Small to Medium Sized

Businesses - Third Edition

Author: Gary R. Trugman, CPA, ABV, MCBA, ASA, MVS

Publisher: AICPA

PS 20 Criminology, Legal Environment & Ethics (Marks: 100)

Part A Criminology (Marks: 50)

Part I: CONCEPTS OF CRIME, LAW, AND CRIMINOLOGY

1. Crime and Criminology.
2. What is crime? Contrasting definitions and perspectives.
3. The Nature and Extent of Crime.
4. Public conceptions and misconceptions of crime
5. Victims and Victimization.

Part II: THEORIES OF CRIME CAUSATION

1. Rational Choice Theory.
2. Trait Theories.
3. Social Structure Theories.
4. Social Process Theories.
5. Social Conflict, Critical Criminology, and Restorative Justice.
6. Developmental Theories: Life Course and Latent Trait.
7. Influences of physical factors and genetics on criminality

Part III: CRIME TYPOLOGIES

1. Interpersonal Violence.
2. Political Violence and Terrorism.
3. Property Crime.
4. Enterprise Crime: White-Collar and Green-Collar Crime.
5. Public Order Crime: Sex and Substance Abuse.
6. Crimes of the New Millennium: Cyber-Crime and Transnational Organized Crime.

Part IV: THE CRIMINAL JUSTICE SYSTEM OF PAKISTAN

1. Criminal Justice: Process and Perspectives.
2. Police and Courts: Investigation, Arrest and Adjudication.
3. Punishment and Correction.

Recommended Reading

Criminology by Larry Siegel

ISBN10: 0495912646 ISBN13: 9780495912644

Publisher: Cengage Learning, Inc Wadsworth Publishing Co Inc

Textbook on Criminology, Katherine Williams

Katherine Williams

ISBN10: 0199290318 ISBN13: 9780199290314

Publisher: Oxford University Press

Criminology, Chris Hale, Keith Hayward, Azrini Wahidin, Emma Wincup

SBN10: 0199227292 ISBN13: 9780199227297

Publisher: Oxford University Press

IFAP SYLLABUS FOR FA PROGRAM

Criminology, Stephen Jones

ISBN10: 0199218099 ISBN13: 9780199218097

Publisher: Oxford University Press

Criminal Law And Procedure

Daniel E Hall

ISBN10: 1111312788 ISBN13: 9781111312787

Publisher: Cengage Learning, Inc Delmar Cengage Learning

Edition: 6th Revised edition

Publication date: 31 Jul 2011

Part B Legal Environment & Ethics (Marks: 50)

Chapter 1: Introduction. The Wellsprings of Legal Ethics

Chapter 2: The philosophical foundations of legal ethics

Chapter 3: Legal advising and the rule of law

Chapter 4: The **Forensic Accountants (FAs)** Vices

Chapter 5: The Seeds of a **Forensic Accountants (FAs)** Virtue

Chapter 6: Introducing Integrity, Personal integrity and professional ethics

Chapter 7: Integration through Role

Chapter 8: **Forensic Accountants (FAs)** Fidelity and Political Legitimacy

Chapter 9: Why good intentions are often not enough: the potential for ethical blindness in legal decision-making

Recommended Reading

A Modern Legal Ethics, Daniel Markovits

Adversary Advocacy in a Democratic Age

ISBN: 9780691148137

Publisher: The University Press Group Ltd

Reaffirming Legal Ethics, Reid Mortensen, Michael Robertson, Lillian Corbin, Francesca Bartlett, Kieran Tranter ISBN: 9780415546539, Publisher: Taylor & Francis Ltd

Code of Ethics for Associates and Fellow Members published by IFAP

Code of Ethics for Professional Accountants (latest edition) published by IFAC

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PS 21 Advanced Auditing & Assurance (Marks: 100)

AIM

To analyze, evaluate and conclude on the assurance engagement and other audit and assurance issues in the context of best practice and current developments.

MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to:-

- Recognize the legal and regulatory environment and its impact on audit and assurance practice
- Demonstrate the ability to work effectively on an assurance or other service engagement within a professional and ethical framework
- Assess and recommend appropriate quality control policies and procedures in practice management and recognize the auditor's position in relation to the acceptance and retention of professional appointments
- Identify and formulate the work required to meet the objectives of audit and non-audit assignments and apply the International Standards on Auditing
- Evaluate findings and the results of work performed and draft suitable reports on assignments
- Understand the current issues and developments relating to the provision of audit related and assurance service

RATIONALE

The Advanced Audit and Assurance syllabus is essentially divided into six areas.

The syllabus starts with the legal and regulatory environment including money laundering, and procedures in practice management, including quality control and the acceptance and retention of professional engagements. This then leads into professional and ethical considerations, including the Code of Ethics and professional liability.

The syllabus then covers various assignments, including an audit of financial statements, audit related services, and other assurance assignments, as well as the reporting of these assignments.

The final section covers current issues and developments relating to the provision of audit related and assurance services.

DETAILED SYLLABUS

A Regulatory Environment

1. International regulatory frameworks for audit and assurance services
2. Money laundering

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3. Laws and regulations

B Professional and Ethical Considerations

1. Code of Ethics for Professional Accountants
2. Fraud and error
3. Professional liability

C Practice Management

1. Quality control
2. Advertising, publicity, obtaining professional work and fees
3. Tendering
4. Professional appointments

D Assignments

1. The audit of historical financial information including;
 - i) Planning, materiality and assessing the risk of misstatement
 - ii) Evidence
 - iii) Evaluation and review
2. Group audits
3. Audit-related services
4. Assurance services
5. Prospective financial information
6. Forensic audits
7. Internal audit
8. Outsourcing

E Reporting

1. Auditor's reports
2. Reports to management
3. Other reports

F Current Issues and Developments

1. Professional, ethical and corporate governance
2. Information technology
3. Transnational audits
4. Social and environmental auditing
5. Other current issues

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APPROACH TO EXAMINING THE SYLLABUS

The examination is a three hour paper constructed in two sections. Questions in both sections will be almost entirely discursive. However, candidates will be expected, for example, to be able to assess materiality and calculate relevant ratios where appropriate.

Section A questions will be based on 'case study' type questions. That is not to say that they will be particularly long, rather that they will provide a setting within a range of topics, issues and requirements can be addressed. Different types of question will be encountered in Section B and will tend to be more focused on specific topics, for example 'auditor's reports', 'quality control' and topics of ISAs which are not examinable in Paper CS 8, *Forensic Auditing and Assurance*. (This does not preclude these topics from appearing in Section A). Current issues will be examined across a number of questions.

Section A: 2 compulsory questions 50-70 marks

Section B: Choice of 2 from 3 questions 30-50 marks (total 100)

Study Guide

A REGULATORY ENVIRONMENT

1. International regulatory frameworks for audit and assurance services

- a) Explain the need for laws, regulations, standards and other guidance relating to audit, assurance and related services.
- b) Outline and explain the need for the legal and professional framework including:
 - i) The international standard-setting process
 - ii) The authority of national and international standards
 - iii) Public oversight and principles of corporate governance
 - iv) The role of audit committees.
- c) Discuss the effectiveness of the different ways in which the auditing profession and audit markets are regulated.

2. Money laundering

- a) Define 'money laundering'.
- b) Explain how international efforts seek to combat money laundering.
- c) Explain the scope of criminal offences of money laundering and how professional accountants may be protected from criminal and civil liability.
- d) Explain the need for ethical guidance in this area.
- e) Describe how accountants meet their obligations to help prevent and detect money laundering including record keeping and reporting of suspicion to the appropriate regulatory body.
- f) Explain the importance of customer due diligence (CDD).
- g) Recognize potentially suspicious transactions and assess their impact on reporting duties.
- h) Describe, with reasons, the basic elements of an anti-money laundering program.

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3. Laws and regulations

- a) Compare and contrast the respective responsibilities of management and auditors concerning compliance with laws and regulations in an audit of financial statements.
- b) Describe the auditor considerations of compliance with laws and regulations and plan audit procedures when possible noncompliance is discovered.
- c) Discuss how and to whom non-compliance should be reported.
- d) Recognize when withdrawal from an engagement is necessary.

B PROFESSIONAL AND ETHICAL CONSIDERATIONS

1. Code of Ethics for Professional Accountants

- a) Explain the fundamental principles and the conceptual framework approach.
- b) Identify, evaluate and respond to threats to compliance with the fundamental principles.
- c) Discuss and evaluate the effectiveness of available safeguards.
- d) Recognize and advise on conflicts in the application of fundamental principles.

2. Fraud and error

- a) Define and clearly distinguish between the terms 'error', 'irregularity', 'fraud' and 'misstatement'.
- b) Compare and contrast the respective responsibilities of management and auditors for fraud and error.
- c) Describe the matters to be considered and procedures to be carried out to investigate actual and/or potential misstatements in a given situation.
- d) Explain how, why, when and to whom fraud and error should be reported and the circumstances in which an auditor should withdraw from an engagement.
- e) Discuss the current and possible future role of auditors in preventing, detecting and reporting error and fraud.

3. Professional liability

- a) Recognize circumstances in which professional accountants may have legal liability.
- b) Describe the factors to determine whether or not an auditor is negligent in given situations.
- c) Explain the other criteria for legal liability to be recognized (including 'due professional care' and 'proximity') and apply them to given situations.
- d) Compare and contrast liability to client with liability to third parties.
- e) Comment on precedents of case law.
- f) Evaluate the practicability and effectiveness of ways in which liability may be restricted, including professional indemnity insurance (PII)
- g) Discuss how audit and other opinions may be affected by limiting auditors' liability.
- h) Discuss the advantages and disadvantages of claims against auditors being settled out of court.

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- i) Discuss and appraise the principal causes of audit failure and other factors that contribute to the 'expectation gap' (e.g. responsibilities for fraud and error).
- j) Recommend ways in which the expectation gap might be bridged.

C PRACTICE MANAGEMENT

1. Quality control

- a) Explain the principles and purpose of quality control of audit and other assurance engagements.
- b) Describe the elements of a system of quality control relevant to a given firm.
- c) Select and justify quality control procedures that are applicable to a given audit engagement.
- d) Assess whether an engagement has been performed in accordance with professional standards and whether reports issued are appropriate in the circumstances.

2. Advertising, publicity, obtaining professional work and fees

- a) Explain the need for guidance in these areas.
- b) Recognize situations in which specified advertisements are acceptable.
- c) Discuss the restrictions on practice descriptions, the use of the IFAP logo and the names of practicing firms.
- d) Discuss the extent to which reference to fees may be made in promotional material.
- e) Outline the determinants of fee-setting and justify the bases on which fees and commissions may and may not be charged for services.
- f) Discuss the ethical and other professional problems involved in establishing and negotiating fees for a specified assignment.

3. Tendering

- a) Discuss the reasons why entities change their auditors/professional accountants.
- b) Recognize and explain the matters to be considered when a firm is invited to submit a proposal or fee quote for an audit or other professional engagement.
- c) Identify the information required for a proposal.
- d) Prepare the content of an engagement proposal document.
- e) Discuss and appraise the criteria that might be used to evaluate tenders received from audit firms in a given situation.
- f) Discuss reasons why audit fees may be lowered from the previous year's fees.
- g) Explain 'low balling' and discuss whether or not it impairs independence.

4. Professional appointments

- a) Explain the matters to be considered and the procedures that an audit firm/professional accountant should carry out before accepting a specified new client/engagement including:-
 - i) Client acceptance
 - ii) Engagement acceptance

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- iii) Establishing whether the preconditions for an audit are present
- iv) Agreeing the terms of engagement.
- b) Recognize the key issues that underlie the agreement of the scope and terms of an engagement with a client.
- c) Outline the procedures for the transfer of books, papers and information following a new appointment.

D ASSIGNMENTS

1. The audit of historical financial information

a) Describe the key features of the following audit methodologies:-

- i) Risk-based auditing
- ii) 'Top down' approach
- iii) Systems audit
- iv) Balance Sheet Approach
- v) Transaction cycle approach
- vi) Directional testing.

b) Justify an appropriate approach to a given assignment and recognize when an approach is unsuitable.

1(i) Planning, materiality and assessing the risk of misstatement

a) Specify the matters that should be considered in planning a given assignment including:-

- i) Logistics (e.g. staff and client management, multiple locations, deadlines)
- ii) Use of IT in administration
- iii) Time budgets
- iv) Assignment objectives and reports required
- v) Client interface (e.g. communication methods)
- vi) Preliminary materiality assessment
- vii) Key financial statement risks
- viii) An overall audit strategy.

b) Define materiality and performance materiality and demonstrate how it should be applied in financial reporting and auditing.

c) Apply the criteria that determine whether or not a matter is material and discuss the use and limitations of prescriptive rules in making decisions about materiality.

d) Identify and explain business risks in given situations.

e) Describe the factors that influence the assessment of a specified risk (e.g. inherent risk, financial statement risk) for a given assignment.

f) Explain how and why the assessments of risks and materiality affect the nature, timing and extent of auditing procedures in a given situation.

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g) Select and apply appropriate risk assessment procedures, including analytical procedures, to obtain an understanding of a given entity and its environment.

h) Assess the risk of misstatement at the financial statement level and assertion level and design audit procedures in response to assessed risks.

i) Recognize and assess the implications of a specified computer system (e.g. network) on an assignment.

1(ii) Evidence

a) Evaluate the appropriateness and sufficiency of different sources of audit evidence and the procedures by which evidence may be obtained including:-

i) Analytical procedures

ii) Written representations

iii) The work of others

iv) Audit sampling

v) External confirmations

vi) Audit automation tools.

b) Specify audit procedures to obtain sufficient audit evidence from identified sources.

c) Apply the criteria for assessing the extent to which reliance can be placed on substantive analytical procedures and recognize situations in which analytical procedures may be used extensively.

d) Apply analytical procedures to financial and non-financial data.

e) Identify and evaluate the audit evidence expected to be available to:-

i) verify specific assets, liabilities, transactions and events; and

ii) support financial statement assertions and accounting treatments (including fair values).

f) Explain the reasons for preparing and retaining documentation and the importance of reviewing working papers.

g) Explain the specific audit problems and procedures concerning related parties and related party transactions.

h) Recognize circumstances that may indicate the existence of unidentified related parties and select appropriate audit procedures.

i) Demonstrate the use of written representations to support other audit evidence.

j) Recognize when it is justifiable to place reliance on the work of an expert (e.g. a surveyor employed by the audit client).

k) Assess the appropriateness and sufficiency of the work of internal auditors and the extent to which reliance can be placed on it.

1(iii) Evaluation and review

a) Explain review procedures (including the use of analytical procedures and checklists) and assess their role in detecting material misstatements.

b) Evaluate findings quantitatively and qualitatively, e. g.:-

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- i) The results of audit tests and procedures
- ii) The effect of actual and potential misstatements.
- c) Compare and contrast how the auditor's responsibilities for corresponding figures, comparative financial statements, 'other information', subsequent events and going concern are discharged.
- d) Apply the further considerations and audit procedures relevant to initial engagements.
- e) Discuss the courses of action available to an auditor if a material inconsistency or misstatement of fact exists.
- f) Specify audit procedures designed to identify subsequent events that may require adjustment to, or disclosure in, the financial statements of a given entity.
- g) List indicators that the going concern basis may be in doubt and recognize mitigating factors.
- h) Evaluate the evidence that might be expected to be available and assess the appropriateness of the going concern basis in given situations.
- i) Assess the adequacy of disclosures in financial statements relating to going concern and explain the implications for the auditor's report with regard to the going concern basis.
- j) Evaluate the matters (e.g. materiality, risk, relevant accounting standards, audit evidence) relating to:-
 - i) Inventory
 - ii) Standard costing systems
 - iii) Cash flow statements
 - iv) Changes in accounting policy
 - v) Construction contracts
 - vi) Taxation
 - vii) Segment information
 - viii) Non-current assets
 - ix) Fair value
 - x) Leases
 - xi) Revenue recognition
 - xii) Employee benefits
 - xiii) Government grants and assistance
 - xiv) Borrowing costs
 - xv) Related parties
 - xvi) Earnings per share
 - xvii) Impairment
 - xviii) Provisions, contingent liabilities and contingent assets
 - xix) Goodwill

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- xx) Brands
- xxi) Research and development
- xxii) Other intangible assets
- xxiii) Capital instruments
- xxiv) Financial instruments
- xxv) Investment properties
- xxvi) Transition to International Financial Reporting Standards (IFRS)
- xxvii) Share-based payment transactions
- xxviii) Business combinations
- xxix) Discontinued operations
- xxx) Held for sale non-current assets
- xxxi) Events after the end of the reporting period.

2. Group audits

- a) Recognize the specific matters to be considered before accepting appointment as principal auditor to a group in a given situation.
- b) Compare and contrast the organization, planning, management and administration issues specific to group audits with those of joint audits.
- c) Recognize the specific audit problems and describe audit procedures in a given situation relating to:-
 - i) The correct classification of investments
 - ii) Differing accounting policies and frameworks
 - iii) Fair values on acquisition
 - iv) Intangibles
 - v) Taxation
 - vi) Goodwill on consolidation
 - vii) Intra-group balances, transactions and profits
 - viii) Related parties
 - ix) Events after the reporting period
 - x) Entities in developing countries.
- d) Discuss letters of support ('comfort letters') as audit evidence.
- e) Identify and describe the matters to be considered and the procedures to be performed when a principal auditor uses the work of component auditors in a given situation.
- f) Explain the implications for the auditor's report on the financial statements of an entity where the opinion on a component is qualified or otherwise modified in a given situation.

3. Audit-related services

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- a) Describe the nature of audit-related services, the circumstances in which they might be required and the comparative levels of assurance provided by professional accountants.
- b) Distinguish between:-
 - i) Audit-related services and an audit of historical financial statements
 - ii) An attestation engagement and a direct reporting engagement.
- c) Plan review engagements, for example:
 - i) A review of interim financial information
 - ii) A 'due diligence' assignment (when acquiring a company, business or other assets).
- d) Explain the importance of enquiry and analytical procedures in review engagements and apply these procedures.
- e) Describe and apply the general principles and procedures relating to a compilation engagement (e.g. to prepare financial statements).
- f) Explain why agreed-upon procedures and compilation engagements do not (usually) meet the requirements for an assurance engagement.
- g) Illustrate the form and content of:-
 - i) A report of factual findings
 - ii) A compilation report

4. Assurance services

- a) Describe the main categories of assurance services that audit firms can provide and assess the benefits of providing these services to management and external users:-
 - i) Risk assessments
 - ii) Business performance measurement
 - iii) Systems reliability
 - iv) Electronic commerce.
- b) Justify a level of assurance (reasonable, high, moderate, limited, negative) for an engagement depending on the subject matter evaluated, the criteria used, the procedures applied and the quality and quantity of evidence obtained.
- c) Recognize the ways in which different types of risk (e.g. strategic, operating, information) may be identified and analyzed and assess how management should respond to risk.
- d) Recommend operational measures and describe how the reliability of performance information systems is assessed (including benchmarking).
- e) Describe a value for money audit and recommend measures of economy, efficiency and effectiveness.
- f) Explain the demand for reliable and more timely reporting on financial information and the development of continuous auditing.
- g) Select procedures for assessing internal control effectiveness.
- h) Describe how entities are using core technologies (e.g. EDI, e-mail, Internet, World Wide Web) and explain how e-commerce affects the business risk of a given entity.

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5. Prospective financial information

- a) Define 'prospective financial information' (PFI) and distinguish between a 'forecast', a 'projection', a 'hypothetical illustration' and a 'target'.
- b) Explain the principles of useful PFI.
- c) Identify and describe the matters to be considered before accepting a specified engagement to report on PFI.
- d) Discuss the level of assurance that the auditor may provide and explain the other factors to be considered in determining the nature, timing and extent of examination procedures.
- e) Describe examination procedures to verify forecasts and projections relating to:-
 - i) Revenue
 - ii) Capital expenditure
 - iii) Revenue expenditure
 - iv) Profits
 - v) Cash flows
 - vi) Working capital.
- f) Compare the content of a report on an examination of PFI with reports made in providing audit-related services.

6. Forensic audits

- a) Define the terms 'forensic accounting', 'forensic investigation' and 'forensic audit'.
- b) Describe the major applications of forensic auditing (e.g. fraud, negligence, insurance claims) and analyze the role of the forensic auditor as an expert witness.
- c) Apply the fundamental ethical principles to professional accountants engaged in forensic audit assignments.
- d) Select investigative procedures and evaluate evidence appropriate to determining the loss in a given situation.
- e) Explain the terms under which experts make reports.

7. Internal audit

- a) Compare the objectives and principal characteristics of internal audit with other assurance engagements.
- b) Compare and contrast operational and compliance audits.
- c) Justify a suitable approach (e.g. cyclical compliance) to specified multi-site operations.
- d) Discuss outsourcing internal auditing services.

8. Outsourcing

- a) Explain the different approaches to 'outsourcing' and compare with 'in sourcing'.
- b) Discuss and conclude on the advantages and disadvantages of outsourcing finance and accounting functions including:-

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- i) Data (transaction) processing
 - ii) Pensions
 - iii) Information technology (IT)
 - iv) Internal auditing
 - v) Due diligence work
 - vi) Taxes.
- c) Recognize and evaluate the impact of outsourced functions on the conduct of an audit.

E REPORTING

1 Auditor's reports

- a) Critically appraise the form and content of a standard unmodified auditor's report.
- b) Recognize and evaluate the factors to be taken into account when forming an audit opinion in a given situation.
- c) Justify audit opinions that are consistent with the results of audit procedures relating to the sufficiency of audit evidence and/or compliance with accounting standards (including the going concern basis).
- d) Recognize when the use of an emphasis of matter paragraph and other matter paragraph would be appropriate.
- e) Draft extracts suitable for inclusion in an audit report.
- f) Discuss the implications for the auditor's report on financial statements that report compliance with IFRSs.
- g) Assess whether or not a proposed audit opinion is appropriate.
- h) Discuss 'a true and fair view'.
- i) Describe special purpose auditors' reports (e.g. on summarized financial statements) and analyze how and why they differ from an auditor's report on historical financial information.

2. Reports to management

- a) Draft suitable content for a report to management, on the basis of given information, including statements of facts, their potential effects and appropriate recommendations for action.
- b) Critically assess the quality of a report to those charged with governance.
- c) Advise on the content of reports to those charged with governance in a given situation.
- d) Explain the need for timely communication, clearance, feedback and follow up.
- e) Discuss the relative effectiveness of communication methods.

3. Other reports

- a) Analyze the form and content of the professional accountant's report for an assurance engagement as compared with an auditor's report.
- b) Draft the content of a report on examination of prospective financial information.

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c) Discuss the effectiveness of the 'negative assurance' form of reporting and evaluate situations in which it may be appropriate to express a reservation or deny a conclusion.

F CURRENT ISSUES AND DEVELOPMENTS

Discuss the relative merits and the consequences of different standpoints taken in current debates and express opinions supported by reasoned arguments.

1. Professional, ethical and corporate governance

a) Discuss the relative advantages of an ethical framework and a rulebook.

b) Evaluate the adequacy of existing ways in which objectivity may be safeguarded and suggest additional measures to improve independence.

c) Identify and assess relevant to emerging ethical issues and evaluate the safeguards available.

d) Discuss IFAC developments including:-

i) The implementation and adoption of International Standards on Auditing (ISAs)

ii) Significant current assurance issues being dealt with by IAASB.

e) Assess the relative advantages and disadvantages of partnership status, limited liability partnerships and incorporation of audit firms.

f) Discuss current developments in the limitation of auditors' liability and the practical ways in which the risk of litigation and liability can be reduced in a given situation.

g) Discuss innovations in corporate governance (e.g. enterprise-wide risk management) and their impact on boards of directors, audit committees and internal auditors.

2. Information technology

a) Describe recent trends in IT and their current and potential impact on auditors (e.g. the audit implications of 'cyber incidents' and other risks).

b) Explain how IT may be used to assist auditors and discuss the problems that may be encountered in automating the audit process.

3. Transnational audits

a) Define 'transnational audits' and explain the role of the Transnational Audit Committee (TAC) of IFAC.

b) Discuss how transnational audits may differ from other audits of historical financial information (e.g. in terms of applicable financial reporting and auditing standards, listing requirements and corporate governance requirements).

c) Discuss the need for international audit firm networks in implementing international auditing standards.

d) Distinguish, for example, between 'global auditing firms' and second tier firms.

e) Discuss the impact of globalization on audit firms and their clients.

f) Explain the advantages and problems of current trends (e.g. to merge, to divest consultancy services).

4. Social and environmental auditing

a) Discuss the increasing importance of policies that govern the relationship of an organization to its employees, society and the environment.

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b) Describe the difficulties in measuring and reporting on economic, environmental and social performance and give examples of performance measures and sustainability indicators.

c) Explain the auditor's main considerations in respect of social and environmental matters and how they impact on entities and their financial statements (e.g. impairment of assets, provisions and contingent liabilities).

d) Describe substantive procedures to detect potential misstatements in respect of socio environmental matters.

e) Discuss the form and content of an independent verification statement (e.g. on an environmental management system (EMS) and a report to society).

5. Other current issues

a) Discuss how the potential problems associated with the audit of small enterprises may be overcome.

b) Explain how International Standards on Auditing affect smaller firms.

c) Discuss the dominance of the global firms and their influence and impact on the accounting profession.

d) Discuss the impact of developments in public company oversight on external auditors.

e) Explain current developments in auditing standards including the need for new and revised standards and evaluate their impact on the conduct of audits.

f) Discuss other current legal, ethical, other professional and practical matters that affect accountants, auditors, their employers and the profession.

READING LIST

ACCA's official publishers:-

BPP Learning Media

Contact number: +44(0)20 8740 2222

Website: www.bpp.com

Kaplan Publishing

Contact number: +44(0)118 989 0629

Website: www.kaplanpublishing.co.uk

Additional reading:-

Forensic accounting and fraud investigation for non-experts, H Silverstone and M Sheetz, 2nd edition, Wiley, 2007 *student accountant* including relevant financial reporting articles and technical auditing and financial reporting update <http://www.ifac.org>

Please note, the following text is only relevant for students studying in Singapore

AUDIT COMMITTEE GUIDANCE COMMITTEE GUIDEBOOK FOR AUDIT COMMITTEES IN SINGAPORE

Alternative reading:-

Accountancy Tuition Centre (ATC) International Contact: info@atc-global.com

Website: www.atc-global.com

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Get Through Guides

Contact number: +44 (0)845 257 5729

Website: www.GetThroughGuides.com

International Financial Publishing Limited

Contact number: +44 (0)1344 751674

Website: www.ifpbooks.com

OR

PS 21 Advanced Taxation (Marks: 100)

Introduction

The objective of this paper is to test comprehensive knowledge and understanding of the examinees on the Income Tax and Sales Tax Laws prevailing in Pakistan, as are described below. The examinees shall also be expected to have command on the practical application of the laws. A general knowledge of the Central Excise Law will also be examined.

The paper covers the following laws:-

- The Income Tax Ordinance, 2001
- The Sales Tax Act, 1990
- The Sales Tax Ordinance, 2000 promulgated by the Provinces
- The Islamabad Capital Territory (Tax on Services) Ordinance, 2001
- The Federal Excise Act, 2005
- Notifications, Rules, General Orders and Circulars issued under the above mentioned laws.

As candidates are required to have comprehensive knowledge of the laws described above, detailed contents are, therefore, not given hereunder. The examinees are expected to possess profound understanding of the subject over and above what they have learnt at the Certificate Stage. Topics examined at an earlier stage may or may not be directly re-examined, however, examinees would need to utilize knowledge and skills learnt at the Certificate Stage.

Knowledge of specific agreements for avoidance of double taxation will not be required. Candidates are also not expected to quote specific legal cases. Case studies/scenario based question will be set in the examination.

Notifications and circulars in respect of Finance Act/Ordinance, issued within a period of less than six months from the examination date will not be tested. However, the Finance Act/Ordinance would be examined from the attempt following its date of enforcement.

Indicative Grid

Syllabus Content Area

Weight-age

A comprehensive knowledge and practical applications in respect of:-

- | | |
|-------------------|---------|
| • Income Tax Laws | 55 – 65 |
| • Sales Tax Laws | 25 – 35 |

General knowledge in respect of:-

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- The Federal Excise Act, 2005 (Chapters I & II only) 7 – 15
- **Total** **100**

Note: The weight-age given above are for guidance purposes only and some deviations in setting of papers could be expected.

Recommended Reading Material

- Complete Income Tax Law by S A Salam.
- Law & Practice of Income Tax by Dr. Ikram-ul-Haq. These books cover all topics of syllabus, regularly updated and also gives background of any changes made to the law.
- Sales Tax Ready Reference Act by S a Salam. Bare Act, Rules, Notifications; Circulars etc on syllabus topics are included in the book with brief explanations.
- Federal Excise Act, 2005 including relevant notifications, circulars etc. by Tariq Najeeb Choudhry. The book covers the related topics of syllabus.
- Practical Handbook of Income Tax by Dr. Ikram-ul-Haq.
- Synopsis of taxation by Mirza Munawar Hussain.
- Pakistan Income Tax Law Principles and Practice by Mian Safiullah and Kashif Azi Jahangiri. These are very useful books for understanding practical application of taxation.

OR

PS 21 Cyber Laws/Crimes (Marks: 100)

In the today's era of rapid growth, Information technology is encompassing all walks of life all over the world. These technological developments have made the transition from paper to paperless transactions possible. We are now creating new standards of speed, efficiency, and accuracy in communication, which has become key tools for boosting innovations, creativity and increasing overall productivity. Computers are extensively used to store confidential data of political, social, economic or personal nature bringing immense benefit to the society.

The rapid development of Internet and Computer technology globally has led to the growth of new forms of transnational crime especially Internet related. These crimes have virtually no boundaries and may affect any country across the globe. Thus, there is a need for awareness and enactment of necessary legislation in all countries for the prevention of computer related crime.

Globally Internet and Computer based commerce and communications cut across territorial boundaries, thereby creating a new realm of human activity and undermining the feasibility and legitimacy of applying laws based on geographic boundaries. This new boundary, which is made up of the screens and passwords, separate the **“Cyber**

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world” from the “real world” of atoms. Territorially based law-making and law-enforcing authorities find this new environment deeply threatening.

Why Cyber Laws At All

We may ask why is there a need for a separate law to govern the Cyber World? This may also assume significance looking to the fact that the phenomenal spread of Internet has been enabled mainly due to the absence of a centralized regulating agency. Anyone who has access to a computer and a telephone network is free to get hooked to the Internet. This uncontrollable growth of the Internet makes the need for regulation even more badly felt.

Systems across the globe have many different rules governing the behavior of users. These users in most of the countries are completely free to join/ leave any system whose rules they find comfortable/not comfortable to them. This extra flexibility may at times lead to improper user conduct. Also, in the absence of any suitable legal framework, it may be difficult for System Administrators to have a check on Frauds, Vandalism or Abuses, which may make the life of many online users miserable.

This situation is alarming as any element of distrust for Internet may lead to people avoiding doing transactions with online sites thereby directly affecting e-Commerce growth. The misuse of Internet as an excellent medium of communication may in some situations lead to direct damage to physical societies. Non-imposition of taxes on online transactions may have its destructive effect on the physical businesses and also government revenues. Terrorists may also make use of web to create conspiracies and make violence in the society. Therefore, all of us whether we directly use Internet or not, will like to have some form of regulation or external control for monitoring online transactions and the cyber world for preventing any instability.

Cyber Crimes

"Computer or Cyber crimes are considered as illegal, unethical or unauthorized behavior of people relating to the automatic processing and transmission of data, use of Computer Systems and Networks".

Common types of Cyber Crimes may be broadly classified in the following groups:-

1. Against Individuals: -

a. Against Person: -

- i. Harassment through e-mails.
- ii. Cyber-stalking.
- iii. Dissemination of obscene material on the Internet.
- iv. Defamation.
- v. Hacking/cracking.
- vi. Indecent exposure.

b. Against property of an individual: -

- i. Computer vandalism.
- ii. Transmitting virus.
- iii. Internet intrusion.
- iv. Unauthorized control over computer system.
- v. Hacking /cracking.

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2. Against Organizations: -

a. Against Government, Private Firm, Company, Group of Individuals: -

- i. Hacking & Cracking.
- ii. Possession of unauthorized information.
- iii. Cyber terrorism against the government organization.
- iv. Distribution of pirated software etc.

3. Against Society at large: -

- i. Pornography (especially child pornography).
- ii. Polluting the youth through indecent exposure.
- iii. Trafficking.

Basic approaches for creation of Cyber Laws

Following are the basic approaches for creation of Cyber Laws, which will ensure the smooth governance of Internet globally:-

- Formulation of new laws and amendment of existing laws by nations within their present territorial boundaries thereby attempting to regulate all actions on the Internet that have any impact on their own population.
- Nations may enter into multi-lateral international agreements to establish new and uniform rules specifically applicable to conduct on the Internet.
- Creation of an entirely new international organization, which can establish new rules and new means of enforcing those rules.
- Guidelines and rules may naturally emerge from individual decisions like domain name and IP address registrations and by websites and users deciding about whom will they patronize?

All of these approaches have their own merits and demerits and we shall not go into those details here.

Establishing a Suitable framework

There is a dire need for the emergence of a well-defined framework of Cyber Laws, which should be able to do the following:-

- Create and implement a minimum set of guiding rules of conduct that would facilitate efficient Communications and reliable Commerce through the use of Electronic medium.
- Define, punish and prevent wrongful actions that attack the electronic medium or harm others.

One of the greatest concerns of the field of Cyber Laws has been the absence (or rather delay) of a well-defined and comprehensive framework of law across the globe. Today's *Internet* was born in the early 1960's while the initial efforts for its regulation could only surface in the late 1990's. This problem has been further aggravated by the steep rise in usage of Internet in the recent years all over the world and that too in the absence of any appropriate legal framework.

Surely, the Cyber Law scenario is globally more complicated than traditional laws owing to the reason that the range of activities which are to be governed by these laws are largely technology driven, an area which is dynamically changing and is beyond anyone's control. However, enactment of these laws pose opportunities for nations to

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carve model Cyber Societies for the future thereby taking a lead in becoming Global IT Powers.

Effective Implementation of any law is as critical an exercise as its enactment. A law implementing agency has to focus on the following major areas to be effective:-

- Creating a suitable climate thereby Inducing Self Compliance by the Society.
- Regular monitoring of the scenario for reliable feedback.
- Offering Openness and Flexibility to accept and incorporate necessary modifications at appropriate times.
- Distinctly establishing the Authority-Responsibility guidelines for the Implementing Agency.

In order to be effective, it has to be ensured that the Law is Simple, fair and full of clarity. Failing this, the law may be misused to harass individuals resulting in its defiance. The implementing agency will then be compelled to take corrective actions to ensure implementation. This whole process may result in spread of corruption and polluting of the overall sentiments in society making the job of law implementing agencies more difficult.

Cyber Legislations Worldwide

To meet the challenge posed by new kinds of crime made possible by computer technology including telecommunication, many countries have also reviewed their respective domestic criminal laws so as to prevent computer related crimes. Some of these countries are USA, Austria, Denmark, France Germany, Greece, Finland, Italy, Turkey, Sweden, Switzerland, Australia, Canada, India, Pakistan, Japan, Spain, Portugal, UK, Malaysia and Singapore.

However, no country has fully resolved all the issues such as legal, enforcement and prevention of crime. The legislations enacted by different countries cover only few of the classified computer related offences. However, looking to the dynamic and fast changing technology, new types of offences may pop-up frequently.

Some of the major types of offences against which many countries across the globe have enacted various Acts (mostly at preliminary levels) are as follows: -

1. Unlawful access to data in computers,
2. Damaging data in computer etc.
3. Possession of device to obtain unauthorized telephone facilities,
4. Unauthorized access to computer and computer material
5. Committing mischief with data.
6. Data spying,
7. Computer fraud,
8. Forgery of prohibitive data,
9. Alteration of data,
10. Computer sabotage.
11. False entry in an authentic deed
12. False entry in permit license or passport
13. Electronic record made wrongfully
14. Electronic record made wrongfully by public servant
15. Interferences with business by destruction or damage of computer
16. Interferences with computer
17. Destruction of public document
18. Destruction of private document

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19. Unauthorized access with intention to commit offences/ computer crimes
20. Unauthorized use and interception of computer services
21. Knowingly access of computer without authorization related to national defense or foreign relation
22. Intentional access of computer without authorization to obtain financial information
- 23.** Unauthorized access of computer of a Government Department or agency
- 24.** Knowingly causing transmission of data/program to damage a computer network, data or program or withhold or deny use of computer, network etc.
- 25.** Knowingly causing transmission of data/program with risk that transmission will damage a computer network, data or program or withhold or deny use of computer, network etc, an unauthorized access of computer with intent to defraud.

Cyber laws in Pakistan

Keeping in line with other countries, Pakistan also has passed its first cyber law, the Electronic Transaction Ordinance, 2002 and the Electronic/Cyber Crime Bill 2007 which aims to provide the legal backbone for enabling e-commerce in the country. However the arrival of Internet resulted in the rise of new and complex legal issues.

Though Pakistan has a detailed and well-defined legal system in place with laws like the Pakistan Penal Code 1908, the Pakistan Evidence Act 1872, the Banking Ordinance, 1962, the Federal Investigation Agency Act, 1974 (Act VIII of 1975), the NAB Ordinance, 1999, the Companies Ordinance, 1984 and so on. But at the time of enactment of these laws nobody could really visualize about the Internet. We must remember that all the existing laws in place in Pakistan were enacted keeping in mind the relevant political, social, economic, and cultural scenario of the corresponding time. As like the rest of the world, the existing laws of Pakistan also could not handle the various cyber space activities. As such the need arose for a Cyber Law.

Conclusions

The conclusion may, therefore, be drawn that computer-related crime is a real, (at least in respect of certain offences) expanding phenomenon. Furthermore, a steady increase in number of such crimes in this area is expected which demands for greater attention of lawmakers.

Let's now once again review the alternatives available for establishing a comprehensive legal framework. Can we make only territorial laws applicable to online activities that have no relevant or perhaps even determinable geographic location? It seems to be very difficult. We must also allow responsible participants on the Internet to set their own rules and to help all concerned (online and offline). The law of the Internet has already emerged, and we believe can continue to emerge with individual users voting to join the particular systems they find most congenial. However, this model also does not solve all problems, and various governance issues cannot be resolved overnight. We will need to redefine Cyber Legal processes in this new dynamic context.

Finally, the Cyber Law defined as a thoughtful group conversation about core values and distinct benefits to the Society will persist. But it will not, could not, and should not be the same law as that applicable to physical, geographically defined territories.

Course Outlines

Chapter I Introduction

- Relevance of cyber laws
- Electronic agreements are now legally valid
- Government goes electronic

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- Computer crimes are punishable
- Ignorance is no defense
- Internet is a part of our environment
- Cyber laws are already here since 2002 (Electronic Transaction Ordinance, 2002 and the Electronic/Cyber Crime Bill 2007)
- Protect yourself by being cyber literate
- Digital Contract Era Dawns on Pakistan

Chapter 2 The Internet Era

- Introduction
- One hundred and fifty thousand netizens in Pakistan and growing fast
- Falling costs and growing popularity
- Internet is a way of life
- Need for laws to govern the society
- Technology that drives the internet
- History of internet
- Internet in the public domain
- The emergence of the world wide web
- Key contributors to the internet revolution
- More facets of the internet
- Advent of E – Commerce
- The process of shopping on an E-commerce site
- Types of E – Commerce Sites
- The Future of Business is E-Business
- E-Business as the Hub

Chapter 3 Electronic Document

- Introduction
- Exceptions
- Amendments to other Acts
- The digital transformation
- The definition of an electronic document
- Web format is the universal document standard
- Legally acceptable electronic records
- Some Emerging issues
- Electronic Documents and Cyber Space- A thought for Cyber Jurisprudents

Chapter 4 Digital Signature

- Introduction
- Signature in a paper based society
- Signature in digital society
- Transmission of electronic documents
- Symmetric crypto system
- Hash function
- Deficiencies of the symmetric key system
- Asymmetric crypto system
- The digital signature process
- Need for a trusted intermediary
- Alternative encryption systems
- Symmetric – asymmetric combinations
- Split key transactions
- Time stamping of a document

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- Two key pair system

Chapter 5 Digital Identity Management

- Introduction
- Certifying Authority (CA)
- Digital Certificate
- Certification Practice Document
- Registering Authorities (RA)
- Cross Certification
- Validity of Digital Certificates
- Financial Liability of the Certifying Authority (CA)
- Custody of the Private Key
- Certification Revocation List (CRL)
- Corporate Environment
- Secured Custody of Electronic Records
- Will the CIO hold the Key?

Chapter 6 Business of Certifying Authorities

- Introduction
- The requirements of a Certifying Authority
- Licensing Guidelines
- Location
- License Period
- Security Guidelines
- Pakistani Certifying Authorities
- Opportunities for International Players
- Services Offered
- Personal E – mail Identity Certification
- Secured Server Certification
- The Dilemma of the Digital Signer

Chapter 7 Digital Contracts

- Introduction
- Contracts Through Electronic Agents
- Contractual Liability
- Electronic Documents as Web Pages
- Digital Certificates as Entry Passes
- Time and Place of Contract
- Jurisdiction of Contracts
- Jurisdiction- A Nightmare for E-Business

Chapter 8 Cyber Regulatory Structure

- Introduction
- Cyber Regulations Appellate Tribunal

Chapter 9 Cyber Crimes

- Introduction
- Cyber Crimes Under (Electronic Transaction Ordinance, 2002 and the Electronic/Cyber Crime Bill 2007)
- Penalties and Offences under (Electronic Transaction Ordinance, 2002 and the Electronic/Cyber Crime Bill 2007)
- Types of Offences

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- Offences under Electronic Transaction Ordinance, 2002 and the Electronic/Cyber Crime Bill 2007)
- Official/Partners to be Responsible
- Determination of the Penalty
- Jurisdiction

Chapter 10 Intellectual Property Issues

- Introduction
- Domain Name Disputes
- Copy Rights Disputes
- Patents Rights

Chapter 11 Network Service Providers

Chapter 12 Privacy and Personal Rights

Chapter 13 Law Enforcement Issues

Chapter 14 E Governance Issues

Chapter 15 Semi Conductor Act

Chapter 16 Communication Convergence Bill

Chapter 17 Business Opportunities in Cyber Law

Chapter 18 Legal Issues in Cyber Advertising

Chapter 19 Legal Issues in Cyber Banking

Chapter 20 Legal Issues in Emerging Technologies

Chapter 21 Legal Issues in Cyber Taxation

Chapter 22 Cyber Wars and Cyber Terrorism

Chapter 23 Cyber Law Compliancy, the Need of the Hour

Chapter 24 Information System Security Audit

Chapter 25 FAQ

Chapter 26 Case Studies

Recommended Reading

Cyber Law and Cyber Security in Developing and Emerging Economies

Zeinab Karake-Shalhoub, Sheikha Ai Qasimi

ISBN10: 1845428714 ISBN13: 9781845428716

Publisher: Edward Elgar Publishing Ltd

Responding to Cyber Bullying

Jill Joline Myers, Professor Donna Sue McCaw, Leanda S Hemphill

ISBN10: 1412994845 ISBN13: 9781412994842

Publisher: SAGE Publications Inc Corwin Press Inc

Publication date: 02 Mar 2011

Cyber Laws

Bissonette, Aimee M Aimee M Bissonette

ISBN10: 1412966159 ISBN13: 9781412966153

Publisher: SAGE Publications Inc Corwin Press Inc

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Publication date: 07 Jun 2009

Electronic and Mobile Commerce Law

Dr Charles Wild (Head of School of Law, University of Hertfordshire, Head, Neil MacEwan, Stuart Weinstein, Neal Geach

ISBN10: 1907396012 ISBN13: 9781907396014

Publisher: University of Hertfordshire Press

Publication date: 22 Feb 2011

Readings and Cases in Information Security

Michael E Whitman, Herbert J Mattford

ISBN10: 1435441575 ISBN13: 9781435441576

Publisher: Cengage Learning, Inc Delmar Cengage Learning

Publication date: 23 Jul 2010

Internet Searches for Vetting, Investigations, and Open-Source Intelligence

Edward J Appel

ISBN10: 1439827516 ISBN13: 9781439827512

Publisher: Taylor & Francis Inc CRC Press Inc

Publication date: 14 Jan 2011

Computer Crime, Investigation, and the Law

Chuck Easttom, Jeff Taylor

ISBN10: 1435455320 ISBN13: 9781435455320

Publisher: Cengage Learning, Inc Delmar Cengage Learning

Publication date: 16 Mar 2010

OR

PS 21 CORPORATE FRAUDS (MARKS: 100)

Description

Real-world help for companies combating fraud – from major management fraud to fraudulent financial reporting

A must-have for all auditors, controllers, CFOs, and business managers, Corporate Fraud offers broad coverage of:-

- The most common and damaging types of fraud in today's business environment
- The many facets of fraud, including management fraud, corporate governance, and top-level forensics issues, as well as financial statement fraud and the interconnected nature of each
- Corruption: bribery, including contracting, subcontracting, and leasing; and outsourcing
- Misappropriation: vendor billings, skimming, and diverted receipts
- Fraud for the organization: money laundering, price fixing, and fraud in the international arena

Corporate Resiliency: Managing the Growing Risk of Fraud and Corruption is written for members of boards of directors and audit committees, senior executives, those who advise or report to them, and those responsible for managing fraud and corruption risks. It describes in plain English terms a proactive fraud and corruption risk management process that can enhance corporate resiliency. The authors provide practical insights and highlight traps to avoid. Quotes from their interviews of business executives provide

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international perspectives regarding changes in fraud and corruption risks and techniques companies are adopting to deal with them.

Course Outlines

- Chapter 1 The Fraud Problem
- Chapter 2 People Who Commit Fraud
- Chapter 3 Red Flags of Fraud
- Chapter 4 Asset Misappropriation, Bribery, and Corruption
- Chapter 5 Financial Statement Fraud
- Chapter 6 Fraud Detection and Investigation
- Chapter 7 Fraud Prevention
- Chapter 8 Best Practices in Fraud Management
- Chapter 9 The Future of Fraud
- Chapter 10 Case Studies

Recommended Reading

1. Essentials of Corporate Fraud by Tracy Coenen, ISBN: 978-0-470-19412-6
2. Fraud Casebook: Lessons from the Bad Side of Business by Joseph T. Wells, ISBN: 978-0-470-13468-9
3. Policies and Procedures to Prevent Fraud and Embezzlement: Guidance, Internal Controls, and Investigation by Edward J. McMillan, CPA, CAE ISBN: 978-0-471-79003-7
4. Manager's Guide to Compliance: Sarbanes-Oxley, COSO, ERM, COBIT, IFRS, BASEL II, OMB's A-123, ASX 10, OECD Principles, Turnbull Guidance, Best Practices, and Case Studies by Anthony Tarantino ISBN: 978-0-471-79257-4

OR

PS 21

Bank Frauds

(Marks: 100)

Failure of the financial services sector to properly understand risk was clearly demonstrated by the recent 'credit crunch'. In its 2008 Global Stability Report, the IMF sharply criticized banks and other financial institutions for the failure of risk management systems, resulting in excessive risk-taking. Financial sector supervision and regulation was also criticized for lagging behind shifts in business models and rapid innovation.

This book provides investors with a sound understanding of the approaches used to assess the standing of firms and determine their true potential (identifying probable losers and potential longer-term winners). It advocates a 'more forensic' approach towards operational risk management and promotes transparency, which is seen as a facilitator of competition and efficiency as well as being a barrier to fraud, corruption and financial crime.

Risk assessment is an integral part of informed decision making, influencing strategic positioning and direction. It is fundamental to a company's performance and a key differentiator between competing management teams. Increasing complexity is resulting in the need for more dynamic, responsive approaches to the assessment and

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management of risk. Not all risks can be quantified; however, it remains incumbent upon management to determine the impact of possible risk-events on financial statements and to indicate the level of variation in projected figures.

To begin, the book looks at traditional methods of risk assessment and shows how these have developed into the approaches currently being used. It then goes on to consider the more advanced forensic techniques being developed, which will undoubtedly increase understanding. The authors identify 'best practice' and address issues such as the importance of corporate governance, culture and ethics. Insurance as a mitigant for operational risk is also considered. Quantitative and qualitative risk assessment methodologies covered include: Loss-data analysis; extreme value theory; causal analysis including Bayesian Belief Networks; control risk self-assessment and key indicators; scenario analysis; and dynamic financial analysis.

Views of industry insiders, from organizations such as Standard & Poors, Fitch, Hermes, USS, UN-PRI, Deutsche Bank, and Alchemy Partners, are presented together with those from experts at the FSA, the International Accounting Standards Board (IASB), and the Financial Reporting Council.

In addition to investors, this book will be of interest to actuaries, rating agencies, regulators and legislators, as well as to the directors and risk managers of financial institutions in both the private and public sectors. Students requiring a comprehensive knowledge of operational risk management will also find the book of considerable value.

Myth-busting guidance for fraud prevention in a practical workbook format

An excellent primer for developing and implementing an anti-fraud program that works, Financial Services Anti-Fraud Risk and Control Workbook engages readers in an absorbing self-paced learning experience to develop familiarity with the practical aspect of fraud detection and prevention at banks, investment firms, credit unions, insurance companies, and other financial services providers.

Whether you are a bank executive, auditor, accountant, senior financial executive, financial services operations manager, loan officer, regulator, or examiner, this invaluable resource provides you with essential coverage of:

- How fraudsters exploit weaknesses in financial services organizations
- How fraudsters think and operate
- The tell-tale signs of different types of internal and external fraud against financial services companies
- Detecting corruption schemes such as bribery, kickbacks, and conflicts of interest, and the many innovative forms of financial records manipulation
- Conducting a successful fraud risk assessment
- Basic fraud detection tools and techniques for financial services companies, auditors, and investigators
- Fraud prevention lessons from the financial meltdown.

Written by a recognized expert in the field of fraud detection and prevention, this effective workbook is filled with interactive exercises, case studies, and chapter quizzes, and shares industry-tested methods for detecting, preventing, and reporting fraud.

Discover how to mitigate fraud risks in your organization with the myth-busting techniques and tools in Financial Services Anti-Fraud Risk and Control Workbook.

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Chapter 1 Lessons Learned From Banking Crises.

International Financial Crises

What Caused the Crisis in the United States, UK, Australia, Canada, India & Pakistan?

Lessons Learned From Financial Crises.

Chapter 2 The Economic Role of Financial Intermediaries

The Economic and Financial System

Intermediation

Asset Management

Individuals

Interest Rates

Current Trends in Financial Intermediaries

The Changing Role of Banks

Alternative Financial Services

Chapter 3 The Evolving Legal Environment

What is a Bank?

Why Are Banks Regulated?

Selected Banking Laws (references to Pakistan)

Services Provided by Banks

What Bank Regulators Do?

Is Prudential Bank Regulation Effective?

FDIC Definitions of Commercial Banks

Selected Banking Legislation

Chapter 4 Asset/Liability Management (ALM)

An Overview of Market Rates of Interest

The Effects of Interest Rate Risk on Income and Market Value

Managing Interest Rate Spreads.

Duration Gap and Economic Value of Equity

Duration Gap Management Strategies

Chapter 5 Hedging and Risk Management

Derivatives

Risks Associated With Derivatives.

Derivative Contracts by Product and Type

Hedging With Interest Rate Swaps

Hedging With Currency Swaps

Hedging With Options

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Hedging With Futures

Covered Bonds

Special Purpose Vehicles (SPVs)

Enterprise Risk Management (ERM)

Additional Educational Resources

Chapter 6 Commercial and Industrial Loans

The Role of Asymmetric Information in Lending

The Competitive Environment

The Board of Directors Written Loan Policy

Seven Ways to Make Loans

Collecting Loans

Principal Lending Activities

Collateral

The Lending Process

International Lending

Chapter 7 Real Estate and Consumer Lending

Real Estate Lending

Characteristics of Mortgage Loans

Consumer Lending

Finance Charges

Annual Percentage Rate

Real Estate and Consumer Credit Regulation If Credit is Denied

Privacy Issues

Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD Act)

Chapter 8 Bank Capital Adequacy

Basel Capital Accords

Enterprise Risk Management (ERM) and Economic Capital

Accounting Issues

What's Next?

Chapter 9 Evaluating Bank Performance

Evaluating Publicly Traded Banks

Evaluating Commercial Banks

FDIC Bank Data Guide

Chapter 10 Payments Systems

Money

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Legal Tender

Retail Payments

Large-Interbank Payments

Chapter 11 Other Financial Services

Cash Management Services

Trust Services, Private Wealth and Asset Management

Chapter 12 A Guide to Islamic Banking (By Mohamed Ariff)

Islamic Banking, an Alternative Intermediation

Special Question on Intermediation by Banks

Future Direction

Chapter 13 The View from the Top: Recommendations from A Superintendent of Banks (By John D. Harrison).

Tips for Bank Directors

Tips for Borrowers

Tips for Investors

What Lies Ahead

Chapter 14 Case Studies

Recommended Reading

1. Banking and Financial Institutions: A Guide for Directors, Investors, and Borrowers Benton E. Gup ISBN: 978-0-470-87947-4
2. Online Banking Laws in Pakistan (Latest Edition) by Nosheen Munawar, published by Al – Noor Law Book House, Lahore.
3. Check & Dishonor of Check (latest edition) by Justice (R) Dr. Munir Ahmed Mughal, published by Muneeb Book House, Lahore.
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