

SECTION C1: PRINCIPLES OF EXAMINATION FOR THE IFRS ACCOUNTING STANDARDS SYLLABUS

1. Prepare, analyse, and evaluate general purpose financial statements.

- 1.1. The Conceptual Framework for Financial Reporting (the 'Conceptual Framework') describes the objective of, and the concepts for, general purpose financial reporting. On this basis, knowledge of the Conceptual Framework underpins the preparation, analysis, and evaluation of general-purpose financial statements.
- 1.2. Candidates are expected to be able to prepare general purpose financial statements (including extracts thereof) and note disclosures.
- 1.3. Presentation and disclosure are dealt with in almost all IFRS Accounting Standards. In some instances, the objective of an IFRS Accounting Standard deals only with presentation and disclosure relating to specific concepts and topics, for example IFRS 7 and IFRS 12. In other instances, presentation and disclosure is dealt with in the relevant IFRS Accounting Standard that deals with the relevant concept and topic. In other instances, presentation and disclosure are dealt with in a particular IFRS Accounting Standard but the presentation and disclosure are pervasive.
- 1.4. The following IFRS Accounting Standards deal specifically with presentation and disclosure that are pervasive and are included in the syllabus as outlined in section 9 below:

IFRS 18	Presentation and Disclosure in Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Basis of Preparation of Financial Statements
IAS 10	Events after the Reporting Period
IAS 24	Related Party Disclosures

- 1.5. Topics that relate to the economic phenomena that may be reported on are included in the IFRS Accounting Standards syllabus at various proficiency levels as explained in section 2 below with the detailed IFRS Accounting Standards syllabus outlined in section 9 below. The inclusion of presentation and disclosure in the syllabus follows the underlying concept and topic to which it relates.

2. Defining the IFRS Accounting Standards syllabus (known as the Principles of Examination)

- 2.1. The detailed IFRS Accounting Standards "syllabus" was initially drafted after the syllabus overload task group completed its work in 2017 and has been amended for changes in the examinability of IFRS Accounting Standards and topics that arose from deliberations and outreach as part of the CA of the Future Project.
- 2.2. This document should be read in conjunction with the proficiency levels in the SAICA Competency Framework (updated in 2025) and provides detail about the extent to which students should be able to account for and report for economic phenomena dealt with by specific IFRS Accounting Standards to achieve section 1 above.
- 2.3. This document establishes the principles of examination of IFRS Accounting Standards for the IAC. This updated document relates to concepts and topics that will be examined in the 2027 Initial Assessment of Competence (IAC).
- 2.4. This document sets the minimum expectations for teaching financial reporting topics. Whilst this may

inform each university's decision about its syllabus and curriculum, this does not imply that a university's syllabus / curriculum decision should automatically be the same as the IAC principles of examination. A university's curriculum is based on achieving the objectives of its education philosophy over the accredited academic programmes.

- 2.5. In principle, the syllabus includes concepts and topics using three Proficiency Levels for the technical competencies in the latest Competency Framework. The difference between the proficiency levels is based on the depth and breadth required across each of the dimensions (knowledge, application and problem solving) in the proficiency levels. ***An extract from the Guidance to the Academic Programme (November 2023) that details the technical proficiency levels is provided in 9.4 below for ease of reference.***
- 2.6 If a concept and topic is not included in the syllabus, that concept and topic will not be examined in the IAC (see section 3 below).
- 2.7 Consistency is applied. That is to say that if a concept and topic is excluded from the syllabus, in a particular IFRS Accounting Standard, the principle of exclusion applies to all other IFRS Accounting Standards where that concept may be referred to. For example, applying the revaluation model to depreciable assets that are items of PPE is excluded from the syllabus. Thus recognising impairment losses in OCI for depreciable assets in accordance with IAS 36 is excluded.
- 3. Concepts and topics specifically excluded from the IFRS Accounting Standards syllabus**
- 3.1. Specialised industries are excluded to the extent of the industry-specific accounting. The specialised industries are identified in **Section D¹** of the Guidance to the Academic Programme (November 2023).
- 3.2. The IFRS Accounting Standards that are excluded have been specifically identified (see para. 3.6 below as it relates to the scope of each IFRS Accounting Standard):

IFRS 1	First-time Adoption of International Financial reporting Standards
IFRS 4, IFRS 17	Insurance Contracts
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 14	Regulatory Deferral Accounts
IFRS 19	Subsidiaries without Public Accountability: Disclosures
IAS 20	Government Grants
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 39	Financial Instruments: Recognition and Measurement
IAS 41	Agriculture

- 3.3. In addition, within specific IFRS Accounting Standards, concepts and topics that are excluded have been identified in detailed syllabus (see 9. below).

¹ The Context in which the Competencies are to be Developed and Assessed in the Academic Programme

- 3.4. Transitional arrangements in all IFRS Accounting Standards are excluded.
- 3.5. Exposure Drafts are excluded.
- 3.6. The scope of all IFRS Accounting Standards is included at Level 1.
- 3.7. Covid-19 concessions (IFRS 16) are excluded.

4. Interpretation Standards and IFRS Practice Statements

- 4.1 The SICs and IFRICs are included as follows:

IFRIC 1	Level 3
IFRIC 2	Excluded
IFRIC 5	Excluded
IFRIC 6	Excluded
IFRIC 7	Excluded
IFRIC 10	Excluded
IFRIC 12	Excluded
IFRIC 14	Excluded
IFRIC 16	Excluded
IFRIC 17	Level 1
IFRIC 19	Level 2
IFRIC 20	Excluded
IFRIC 21	Excluded
IFRIC 22	Level 3
IFRIC 23	Level 1
SIC 7	Excluded
SIC 10	Excluded
SIC 25	Excluded
SIC 29	Excluded
SIC 32	Level 2

- 4.2 Circulars and FRPs are excluded from the syllabus as they do not appear in the Handbooks.
- 4.3 IFRS Practice Statement 1 Management Commentary 1 is excluded.
- 4.4. IFRS Practice Statement 2 Making Materiality Judgements is excluded.

5. Basis for Conclusions ('BCs')

- 5.1 The BCs do not form part of the syllabus, but some may be a useful reference point for academics to bring to students' attention.

6. IAS 12, Income Taxes

- 6.1. Within the IFRS Accounting Standards syllabus the focus is on deferred tax, which is a pervasive topic.
- 6.2. The deferred tax treatment of assets and liabilities is included in the syllabus on the same basis as the underlying assets and liabilities.
- 6.3. In instances, where the tax treatment is included in the tax syllabus candidates are required to apply their tax knowledge in accordance with that syllabus.

- 6.4. In instances, where the tax treatment is excluded from the tax syllabus candidates will be required to ignore tax.

7. Group contexts

- 7.1. There are IFRS Accounting Standards that provide guidance on specific economic events. Therefore, in certain instances the syllabus includes or excludes specific transactions.
- 7.2. The IFRS Accounting Standards that deal with group accounting include guidance on changes in ownership.
- 7.3. There is a wealth of educational material currently in the public domain that is devoted to group accounting. The syllabus provides some additional guidance on some issues relating to group accounting.
- 7.4. The IFRS Accounting Standards also do not specifically address the treatment of rights issues and share buybacks in a group context. At the time of developing the principles of examination to reduce syllabus overload, the task group concluded that it was unlikely that a parent would allow itself to lose control because of a rights issue or share buyback by the subsidiary. IAC Examco has excluded rights issues and share buybacks in a group accounting context on this basis as well as because they are not pervasive. Other share issues are included in the syllabus.
- 7.5 Changes in the ownership (and percentage interests) within a group are treated as follows in the syllabus:
- 7.5.1 If they result from rights issues and share buybacks, as indicated in section 7.4 above, they are excluded. Section 9 also includes specific exclusions in IFRS Accounting Standards relating to group contexts.
- 7.5.2 If they relate to the following situations, they are included at level 3:
- a) A parent obtains control by acquiring a subsidiary (excluding through rights issue or share buyback – see sections 7.4 and 7.5.1 above) having had no interest previously or the parent obtains control over an existing financial asset that was previously accounted for in accordance with IFRS9, Financial Instruments.
 - b) A parent loses control over a subsidiary (excluding through rights issue or share buyback – see sections 7.4 and 7.5.1) resulting in no retained interest or a retained interest that is accounted for as a financial asset in accordance with IFRS9.
 - c) An investor is required to equity account an investee in which the investor previously had no interest, or the investee is required to equity account an existing financial asset that was previously accounted for in accordance with IFRS9.
 - d) A parent retains control after increases or decreases in shareholding (excluding through rights issue or share buyback – see sections 7.4 and 7.5.1).
- 7.5.3 All other changes in ownership are excluded.
- 7.6 Vertical holdings are included in the syllabus at Level 1. This is on the basis that this allows candidates to have an awareness that interests in a subsidiary, associate or joint venture could arise indirectly (with the detailed principles relating to consolidation and equity accounting dealt with in direct holdings at level 3).

8 Reviewing the IFRS Accounting Standards syllabus

- 8.1 The 2019 ITC syllabus was the baseline, being the first year of implementing the principles of examination.
- 8.2 The IFRS Accounting Standards syllabus may be reviewed in accordance with the review principles that apply to the Competency Framework. Amendments could arise to clarify:
 - a) The version of a standard that is examinable, where there are changes to existing IFRSs.
 - b) Implementation of new IFRS Accounting Standards.
 - c) Changes relating to inclusions and exclusions, based on developments in practice.
- 8.3 As it relates to the versions of the IFRS Accounting Standards that are examinable in the IAC, to strike a balance between aligning with the publication of the annotated version of the IFRS Handbooks and allowing sufficient time for implementation within the curriculum, the general principle is that the IFRS Accounting Standards that are issued at 1 January and 24 months prior to the first sitting of the ITC that it could be examined, shall be examinable at both sittings of that ITC. So, for example, for the 2027 IAC, IFRS Accounting Standards issued at 1 January 2025 apply.

9 IFRS Accounting Standards syllabus

The detailed syllabus follows, categorised into:

- 9.1 IFRS Accounting Standards that deal with pervasive concepts (pages 6 to 7).
- 9.2 Detailed inclusions and exclusions in specific IFRS Accounting Standards (8 to 19).
- 9.3 Illustrative Example (pages 20 to 21).

9.1 PERVASIVE CONCEPTS

IFRS Accounting Standard	Proficiency Level	Description
IFRS 1	Excluded	Not core - limited application
		First-time adoption not an issue in SA
IFRS 8	Excluded	Only applicable to listed entities
IFRS 13	Level 3 ^{*,**}	To the extent that it provides guidance on fair value measurement relating to items that are included in the syllabus.
		Exclude para 34 to 47 dealing with the applications to liabilities and an entity's own equity instruments.
		Exclude para 48 to 56 relating to offsetting positions.
IFRS 18	Level 3 *	To the extent that supports the presentation and disclosures relating to transactions/IFRS/Topic in the syllabus.
IAS 7	Level 3 ^{*,**}	To the extent that supports presenting cash flows relating to other IFRS/Topic that are included in syllabus.
		Exclude treatment of foreign operations
IAS 8	Level 3 *	To the extent that establishes principles for changes in policies and estimates and correction of errors and related disclosures for IFRSs/Topics that are included in syllabus.
		Exclude non-compliance with IFRS, departure from IFRS, initial application of an IFRS Standard and when an entity has not applied a new IFRS.
IAS 10	Level 3 *	To the extent that provides additional presentation and disclosures relating to IFRS/Topic that are included in syllabus.
IAS 12	Level 3 ^{*,**}	Conceptual underpinning - follows recognition, measurement, presentation and disclosure pathway.
		38 to 45 relating to group temporary differences is excluded.

IAS 21	Level 3 **,*	To the extent that is linked to transactions/IFRS/Topic that are included in the syllabus.
		See also Groups - Foreign Operations.
		Exclude hyperinflation and changes in functional currency.
IAS 24	Level 3 *	To the extent that important in providing additional disclosures relating to other transactions/IFRSs/Topics that are included in syllabus.
IAS 29	Excluded	Not conceptual/prevalent
		Limited application
IAS 33	Excluded	Not conceptual/prevalent
		Limited application - listed entity specific
IAS 34	Excluded	Not conceptual/prevalent
		Limited application - listed entity specific
On the understanding that support IFRS/Topic/transactions that are included in syllabus (*)		
Some exclusions (**)		

9.2 DETAILED INCLUSIONS AND EXCLUSIONS

IFRS Accounting Standards		
IFRS 3	Proficiency Level	Description
<i>Read together with note 7 above on Group contexts. Then, all Level 3, except for:</i>		
Scope	Level 1	
Investment entities	Excluded	Investment entities exemption is excluded, seen as specialised industry
Common control	Excluded	Multiple industry views on practical application/prevalence.
Identifying a business combination	Level 1	
Identifying the acquirer	Excluded	We would expect the acquirer to be clear in an ITC scenario.
Pre-existing relationships	Excluded	Complex
Reacquired rights	Excluded	Complex
Mutual entities	Excluded	Deals with special considerations for mutual entities seen as specialised industry
Share-based payment awards (replaced or of the acquiree)	Excluded	Not prevalent- deals with replacement of share-based payment awards.
Reverse acquisitions	Excluded	Not prevalent.
Put options to NCI	Excluded	Complex

IFRS 10	Proficiency Level	Description
<i>Read together with note 7 above on Group contexts. Then, all Level 3, except for:</i>		
Scope	Level 1	
Investment entities	Excluded	Specialised Industry
Delegated power	Excluded	Complex and Judgemental
Principle/agent considerations	Excluded	Principles covered under IFRS 15
Control of specified assets	Excluded	Industry specific
Subsidiaries acquired with a view to resale	Excluded	Principles covered under IFRS 5
Subsidiaries classified as held for sale or distribution	Excluded	Principles covered under IFRS 5

IFRS 11	Proficiency Level	Description
<i>Read together with note 7 above on Group contexts. Then, all Level 3, except for:</i>		
Scope	Level 1	
Joint operation accounting	Excluded	
Separate financial statements fair value option	Excluded	

IFRS 12	Proficiency Level	Description
<i>Read together with note 7 above on Group contexts. Then, all Level 3, except for</i>		
Scope	Level 1	
Investment entities	Excluded	Specialised Industry

IAS 27	Proficiency Level	Description
<i>Read together with note 7 above on Group contexts. Then, all Level 3, except for:</i>		
Scope	Level 1	
Investment entity	Excluded	
Fair value in the separate accounts	Excluded	
Equity method in the separate accounts	Excluded	
Group reorganisations	Excluded	

IAS 28	Proficiency Level	Description
<i>Read together with note 7 above on Group contexts. Then, all Level 3, except for:</i>		
Scope	Level 1	
Upstream and downstream transactions that involve assets that constitute a business	Level 1	
Venture capital/mutual fund exemption	Excluded	Venture capital/mutual fund exemption.
Classification as held for sale	Excluded	Not conceptual/prevalent.
Changes in interests in associate (but still an associate)	Excluded	
Investment entities	Excluded	
Separate financial statements fair value option	Excluded	
Interests in unconsolidated structured entities	Excluded	Complex

IAS 36	Proficiency Level	Description
All Level 3, except for:		
Read together with note 7 above on Group contexts, as well as related standards above.	Level 1	
Hyperinflation revalued depreciable assets recognised in OCI	Excluded	
Bearer plants (IAS 40.47)	Excluded	

IAS 2, 16, 23, 38, 40	Proficiency Level	Description
All Level 3, except for:		
Scope	Level 1	
Transfers between classes of assets	Level 1	
Revaluations - non-depreciable assets	Level 2	
Revaluations - depreciable assets	Excluded	
Bearer plants	Excluded	
Linked payments (IAS 40.32A - C)	Excluded	
Fair value adjustments with operating lease straight lining - double counting issue (IAS 40.50)	Level 2	
IAS 23 Borrowing Costs	Level 1	Whole standard at Level 1 where students know that borrowing costs can in principle be capitalised. No different to any other cost that is capitalised on initial measurement under IAS 16, 2, 40, 38. It does not seem to be a core issue to be able to calculate borrowing costs extensively.

IFRS 5	Proficiency Level	Description
All Level 3, except for:		
Scope	Level 1	
Disposal groups no longer classified as held for sale or distribution (individual assets withdrawn from the disposal group held for sale). Essentially changes to plan of sale.	Exclude	Not prevalent
Extension of period (B1)	Exclude	Not prevalent and not core

IAS 19	Proficiency Level	Description
All Level 2, except		
Scope	Level 1	
Post-employment benefits:		
• multi-employer plans	Excluded	
• defined plans that share risks between entities under common control	Excluded	
• state plans	Excluded	
• insured plans	Excluded	
Recognition and measurement		
• defined benefit plans	Excluded	
Other long-term employee benefits (para. 153 - 158)	Excluded	

IAS 37	Proficiency Level	Description
All Level 3, except for:		
Scope	Level 1	
Restructuring	Level 2	

IFRS 15	Proficiency Level	Description
All Level 3, except		
Scope	Level 1	
Step 1 - contracts: identification and combination	Level 1	
Step 1 – modifications	Level 1	
Step 3 - changes in transaction price	Level 2	
Construction industries	Excluded	Specialised
Application Guidance		
• Principal vs agent considerations	Level 2	
• Customer options for additional goods or services	Level 2	
• Customers unexercised rights	Level 2	
• Repurchase agreements	Level 2	
• Licensing	Excluded	

IFRS 16	Proficiency Level	Description
All Level 3, except for:		
Scope	Level 1	
Identifying a lease	Level 2	
Lessee:		
• Subsequent measurement:		
○ Lease modifications	Level 1	
Lessor:		
• Manufacturer or dealer lessor	Excluded	Specialised
• Lease modifications	Level 1	
• Sale and leaseback	Level 1	
Interest rate benchmark reform	Excluded	

IFRS 7, IFRS 9 & IAS 32	Proficiency Level	Description
<i>IFRS 7 is excluded, except for the scope (which is at Level 1)</i>		
<i>In reducing syllabus overload (specifically in IFRS 9), contextualisation in question scenarios can play an important role.</i>		
<i>Most of the principles in IFRS 9 are core (conceptual/prevalent), however the nature/terms of certain instruments are highly complex and possibly not appropriate to examine at the level of entry into the training contract.</i>		
Scope (IAS 32, IFRS 9, IFRS 7)	Level 1	This includes the "own use" exemption (IAS 32 par. 8 & IFRS 9 par. 2.4). It is important that candidates understand what financial instruments are, which ones are within the scope of IAS 32 / IFRS 9 / IFRS 7 (and their interaction) and which ones are within the scope of other standards. E.g., a finance lease meets the definition of a financial asset/liability (IAS 32) but is not classified and measured in accordance with IFRS 9, however the impairment and derecognition requirements of IFRS 9 applies, as well as the disclosures of IFRS 7.
Definitions (IAS 32, IFRS 9)		
POCI (purchased or originated credit-impaired) financial assets	Excluded	
All definitions relating to hedge accounting	Excluded	What is more important for practice, is to understand risk management and the business side of hedge management, as opposed to the accounting entries. Important though: in Financial Reporting candidates should still be able to account for derivatives (e.g., FECs) but not do hedge accounting in compliance with IFRS 9 Chapter 6.
All other definitions	Level 3	
Presentation (IAS 32)		
Basic classification (apply definitions & consider substance over form)	Level 2	

• Puttable instruments and obligations arising on liquidation (par. 16A - 16F & 22A)	Excluded	
• Compound financial instruments	Level 2	Vanilla type. Modifications – are at level 1.
• Contracts (options) on own equity instruments	Excluded	
• Treasury shares	Level 2	
• Interest, dividends, losses and gains (presentation in SPLOCI follows SFP classification)	Level 2	
• Offsetting a financial asset and financial liability	Level 2	
Initial recognition (IFRS 9)	Level 2	
Derecognition of financial liabilities (IFRS 9)	Level 2	
• Except for: Exchange of debt instruments (IFRS 9 par. 3.3.2 & B3.3.6)	Level 1	
Derecognition of financial assets: contractual rights expire (but excluding an assessment of applying the requirements to a part or a whole: see excluded below) (IFRS 9)	Level 2	Allows us to teach concept of derecognition.
Derecognition of financial assets: transfers / continued involvement and applying the requirements to a part or a whole (IFRS 9)	Excluded	-
Classification of financial assets and financial liabilities (measurement categories) (IFRS 9)	Level 2	The accounting of financial liabilities measured at FVTPL with own credit adjustments in OCI are included at a level 1
• Embedded derivatives (only pertains to liabilities) (IFRS 9)	Excluded	
• Hybrid instrument where the host is not a financial instrument (IFRS 9)	Excluded	

Initial measurement (IFRS 9) (link to IFRS 13)	Level 2	Core in the sense that it is an important measurement <u>principle</u> in IFRS 9. The actual measurement is in IFRS 13 (level indicated elsewhere).
First-day gains and losses	Level 1	Simple scenario where cash proceeds differ from initial fair value: usually take to Profit or Loss.
Regular way purchase or sale of financial assets (trade date and settlement date accounting) (IFRS 9)	Excluded	
Subsequent measurement of financial assets and financial liabilities (incl. amortised cost measurement & accounting for derivatives) (IFRS 9)	Level 2	
Financial guarantee contracts	Excluded	
Loan commitments	Excluded	
Extinguishing financial liabilities with equity instruments (IFRIC 19)	Level 2	
Modifications	Level 1	
Write off	Level 1	Actual write off as opposed to impairment allowance.
Impairment (IFRS 9):		
Understand the general vs simplified model for debtors & leases	Level 2	
Understand how to develop a provision matrix	Level 2	Universities could consider teaching this in Financial Management
Understand staging (i.e., move stage 1-2-3 and back) and rebuttable presumptions (30 days and low credit risk)	Level 2	
Understand the requirements of interest recognition for Stage 3	Level 2	
Be able to calculate impairment losses when underlying assumptions are given (e.g., IE12)	Level 2	Not required to develop underlying inputs like PD, EAD, LGD and not required to apply for complex entities like banks, specialised vehicle finance.

Identify when significant increase in credit risk or when credit impaired	Level 1	
Purchased and originated credit-impaired (POCI) financial assets	Excluded	
Reclassifications (IFRS 9)	Level 1	
Gains and losses (presentation follows measurement categories/classification) (IFRS 9)	Level 2	
Hedge accounting (IFRS 9) (and all aspects related thereto in IFRS 9).	Excluded	See note above.
AG and IE		AG levels follow related levels in the main body of the two standards.
Certain aspects of Contractual cash flows that are 'solely payments of principal and interest' on the principal amount outstanding (SPPI criterion) -	Excluded	
- Anything pertaining to negative or inverse interest rates, benchmark interest rate reform	Excluded	
- B4.1.20 - B4.1.26 Contractually linked instruments	Excluded	
- B5.4.2 Commitment fees	Excluded	Because loan commitments are excluded.
- B5.4.3/4 Monthly fees	Excluded	Due to complexity in practice.

IFRS 2	Proficiency Level	Description
All Level 3, except for:		
Scope	Level 1	
Measurement of fair value of options	Excluded	Not core
Treatment of a reload feature	Excluded	
If fair value cannot be determined (intrinsic value method)	Excluded	
Modifications and cancellations	Level 1	
SBP transactions with a net settlement feature for withholding tax obligations	Excluded	
SBP transactions with cash alternatives where counterparty has the choice of settlement	Excluded	Compound concept already addressed in IAS 32.
Replacement awards (IFRS 3)	Excluded	

The presentation brackets for profit or loss (P/L) and other comprehensive income (OCI) previously applied in journal entries remain appropriate and sufficient. A further breakdown of (P/L) presentation brackets into specific IFRS 18 activities is not required for journal entry purposes.

IFRS Accounting Standard: IFRS 18	Proficiency Level	Description
All Level 3, except for:		
Scope	Level 1	
Additional disclosures when compliance with the specific requirements in IFRS is insufficient	Excluded	Not core / Not prevalent
Presentation of entities with specified main business activities	Excluded	Not core
Judgement to determine whether to present additional line items	Excluded	Not core

Management-defined performance measures (MPMs) • Identification of MPMs • Disclosure of MPMs	Level 1 Excluded	Not core
Change in use of an asset	Level 1	To maintain alignment with the overall proficiency level of the topic in the PoE document
Classification of foreign exchange differences on transaction that does not involve only the raising of finance (specifically par. B67)	Excluded	Not core
Presentation and disclosure of expenses classified in the operating category using characteristics of nature and function (i.e., a mixture of function and nature)	Excluded	Not core / Not prevalent

9.3 ILLUSTRATIVE EXAMPLE: IFRS ACCOUNTING STANDARDS SYLLABUS

This example applies the proficiency levels to the concept of depreciation

Recognition, measurement, and presentation and disclosure of depreciation is included under D1. The required level of proficiency for this competency is level 3. However, to assist providers in differentiating between the applicable three proficiency levels (1, 2 and 3), examples for all three proficiency levels are provided. We focus on the concept of depreciation for the examples provided below to illustrate the level of knowledge, application and problem solving required for each of the proficiency levels.

It is important to note that the below is in the context of depreciation and how this specific topic progresses through the levels. Professional judgement will need to be applied for other topics, particularly in relation to integration within financial reporting and across disciplines.

Level 1: foundational level of competence

To satisfy the level 1 proficiency, the candidate can:

- identify and describe depreciation.
- explain when we calculate depreciation.
- explain the relevance of depreciation in achieving the objective of financial reporting.
- explain whether to recognise depreciation as an expense or as an asset.
- recognise depreciation as an issue and seek further guidance (no calculations required).
- No journals are required and candidates must identify that they need to bring an expert in.

Level 2: intermediate level of competence

To satisfy a level 2 proficiency, the candidate can (in addition to demonstrating proficiency at level 1):

- explain the reasoning for the different depreciation methods.
- explain the reasoning for the component approach.
- calculate the depreciation amount.
- apply judgement to select an appropriate depreciation method, residual value, and useful life.
- integrate across the different IFRS Accounting Standards to decide when depreciation is expensed or recognised as an asset, account for changes in the residual value and useful life, account for the implications relating to an impaired asset, account for the implications relating to an asset that is held for sale, correct prior period errors.
- explain the impact on the statement of cash flows.
- prepare the appropriate disclosure relating to depreciation.
- evaluate the appropriateness of the recognition, measurement, and presentation and disclosure of a depreciation in terms of IFRS.

The following examples illustrate the integration with other subjects:

- evaluate the treatment of depreciation in budgets, costing and decision-making.
- evaluate the treatment of depreciation in a DCF calculation.

Level 3: advanced level of competence

To satisfy a level 3 proficiency, the candidate can (in addition to demonstrating proficiency at levels 1 and 2):

- explain the reason why depreciation may differ to the allowances granted in terms of the SA Income Tax Act and integrate with IAS 12, *Income Taxes*.
- recognise, measure, present and disclose depreciation within a group context.
- propose an appropriate depreciation method, residual value, and useful life, integrating with MAF.
- evaluate the appropriateness of the depreciation disclosed in the financial statements, integrating with ethics (for example).

The following examples illustrate the integration with other subjects:

- evaluate the internal control procedures implemented by a business over its fixed assets register.
- formulate audit procedures to audit the depreciation amount.
- correctly adjust for depreciation in calculating taxable income, if starting with accounting profit before tax.

9.4 EXTRACT FROM GUIDANCE TO THE ACADEMIC PROGRAMME

TECHNICAL COMPETENCIES			
	1 Foundational level of competence	2 Intermediate level of competence	3 Advanced level of competence
Proficiency levels are distinguished with reference to: (i) level of knowledge of the subject matter, (ii) level of application and (iii) problem solving to distinguish proficiency levels. Display technical competence by:			
(i) Knowledge dimension	Identify and describe the key ideas / principles / fundamental concepts of the subject matter pertaining to routine and non-routine situations [Technical expertise or detailed knowledge not required]	Demonstrate a detailed and comprehensive understanding ² of the subject matter pertaining to routine situations.	
(ii) Application dimension	Identify and explain the significance and relevance of the subject matter and recognise the linkages with other subject matter(s).	• Apply the knowledge to non-complex routine situations. • Identify and utilise the relevant knowledge within and across competency area(s) in a limited manner.	• Apply the knowledge to complex routine situations. • Evaluate and synthesise the knowledge within and across competency areas (Integrative thinking is required).
(iii) Problem solving dimension	Recognise issues when encountered and seek further depth / guidance.	Prepare or analyse solutions for specified problems and applying limited judgement.	Evaluate or formulate solutions for specified and implicit problems – applying a high degree of rigour, and/or exercise sound judgement in making recommendations.

1. The proficiency levels build on each other. Intermediate level of competence means demonstrating proficiency at level 2, in addition to demonstrating proficiency at level 1. Advance level of competence means demonstrating proficiency at level 3, in addition to demonstrating proficiency at levels 1 and 2.

2. Definitions:

Routine situations	Situations (situations, events, or transactions) that are: (a) Prevalent, determined with reference to the frequency with which they occur in practice and how relevant they are in practice (occur frequently and are very relevant), (b) Of a size or degree of complexity likely to be encountered by a typical/generalist CA(SA) at the point of qualification, and (c) That require a typical/generalist CA(SA) at the point of qualification to apply knowledge and judgement to make a recommendation.
Non-routine situations	Situations (situations, events or transactions) that are: (a) Prevalent, determined with reference to how infrequently they occur in

² 'Detailed and comprehensive understanding' covers breadth and depth of the subject matter. The distinction between levels 2 and 3 is reflected in the application and problem-solving dimensions.

	practice and how relevant they are in practice (occur infrequently), (b) Of a size or degree of complexity unlikely to be encountered by a typical/generalist CA(SA) at the point of qualification, but (c) Of a size or degree of complexity that requires judgement at a different level of expertise or specialist knowledge. [In these situations, the typical/generalist entry level CA (SA) is expected to demonstrate a 'level 1 foundational level of competence']
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3. Complexity is influenced by the following factors:

1 Foundational level of competence	2 Intermediate level of competence	3 Advanced level of competence
Information		
• Structured • Limited amount of information	• Semi-structured • Larger amount of information	• Unstructured • Large amount of information
Technique/ What to do with information		
• Define, list, explain or contrast techniques or methods • Recall, translate or interpret information • Make basic predictions based on information • Relevant information provided • Choose the appropriate technique and apply to a problem	• Extract and/or summarise key information • Organise information by deconstruction • Mostly relevant information provided	• Identify various techniques and judge the appropriateness of each to solve a problem • Devise or create a method or technique to solve a problem • Organise information from various sources and evaluate information for accuracy • Distinguish between relevant and irrelevant information
Typical requirements/ verbs		
• Define and recall • Translations, interpretation and extrapolation • Applying theories or methods	• Calculations, analysis, classifications and calculations where one or more method is involved • Deconstruct a problem and understand how the parts fit together • Discussions, arguments or reasoning to perform an analysis or make decision	• Applying multiple techniques, adjustments, projections or recalculations to create a plan, solution or structure • Formulate a solution, make recommendations and come to a conclusion • Provide advice
Verbs		
Classify, Comprehend, Convert, Define, Demonstrate, Demonstrate appreciation, Demonstrate awareness, Demonstrate understanding, Describe, Discuss, Distinguish, Estimate, Explain, Express, Extend, Generalise, Give examples, Identify, Illustrate,	Analyse, Apply, Arrange, Assess, Assign, Break down, Calculate, Categorise, Change, Choose, Compare, Complete, Construct, Contrast, Compute, Construct, Criticise, Demonstrate, Describe with evaluation, Differentiate, Discover, Discuss, Distinguish,	Advise, Appraise, Argue, Arrange, Assemble, Assess, Choose, Collect, Combine, Compare (complex), Compose, Conclude, Construct, Contrast (complex), Create, Criticise, Defend, Design, Develop, Devise, Discriminate, Estimate, Evaluate, Explain, Formulate,

1 Foundational level of competence	2 Intermediate level of competence	3 Advanced level of competence
Infer, Interpret, List, Memorise, Name, Order, Outline, Paraphrase, Predict, Recall, Recognise, Restate, Rewrite, Select, State, Summarise, Translate, Understand, Write	Employ, Estimate, Examine, Experiment, Identify, Infer, Interpret, Investigate, Manipulate, Model, Modify, Operate, Order, Perform, Prepare, Prioritise, Produce, Question, Reconcile, Relate, Reorganise, Report, Review, Revise, Schedule, Select, Separate, Set up, Show, Solve, Summarise, Tell, Tabulate, Use, Utilise, Write	Generate, Integrate, Interpret, Invent, Judge, Justify, Manage, Organise, Plan, Predict, Propose, Rate, Rearrange, Recommend, Reconstruct, Relate, Reorganise, Resolve, Revise, Select, Set up, Solve, Summarise, Support, Synthesise, Tell, Value, Write

4. **NOTE:** Where no proficiency level is indicated against a learning outcome, this indicates that the academic programme must address the learning outcome, but that the learning outcome need not be formally assessed in the academic programme.
5. Learning and development as a CA(SA) continues post qualification and it is therefore reasonable to expect that in some roles CAs(SA) would reach a specialist or mastery level on some of the competencies and learning outcomes. This means that a proficiency level beyond a level 3 may be achieved or expected.
6. This further proficiency level can be described as:
 - a) Demonstrating specialist knowledge (depth of knowledge in a specific area),
 - b) Applying this specialist knowledge critically and creatively in complex, integrated and ambiguous situations which may involve multiple interpretations, and
 - c) Generating solutions for defined outputs for unspecified problems and applying a high degree of rigour while exercising sound professional judgement.
7. Once qualified, there is a need for a CA(SA) to apply the principle in the Code of Professional Conduct that requires the professional to evaluate and ensure they have the necessary professional competence and to exercise due care in performing their specific role. The requirement to continue to learn and develop post qualification is also clearly articulated in the SAICA CPD policy which seeks to measure ongoing lifelong learning and development.