

**Republic of the Philippines**  
**PROFESSIONAL REGULATION COMMISSION**

**BOARD OF ACCOUNTANCY**

**REVISED CPA LICENSURE EXAMINATION**  
**SYLLABI**

**Effective October 2006 Examination**

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**THEORY OF ACCOUNTS**  
(Effective October 2006 Examination)

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

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

- 1.0 Accounting and Financial Accounting Concepts
  - 1.1 Overview of accounting (definition, purpose and functions, uses of accounting information, branches of accounting)
  - 1.2 Accounting standard setting in the Philippines (institutions and process)
    - a. BOA
    - b. SEC
    - c. ASC/FRSC
    - d. IASB
  - 1.3 Conceptual framework for the presentation of financial statements
    - a. Nature of the framework
    - b. Purposes of the framework
    - c. Components of the framework
      - 1. Objective of the financial statements
      - 2. Qualitative characteristics of information
      - 3. Definition of the elements of financial statements
      - 4. Recognition of the elements of financial statements
      - 5. Measurement of the elements of financial statements
      - 6. Concepts of capital and capital maintenance
- 2.0 Presentation of Financial Statements
  - 2.1 Definition and nature of financial statements
  - 2.2 Responsibility for preparation of financial statements
  - 2.3 Components of financial statements
  - 2.4 Overall considerations in the preparation and presentation of financial statements
  - 2.5 Structure of the financial statements
  - 2.6 Minimum requirements for the content of the financial statements
    - a. Balance sheet
    - b. Income statement
    - c. Statement of changes in equity
    - d. Cash flow statement
    - e. Notes to financial statements
- 3.0 The Accounting Process
  - 3.1 Double-entry accounting system (definition, characteristics, and underlying concepts; distinguished from single entry; logic and techniques)
  - 3.2 The accounting cycle
  - 3.3 Accounting records (journals, ledgers, and voucher system)

- 4.0 Income Determination
  - 4.1 Approaches to income measurement
  - 4.2 Concepts of capital maintenance
  - 4.3 Concept of comprehensive income
  - 4.4 Bases for recognition of income
  - 4.5 Elements of income statement
  - 4.6 Revenue and gains (definition, recognition, measurement, and disclosure requirements)
  - 4.7 Expenses and losses (definition, recognition, measurement, and disclosure requirements)
- 5.0 Discontinued Operations
- 6.0 Accounting for Assets (nature, recognition, measurement, valuation, classification, derecognition, and disclosure)
  - 6.1 Concept of financial and non-financial assets
  - 6.2 Current assets
    - a. Cash and cash equivalents
    - b. Short-term investments (including financial assets at fair value through profit or loss, available-for-sale securities, derivatives)
    - c. Trade and non-trade receivables (including receivable financing)
    - d. Inventories (except LIFO, peso value-LIFO, retail LIFO, and conventional retail method)
    - e. Prepaid expenses
    - f. Other financial assets
  - 6.3 Noncurrent assets
    - a. Noncurrent investments (including held-to-maturity securities, available-for-sale securities, investment in associates, investments in joint ventures, other financial instruments, and investment property)
    - b. Property, plant, and equipment
    - c. Intangibles and other noncurrent assets (including noncurrent assets held for sale)
  - 6.4 Impairment of assets
- 7.0 Accounting for Liabilities (nature, recognition, measurement, valuation, classification, disposition, and disclosure)
  - 7.1 Concepts of financial vs. non-financial liabilities
  - 7.2 Current liabilities (including provisions)
  - 7.3 Noncurrent liabilities
  - 7.4 Debt restructuring
  - 7.5 Other financial liabilities
- 8.0 Accounting for Equity (nature, recognition, measurement, retirement, and disclosure)
  - 8.1 Preference and ordinary shares
  - 8.2 Additional paid-in capital
  - 8.3 Revaluation surplus
  - 8.4 Retained earnings (including dividends and appropriations/accumulated profit or loss)
  - 8.5 Capital restructuring (quasi-reorganization, recapitalization)
  - 8.6 Treasury stock

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

**THE CPA LICENSURE EXAMINATION SYLLABUS  
BUSINESS LAW**

(50% of Business Law and Taxation)  
(Effective October 2006 Examination)

This subject tests the candidates' knowledge of the legal implications of business transactions, business associations, and negotiable instruments, particularly as they relate to accounting and auditing situations. Candidates should know and understand the pertinent legal provisions, general principles, concepts, and underlying philosophy of the law.

The business law examination is not intended to test the candidates' competence to practice law or their expertise in legal matters but to determine that their knowledge is sufficient to enable them to recognize the legal implications of business situations, apply the underlying principles of law to accounting and auditing, and know when to seek legal counsel or recommend that it be sought.

Each examination will contain a minimum of 25 and maximum of 35 multiple choice questions, allocated to the different subject areas, as indicated below:

**I. LAW ON BUSINESS TRANSACTIONS**

1.0 Obligations and Contracts

1.1 Obligations

- a. Sources of obligations and their concepts
  - 1. Law
  - 2. Contracts
  - 3. Quasi-contracts
  - 4. Delicts
  - 5. Quasi-delicts
- b. Kinds of obligations in general under the Civil Code
- c. Specific circumstances affecting obligations in general
  - 1. Fortuitous events
  - 2. Fraud
  - 3. Negligence
  - 4. Delay
  - 5. Breach of contract
- d. Duties of the obligor in obligation to do or not to do
- e. Extinguishment of obligation with special emphasis on
  - 1. Payment of debts of money
  - 2. Mercantile documents as means of payment
  - 3. Special forms or modes of payment
  - 4. Remission or condonation, confusion, compensation and novation
  - 5. Effect of insolvency and bankruptcy on extinguishment of obligation

1.2 Contracts

- a. Concepts and classification
- b. Elements and stages
- c. Freedom from contract and limitation
- d. Persons bound
- e. Consent
  - 1. Capacitated persons
  - 2. Requisites
  - 3. Vices of consent
- f. Objects of contracts

- g. Considerations of contracts
- h. Formalities of contracts
- i. Interpretation and reformation of contract
- j. Defective contracts
  - 1. Rescissible
  - 2. Voidable
  - 3. Unenforceable
  - 4. Void

## 2.0 Contract of Sales

- 2.1 Nature, forms and requisites
- 2.2 Distinguished from
  - a. Dacion en pago
  - b. Cession in payment
  - c. Contract for a piece of work
  - d. Barter
- 2.3 Earnest money as distinguished from option money
- 2.4 Rights/obligations of vendor and vendee
- 2.5 Remedies of unpaid seller
- 2.6 Warranties (in relation to consumer laws)
- 2.7 Sale with a right to repurchase or conventional redemption, legal redemption
- 2.8 Sale on credit
- 2.9 Installment sales
  - a. Personal property – Recto Law
  - b. Real property – Maceda Law
  - c. PD 957 / Condominium Act

## 3.0 Contract of Agency, Pledge and Mortgage

- 3.1 Contract of agency
  - a. Nature, forms and kinds of agency
  - b. Obligations of agents and principals
  - c. Guaranty of commission agents
  - d. Modes of extinguishing an agency
- 3.2 Pledge
  - a. Nature and binding effect on third persons
  - b. Obligations/rights of pledgor and pledgee
  - c. Pactum commissorium
  - d. Modes of extinguishments
- 3.3 Mortgage
  - a. Real and chattel
    - 1. Nature
    - 2. Requisites
    - 3. Rights and obligations of mortgagor and mortgagee
    - 4. Requisites to have binding effect on third persons
    - 5. Mode of extinguishment

## II. LAW ON BUSINESS ASSOCIATIONS

### 4.0 Partnership

- 4.1 Nature and as distinguished from corporation
- 4.2 Elements and kinds
- 4.3 Formalities required

- 4.4 Rules of management
- 4.5 Distribution of profits and losses
- 4.6 Sharing of losses and liabilities
- 4.7 Modes of dissolution
- 4.8 Limited partnership

## 5.0 Corporations

- 5.1 Nature and classes of corporation
- 5.2 Requirements for organization
- 5.3 Powers of a corporation
  - a. Expressed
  - b. Implied
  - c. Incidental
- 5.4 Board of Directors/Corporate Officers
  - a. Qualifications
  - b. Election and removal
  - c. Powers and fiduciary duties
- 5.5 Classes of stocks
  - a. Concepts
  - b. Subscriptions
- 5.6 Powers, duties, rights and obligations of stockholders
- 5.7 Majority and minority control
- 5.8 Corporate reorganization
  - a. Mergers
  - b. Consolidations
  - c. Other business combinations
- 5.9 Modes of dissolution and liquidation
- 5.10 Foreign corporations
  - a. License to do business
    - 1. Purpose of the license
    - 2. Requirements for application/ issuance of license
    - 3. Consequence of doing business without a license
  - b. Definition and rights of foreign corporations
  - c. Definition of doing business and its relation to foreign investments
  - d. Resident agent (purpose, qualifications)
  - e. Suits against foreign corporations
  - f. Suspension/revocation of license
  - g. Withdrawal from business
- 5.11 Kinds and availability of corporate books

## III. LAW ON NEGOTIABLE INSTRUMENTS

### 6.0 Negotiable Instruments Law

- 6.1 Negotiability of instrument
- 6.2 Functions and kinds of negotiable instruments
- 6.3 Construction of ambiguous instrument
- 6.4 Parties and their liabilities
- 6.5 Indorsements
- 6.6 Accommodation party
- 6.7 Consideration
- 6.8 Manner and consequence of transfer of instruments

- 6.9 Dishonored instruments and its effects (including clearing house rules and BP 22)
- 6.10 Requisites of holder in due course
- 6.11 Defense of parties
- 6.12 Forgery and its effects
- 6.13 Discharge of negotiable instruments and the parties secondarily liable.



**THE CPA LICENSURE EXAMINATION SYLLABUS  
TAXATION**

(50% of Business Law and Taxation)  
(Effective October 2006 Examination)

This subject tests the candidates' conceptual knowledge and proficiency in the practical application of the basic principles of taxation as they relate to accounting practice. The emphasis is on the application of the theory and principles in solving tax problems. Candidates are expected to know, understand and be able to apply the laws on income tax, business taxes (value-added and percentage taxes), estate tax, donors tax, as well as Revenue Regulations and Court of Tax Appeals and Supreme Court decisions.

Candidates should know the tax rates for computing taxes, except for the following where the tax rates will be given:

- schedular income tax rates for individuals
- schedular estate tax rates; and
- schedular donor's tax rates.

Each examination will contain a minimum of 25 and maximum of 35 multiple choice questions allocated to the different subject areas, as indicated below.

- 1.0 Principles of Taxation and its Remedies
  - 1.1 Nature, scope, classification, and essential characteristics
  - 1.2 Principles of sound tax system
  - 1.3 Limitations of the power of taxation (inherent limitations and constitutional limitations)
  - 1.4 Differences between taxation and police power
  - 1.5 Differences between taxation and eminent domain
  - 1.6 Similarities among taxation, police power and eminent domain
  - 1.7 Tax evasion vs. tax avoidance
  - 1.8 Sites/place of taxation
  - 1.9 Double taxation (direct and indirect)
  - 1.10 Taxes
    - a. Essential characteristics
    - b. Classification
    - c. Tax vs. other charges (toll, special assessment, license fee, debt)
- 2.0 Powers and Authority of the Commissioner of Internal Revenue under Section 4 to 7, Title 1 of the Tax Code
- 3.0 Authority of the Commissioner to Compromise Tax Payments, Abate or Cancel Tax Liability and Refund or Credit Taxes
- 4.0 Tax Remedies
  - 4.1 Remedies of the government (State)
    - a. Definition, scope, prescriptive period
    - b. Administrative remedies (tax lien, compromise, levy and distraint)
    - c. Judicial actions (civil or criminal)
  - 4.2 Remedies of the taxpayer
    - a. Prescriptive periods
    - b. Administrative remedies
      - 1. Against an assessment (protest, request for reinvestigation)

2. Request for refund or credit of taxes (recovery of erroneously or illegally collected taxes, forfeiture of cash refund and tax credit)
- 4.3 Expanded jurisdiction of the Court of Tax Appeals (limited to jurisdiction)
- 5.0 Income Tax
  - 5.1 Taxpayer and tax base
    - a. Individuals
      1. Classification (citizens, aliens, pure compensation income earner, pure business or professional income earner, mixed income earner)
      2. Basic and personal exemptions
      3. Premium payments for health and/or hospitalization insurance
      4. Tax on aliens employed by regional operating headquarters of multinationals, offshore banking units, petroleum service contractor or subcontractor
    - b. Corporations
      1. Classification (domestic and foreign)
      2. Income taxes
        - (a) Regular corporate income tax
        - (b) Minimum corporate income tax
        - (c) Optional corporate income tax
        - (d) Improperly accumulated earnings tax
      3. Special corporations
        - (a) Domestic (proprietary educational institution, non-profit hospitals, government owned or controlled corporation, etc.)
        - (b) Resident foreign (international carriers, offshore banking units, regional operating headquarters of multinationals, branch profits remittances)
        - (c) Non-resident foreign (lessors of equipment, aircraft and machinery; owners of vessels chartered by Philippine nationals, lessor, distributor or owner of cinematographic films)
    - c. Partnerships (general professional partnerships and business partnerships)
    - d. Joint ventures (exempt and taxable)
    - e. Estate and trust (exempt and taxable)
  - 5.2 Gross income
    - a. Inclusions in the gross income (compensation for services, income derived from business, trade practice of profession, gains derived from dealings in property, interest, rents, royalties, dividends, annuities, prizes and winnings, pensions, partner's distributive share from the net income of the general professional partnership; other income including special problems such as mergers and consolidation, transfers to controlled corporation, wash sale)
    - b. Exclusions from gross income
    - c. Passive income subject to final tax
    - d. Capital gains tax on sale of real property classified as capital asset and the applicable documentary stamp tax (including exemption from the capital gains tax)
    - e. Capital gains tax on sale of shares of stock not through the local stock exchange and the applicable documentary stamp tax
    - f. Final income tax on fringe benefits (including exemptions)
  - 5.3 Deductions from gross income
    - a. Itemized deductions
    - b. Items not deductible
    - c. Optional standard deduction

- 5.4 Accounting periods (calendar year, fiscal year, short accounting period)
  - 5.5 Accounting methods (cash, accrual, installment method, deferred payment method, lump sum or outright method, annual or spread out method, percentage of completion method, networth method of determining taxable income)
  - 5.6 Tax return preparation and tax payments (venue and due dates)
    - a. Regular filing (including substituted filing of return and electronic filing)
    - b. Large taxpayers and non-large taxpayers
    - c. Income tax credits (local and foreign)
    - d. Payment of taxes in installment
      - 1. Capital gains tax
      - 2. Tax due exceeds P2,000.00
  - 5.7 Withholding taxes (at source, expanded or creditable withholding tax, final withholding taxes and withholding tax on government payments)
- 6.0 Compliance Requirements
- 6.1 Administrative requirements (registration, issuance of receipts, printing of receipts)
  - 6.2 Attachments to the income tax return, including CPA certificate, per NIRC requirement
  - 6.3 Keeping of books of accounts and records, including report of inventories
  - 6.4 Prescriptive period of books of accounts and other accounting records
- 7.0 Transfer Taxes
- 7.1 Estate taxes
    - a. Gross estate
    - b. Deductions allowed to estate (ordinary and special deductions)
    - c. Tax credit for estate tax paid to a foreign country
    - d. Filing of estate tax returns, payment of estate tax requirements
    - e. Attachments to the estate tax return, including CPA certificate
  - 7.2 Donor's tax
    - a. Gross gift
    - b. Exemption of certain gifts and other deductions from gross gift
    - c. Tax rates in general and when the donee is a stranger
    - d. Filing of donor's tax returns, payment and requirements
- 8.0 Value Added Tax
- 8.1 VAT-subject transactions
    - a. Sale of goods or properties (actual sales, deemed sales, zero rated sales)
    - b. Sale of services and lease of properties (actual sales or lease, zero rated sales)
    - c. Importation
  - 8.2 VAT exempt transactions
  - 8.3 Input value added taxes
    - a. Passed-on VAT
    - b. Transitional VAT input
    - c. Presumptive VAT input
    - d. Withholding VAT (creditable and final)
    - e. Excess VAT input in previous return
  - 8.4 Refund of VAT input (zero rated sales, purchase of land and capital goods)
  - 8.5 Compliance requirements (invoicing, returns and payment of value added tax; power of the Commissioner to suspend business)

- 9.0 Percentage Taxes
  - 9.1 Taxpayer, tax base and tax rates
  - 9.2 Tax on persons exempt from value added tax (annual gross sales or receipts do not exceed P550,000.00)
  - 9.3 Tax on domestic or international carrier (including exemptions)
  - 9.4 Tax on franchise
  - 9.5 Overseas communications tax (including exemptions)
  - 9.6 Tax on banks and non-bank financial intermediaries performing quasi-banking functions
  - 9.7 Tax on other non-bank financial intermediaries
  - 9.8 Tax on life insurance
  - 9.9 Tax on agents of foreign insurance companies
  - 9.10 Amusement taxes
  - 9.11 Tax on winnings
  - 9.12 Stock transaction tax
  - 9.13 Returns and payment of percentage tax (regular and electronic filing)
- 10.0 Community Tax (computation of basic, additional and optional community tax for individuals and corporations and the maximum amount due)
- 11.0 Additions to Tax
  - 11.1 Surcharges (late filing/payment, wrong venue, willful neglect, false or fraudulent returns)
  - 11.2 Interests (on deficiency, on delinquency, on extended payments)
  - 11.3 Compromise penalties, amount to be specified in the problem.

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**MANAGEMENT SERVICES**  
(Effective October 2006 Examination)

This subject tests the candidates' knowledge of, and proficiency in the concepts, standards, techniques, and methodology applicable to management services / consultancy practice by CPAs; management accounting; financial management-related services; capital budgeting concepts and techniques; and project feasibility studies.

Each examination will contain a minimum of 50 and a maximum of 70 multiple choice questions, allocated to the different subject areas, as indicated below.

**1.0 Management Accounting-Related Services**

**1.1 Role, historical perspective, and direction of management accounting**

- a. Objectives, scope, relationship with financial accounting and cost accounting; role and activities of management accountant; controller as top management accountant; organization structure and management accountant; the changing role and expanding role of management accountant.
- b. Management Accounting Information System  
Management functions and accounting; information needs of managers and other users for planning and control (value chain and enhancing the value of management accounting system); international aspects of management accounting
- c. Management Accounting and Ethical Conduct  
Ethical behavior and code of conduct of management accountants; Code of conduct on the international level
- d. Current focus of Management Accounting  
Impact on organization structure; focus on the customer; cross-functional teams; computer integrated manufacturing; product life cycles and diversity; time-based competition; global competition; information and communication technology management; just-in-time inventory; total quality management; continuous improvement and benchmarking; cost management system; computer-aided design and manufacturing automation; e-commerce.
- e. Certification available to Management Accounting  
The Institute of Management Accountants and CMA Certification

**1.2 Foundations of management accounting**

- a. Understanding and analysis and interpretation of financial statements
  1. Objectives, general approach, limitations and steps in financial statements analysis
  2. Identification of matters for further interpretation of information produced; assessment of the impact of price level changes in financial analyses
  3. Analysis of business performance and financial position such as comparative financial statements, trend percentages, common-size financial statements, financial ratios; cash flow analysis and gross profit variation analysis
- b. Cost terms and concepts / cost behavior / design of cost and management accounting systems

1. Nature and classification of costs
  2. Basics of cost behavior; cost classification on financial statements; flow of costs in manufacturing, commercial, trading or service companies
  3. Splitting mixed costs - high-low method, least-squares regression, scatter graph
  4. System design: Job order costing and process costing
  5. System design: Activity-based costing and management; rationale, advantages, limitations and design of an ABC system.
- c. Variable costing and absorption costing
1. Underlying concepts, advantages and disadvantages of variable costing
  2. Comparison between variable costing and absorption costing
  3. Preparation of financial statements under variable and absorption costing including reconciliation of net income
- d. Business planning
1. Objectives and uses of a business plan
  2. Distinction between a business plan and strategic plan
  3. Setting short term objectives consistent with long term strategies
  4. Development of business plans to meet agreed objectives; basic segments and contents of a business plan
  5. Strategic planning
- 1.3 Management accounting concepts and techniques for planning and control
- a. Cost-volume-profit relationships
1. Basic concepts, significance, uses, assumptions and limitations of CVP analysis
  2. CVP analysis with changes in cost structure; CVP analysis for a multi-product firm
  3. Concept of margin of safety, operating leverage and profit planning
- b. Responsibility accounting, transfer pricing, performance evaluation, and balanced scorecard
1. Goal congruence and motivation
  2. Types of responsibility centers (revenue, cost, profit and investment); transfer pricing - rationale and need; alternative transfer pricing schemes and multinational transfer pricing
  3. Advanced analysis and appraisal of performance: financial and non-financial performance measures
  4. Performance measurement in multinational companies; distinguishing performance of managers from performance of organization units; executive performance measures and compensation; environmental and ethical responsibilities
  5. Nature of the balanced scorecard; perspectives of the balanced scorecard; aligning the balanced scorecard to strategy; features of a good balanced scorecard; pitfalls when implementing a balanced scorecard
  6. Evaluation of the success of strategy; strategic analysis of operating income
- c. Functional and activity-based budgeting

1. Definition of budget
  2. Difference between planning and control
  3. Functions of budgeting
  4. The purposes of the budget
  5. Advantages and limitations of budgets
  6. Types of budgets
  7. Budgeting terminologies defined
  8. The management process of preparing the master budget
  9. The budget period
  10. Budget cycle of a manufacturing firm
  11. Steps in developing a master budget
  12. Comprehensive budget illustrated
  13. Flexible budgeting
  14. Fixed and flexible budget variance compared
- d. Standard costing and variance analysis
1. Rationale, users, benefits, limitations of standard costs; international uses of standard cost; how standards are set; performance measurement using variances; operating performance evaluation
  2. Analysis of variances
    - (a) Direct material variances (price, quantity, mix and yield variances)
    - (b) Direct labor variances (rate, efficiency, mix and yield variances)
    - (c) Factory overhead variances - Two-way method (budget variance and volume variance); Three-way method (spending variance, variable efficiency variance and volume variance); Four-way method (variable spending variance, fixed spending variance, variable efficiency variance and volume variance)
- 1.4 Management accounting concepts and techniques for decision making
- a. Quantitative techniques
1. Rationale in using quantitative techniques
  2. Decision theory
  3. Decision making under certainty / under uncertainty; assigning probabilities; expected value of perfect information; pay-off
  4. Gantt chart: preparation, illustration, advantages
  5. Decision tree: underlying concepts, advantages and limitations, steps in making a decision tree, illustrative problem: preparation of a decision tree
  6. Linear programming: nature and application, steps in formulation of a linear program, computational methods of linear programming (graphic and simplex); Shadow prices
  7. Sensitivity analysis
  8. Queuing theory
  9. Program evaluation and review techniques (PERT): basic underlying concepts, expected activity time, concept of critical path,

cost estimating, crashing the network, PERT - cost network, variation in activity time, variation along a path, accountant's role in PERT, benefits and limitations of PERT

10. Learning curve
  - b. Using accounting information in decision making, relevant costs and benefits
    1. Decision making process
    2. Identifying relevant costs
    3. Approaches in analyzing alternatives in non-routine decisions
    4. Types of decisions  
Make or buy decisions, adding or dropping product segments, sell now or process further, special sales pricing, utilization of scarce resources, shutdown or continue operations, pricing products and services, and other business decisions requiring quantitative analysis
  - c. Capital budgeting decisions
    1. Definition, characteristics, categories, and elements of capital budgeting decisions
    2. Net investment, net cash returns, cost of capital, screening capital budgeting projects
    3. Non-discounted cash flow methods - payback, payback reciprocal, bailout, accounting and average rate of return
    4. Discounted cash flow methods - net present value, profitability index, discounted payback and internal rate of return; equalized annual return (ear)
    5. Screening decisions – independent projects; preferences decisions – mutually exclusive projects, ranking investment projects; capital rationing, sensitivity analysis; NPV point of indifference (fisher rate)
  - d. Decentralized operations and segment reporting
    1. Decentralized operations
      - (a) Nature of decentralized operation
      - (b) Advantages of decentralization
      - (c) Limitations of decentralization
    2. Segment reporting
      - (a) Levels of segmented statement
        - (1) Segmented income statement in the contribution format
        - (2) Sales and contribution margin
        - (3) Traceable and common fixed costs
        - (4) Problems related to proper cost assignment
          - (i) Omission of costs
          - (ii) Inappropriate methods for allocating costs among segments
          - (iii) Arbitrarily dividing common costs among segments
- 1.5 Advanced management control and strategic performance measurement
- a. Advanced analysis and appraisal of performance: financial and non-financial
    1. Financial and nonfinancial performance measures



2. Steps in designing accounting-based performance measures
3. Performance measurement in multinational companies
4. Computation of foreign division's ROI
5. Distinguishing performance of managers from performance of organization units
6. Financial and nonfinancial incentives
- b. Managing productivity and marketing effectiveness
  1. Managing productivity
  2. Measuring productivity
    - (a) Partial productivity
      - (1) Partial operational productivity
      - (2) Partial financial productivity
      - (3) Advantages / limitations of partial productivity measures
    - (b) Total productivity
      - (1) Benefits and limitations of total productivity measures
  3. Managing marketing effectiveness
  4. Summary of variance analysis to assess marketing effectiveness
- c. Executive performance measures
  1. Objectives of management compensation
  2. Executive performance measures and compensation
  3. Cash compensation
  4. Noncash compensation
  5. Bonus plans
    - (a) Bases for bonus compensation
    - (b) Bonus compensation pools
    - (c) Bonus payment options
  6. Performance measures at the individual activity level
  7. Performing tasks
  8. Team-based compensation arrangements
  9. Environmental and ethical responsibilities

## 2.0 Management Consultancy Practice by CPAs

### 2.1 An overview

- a. Evolution of MAS, developing trends, future prospects
- b. Nature of MAS by independent accounting firms, rationale of using management consultants, independent accounting firm's role in MAS and CPA's objective engaging in MAS
- c. Areas of Management Advisory Services  
Areas of MAS practice: traditional and emerging; Determining scope of service; Types of client served
- d. Professional attributes of management consultants (technical, interpersonal and consulting process skills)

- e. Code of ethics for professional accountants in the Philippines applicable to non-assurance services
- f. Organization and management of the MAS practice
- 2.2 Stages of management consulting engagement
- 2.3 Project management and control
- 2.4 Presentation of engagement reports
- 2.5 Management of the client relationship
- 2.6 Management of people relationships
- 2.7 Managing the quality of consulting engagements
- 3.0 Financial Management-Related Consultancy Services
  - 3.1 Financial forecasting
    - a. Role of financial management
    - b. Objectives of the firm
    - c. Nature of financial forecasting
    - d. Steps in financial forecasting
    - e. Projected financial statement method
  - 3.2 Working capital management and financing decision
    - a. Basic concepts and significance of working capital management
    - b. Working capital policy, advantages of adequate working capital, disadvantages of inadequate or excessive working capital, alternative current asset investment and financing policies, risk- return trade off, external financing needed (EFN)
  - 3.3 Management of current assets
    - a. Objectives of current assets management; cash conversion cycle
    - b. Cash and marketable securities management
      - 1. Objectives, reasons for holding cash, cash management techniques
      - 2. Reasons for holding marketable securities, factors influencing the choice of marketable securities
    - c. Receivables management
      - 1. Objectives, factors in determining accounts receivable policy, costs associated with accounts receivable, summary of trade-offs in credit and collection policies
      - 2. Marginal or incremental analysis of credit policies
    - d. Inventory management
      - 1. Objectives, reasons for carrying inventories
      - 2. Inventory management techniques
      - 3. Inventory control systems
  - 3.4 Short-term credit for financing current assets
    - a. Factors in selecting source of short- term funds
    - b. Estimating costs of short term funds
    - c. Sources of short-term funds
    - d. Secured short-term financing - pledging of accounts receivable, factoring accounts receivable; inventory financing

- 3.5 Long-term financing decisions
  - a. Basic concepts, basic tools of capital structure management
  - b. Factors influencing capital structure decisions
  - c. Incorporating capital structure into capital budgeting; weighted average cost of capital (WACC)
  - d. Effects of operating leverage and financial leverage on capital structure; optimal capital structure
  
- 3.6 Sources of financing
  - a. Intermediate and long-term financing
    - 1. Principal sources of funds
    - 2. Debt financing
      - (a) Benefits and drawbacks of debt
      - (b) Term loans
      - (c) Bonds or long-term debt
        - (1) Retirement of bonds
    - 3. Equity financing
      - (a) Ordinary shares
      - (b) Retained earnings
  - b. Hybrid financing: Preference shares, leasing, options, warrants, and convertibles
    - 1. Preference share
      - (a) Advantages and disadvantages of issuing preference share
    - 2. Leasing
      - (a) Potential benefits from leasing
      - (b) Capital or finance lease
      - (c) Operating lease
    - 3. Convertibles
    - 4. Option
    - 5. Warrants
  
- 4.0 Preparation of Project Feasibility Studies Engagements
  - 4.1 Nature, purpose and component, development and analysis of project revenue costs under specific assumptions
  - 4.2 Procedures in the preparation of projected financial statements
  - 4.3 Analysis of financial projections
  
- 5.0 Information Systems Engagements
  - 5.1 Management Information Systems Engagement
    - a. Fundamentals of computer-based processing
      - Data processing defined; data and information distinguished; basic elements of data processing system and operation; methods of data processing; overview of computer-based data processing; components of the computer

system; flowcharts; hierarchy of computer processes; modes of computer operations; telecommunications.

- b. Accounting information system engagement  
Basic concepts; objective of an accounting information system, its essential elements and characteristics; basic components of a manual accounting system; overview of a computerized accounting information system; difference between manual and computerized processing system common business applications of computers
- c. Information systems audit

## 6.0 Other Consultancy Services

### 6.1 Operational auditing

- a. Nature
- b. Effectiveness versus efficiency; economy
- c. Objectives of operational audits
- d. Scope of operational audit
- e. Distinction between operational auditing and financial auditing
- f. Types of operational audits
- g. Who performs operational audit?
- h. General approach to operational audit
  - 1. Planning phase
  - 2. Evidence accumulation and evaluation
  - 3. Reporting and follow-up
- i. Illustrative reports
- j. Examples of operational audit findings

### 6.2 Business process improvement / Re-engineering consultancy services

- a. Nature and objectives
- b. Approach

## 7.0 Business Environment and Concepts\*

### 7.1 Business structure

- a. Advantages, implications and constraints of legal structure for business
  - 1. Sole proprietorship and general and limited partnership, corporation
  - 2. Limited liability companies (LLC), limited liability partnership (LLP) and joint ventures
- b. Formation, operation, and termination of business
- c. Financial structure, capitalization, profit and loss allocation and distribution
- d. Rights, duties, legal obligations and authority of owners and management (directors, officers, stockholders, partners and other owners)

### 7.2 Economic concepts essential to obtaining an understanding of the entity's business and industry

- a. Business cycles and reasons for business fluctuations
- b. Economic measures and reasons for changes in the economy, such as inflation, deflation and interest rate changes
- c. Market influences on business strategies, including selling, supply chain and customer management strategies

- d. Implication to business of dealings in foreign currencies, hedging and exchange rate fluctuations

\* *To be effective in the October 2007 Examination*

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**AUDITING THEORY**  
(Effective October 2006 Examination)

This subject tests the candidates' conceptual knowledge and understanding of assurance and related services performed by professional accountants. Candidates should know and understand the nature of assurance and related services particularly independent audits of financial statements, the responsibilities of professional accountants; the audit process; audit objectives, evidence, procedures, auditing standards, and the elements of the independent auditors' report. In all the areas included, the candidate shall apply the Philippine Standards on Auditing (PSA) and other regulatory laws and regulations in effect at the time of examination.

Each examination will contain a minimum of 80 and a maximum of 100 multiple-choice questions, equitably allocated to different subject areas, as indicated below:

- 1.0 Fundamentals of Auditing and Assurance Services
  - 1.1 Introduction to assurance engagements
    - a. Nature, objective and elements
    - b. Types of assurance engagements (audits, reviews, other assurance engagements)
    - c. Assurance service vis-à-vis attestation services
  - 1.2 Introduction to auditing
    - a. Nature, philosophy, and objectives
    - b. Types of audit
      - 1. According to nature of assertion/data (financial statements audit, operational audit, compliance audit)
      - 2. According to types of auditor (external independent financial statements audit, internal audit, government audit)
  
- 2.0 The Professional Practice of Public Accounting
  - 2.1 Public accounting profession
    - a. Public accounting as a profession
    - b. Organizations that affect public accounting
      - 1. Regulatory government agencies (Professional Regulatory Board of Accountancy, Commission on Audit, Securities and Exchange Commission, Bangko Sentral ng Pilipinas, Insurance Commission, Bureau of Internal Revenue)
      - 2. Standard-setting bodies (Auditing and Assurance Standards Council, Financial Reporting Standards Council)
    - c. Regulation of the public accounting practice
      - 1. Philippine Accountancy Act of 2004 / Implementing Rules and Regulations
      - 2. SEC rulings on financial statement presentation
  - 2.2 The CPA's professional responsibilities
    - a. Philippine Standards on Auditing
    - b. Code of Ethics for Professional Accountants in the Philippines
    - c. Quality control
    - d. Responsibilities on fraud, error, and noncompliance

- 3.0 The Financial Statements Audit –Client Acceptance, Audit Planning, Supervision and Monitoring
  - 3.1 Overview of the audit process
  - 3.2 Pre-engagement procedures
  - 3.3 Scope and purposes of audit planning
    - a. Essential planning requirements
      - 1. Knowledge of the business
      - 2. Preliminary analytical procedures
      - 3. Materiality
      - 4. Assessing and managing audit risks
      - 5. Overall audit plan and audit program
      - 6. Considerations of the work of others (experts, internal auditor, other independent auditors)
  - 3.4 Direction, supervision and review
- 4.0 Understanding the Entity and its Environment Including its Internal Control and Assessing the Risks of Material Misstatement
  - 4.1 Industry, regulatory and other external factors, including the applicable financial reporting framework
    - a. Nature of the entity
    - b. Objectives and strategies and related business risks
    - c. Measurement and review of the entity's financial performance
  - 4.2 Internal control
    - a. Basic concepts and elements of internal control
    - b. Consideration of accounting and internal control systems
      - 1. Understanding and documentation
      - 2. Assessment of control risks
        - (a) Test of controls
        - (b) Documentation
  - 4.3 Assessing the risks of material misstatement
    - a. Fraud and errors
    - b. Risk assessment procedures
    - c. Discussion among the engagement team
    - d. Significant risks that require special audit consideration
    - e. Risks for which substantive procedures alone do not provide sufficient appropriate audit evidence
    - f. Revision of risk assessment
  - 4.4 Communicating with those charged with governance and management
- 5.0 Audit Objectives, Procedures, Evidences and Documentation
  - 5.1 Nature and significance
  - 5.2 Evidential matters
  - 5.3 Audit procedures / techniques
  - 5.4 Audit working papers
- 6.0 Audit Sampling
  - 6.1 Basic audit sampling concepts
    - a. Nature and purpose
    - b. Non-statistical and statistical sampling
    - c. Attribute and variables sampling technique
    - d. Sampling and nonsampling risk

- e. Testing procedures which do not involve sampling
  - 6.2 Factors affecting sample design
    - a. Audit objectives
    - b. Population and its characteristics
    - c. Risk and assurance
    - d. Tolerable error
    - e. Expected error in the population
    - f. Variation in the population
  - 6.3 Factors affecting sample size
  - 6.4 Sample selection methods
  - 6.5 Evaluation of sample results
- 7.0 Completing the Audit / Post-Audit Responsibilities
  - 7.1 Completing the audit and audit report preparation
    - a. Analytical procedures for overall review
    - b. Related party transactions
    - c. Subsequent events review
    - d. Assessment of going concern assumption
    - e. Obtaining client's representation letter
    - f. Evaluating findings, formulating an opinion and drafting the audit report
  - 7.2 Post-audit responsibilities
    - a. Subsequent discovery of facts
    - b. Subsequent discovery of omitted procedures
- 8.0 Reports on Audited Financial Statements
  - 8.1 The unqualified auditor's report
  - 8.2 Basic elements of the unqualified auditor's report
  - 8.3 Modified auditor's report
    - a. Matters that do not affect the auditor's opinion
    - b. Matters that do affect the auditor's opinion
  - 8.4 Report on comparatives
- 9.0 Auditing in a Computerized Information Systems (CIS) Environment
  - 9.1 Internal control in a CIS environment
    - a. Introduction
    - b. Impact of computers on accounting and internal control systems
      - 1. General controls
      - 2. Application controls
    - c. Unique characteristics of specific CIS
      - 1. Stand alone
      - 2. On-line
      - 3. Database system
  - 9.2 Basic approach to the audit of CIS environment
    - a. Introduction
    - b. Effects of computers on the audit process
    - c. Computer assisted audit techniques
- 10.0 Other Assurance and Nonassurance Services
  - 10.1 Procedures and reports on special purpose audit engagements



- a. General considerations
  - b. Audit of financial statements prepared in accordance with a comprehensive basis of accounting other than GAAP in the Philippines
  - c. Audit of a component of financial statements
  - d. Reports on compliance with contractual agreements
  - e. Reports on summarized financial statements
- 10.2 Nonaudit engagements: procedures and reports
- a. Examination of prospective financial information
  - b. Engagements to review financial statements
- 10.3 Nonassurance engagements
- a. Engagements to perform agreed-upon procedures regarding financial information
  - b. Engagements to compile financial information

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**AUDITING PROBLEMS**  
(Effective October 2006 Examination)

This subject tests the candidate's proficiency in applying audit standards, techniques, and procedures to a typical independent audit of a medium-sized service, trading or manufacturing concern. Candidate shall be able to plan and perform an audit, analyze data for possible errors and irregularities, formulate adjusting entries, resolve audit issues, prepare audit working papers and complete the audit including the preparation of the audit report. In all the areas included, the candidate shall apply the Philippine Standards on Auditing (PSA) and other regulatory laws and regulations in effect at the time of examination.

The examination shall be in the form of 8 to 10 situational cases containing a minimum of 40 and a maximum of 50 multiple choice questions.

- 1.0 Audit Planning and Internal Control Consideration
  - 1.1 Application of analytical procedures in audit planning
  - 1.2 Understanding of the internal control and tests of controls
    - a. Revenue and receipt cycle
    - b. Expenditure and disbursement cycle
    - c. Production cycle
    - d. Investing and financing cycle
  
- 2.0 Evidence Accumulation and Evaluation – Substantive Tests of Transactions and Balances
  - 2.1 Audit of the revenue and receipt cycle
    - a. Audit of sales and revenue transactions
    - b. Audit of receivable balances
    - c. Audit of cash receipt transactions / cash balance
  - 2.2 Audit of expenditure and disbursement cycle
    - a. Audit of acquisitions and purchases
    - b. Audit of payroll transactions
    - c. Audit of cash disbursement transactions / cash balance
    - d. Audit of inventory balances
    - e. Audit of trade payable balances
    - f. Audit of prepaid expenses and accrued liabilities
  - 2.3 Audit of production cycle
    - a. Audit of conversion activities
    - b. Audit of inventory balances: work-in-process and finished goods
    - c. Audit of cost of goods sold balance
  - 2.4 Audit of the financing cycle
    - a. Audit of financing cycle transactions
    - b. Audit of non-trade liability balances
    - c. Audit of interest expense and finance cost balances
    - d. Audit of equity accounts
  - 2.5 Audit of investing cycle
    - a. Audit of investing transactions
    - b. Audit of investment account balances
    - c. Audit of property, plant and equipment account balances
    - d. Audit of intangible account balances
  - 2.6 Audit of cash balances

### 3.0 Completing the Audit

- 3.1 Evaluation of related party transactions, going concern, and contingencies
- 3.2 Evaluation of events after the balance sheet date
- 3.3 Drafting the audited financial statements
- 3.4 Application of analytical procedures in the overall review
- 3.5 Drafting the audit report

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**PRACTICAL ACCOUNTING PROBLEMS I**  
(Effective October 2006 Examination)

This subject tests the candidate's proficiency in applying financial accounting techniques and methodology to problems likely to be encountered in practice. The problems involve recognition, measurement, valuation, classification, disposition and disclosure of assets, liabilities, equity, income, expenses, and net income of a business enterprise, preparation of financial statements, and contemporary accounting issues in accordance with Philippine Financial Reporting Standards in effect at the time of examination.

Each examination will contain a minimum of 40 and a maximum of 50 multiple choice problems equitably allocated to the different subject areas as indicated below.

- 1.0 Preparation of Financial Statements
  - 1.1 Accounting process
  - 1.2 Components of financial statements
    - a. Balance sheet
    - b. Income statement
    - c. Statement of changes in equity
    - d. Cash flow statement
    - e. Notes to financial statements
      - 1. Contingencies
      - 2. Events after balance sheet date
      - 3. Accounting policies
      - 4. Related party disclosure
      - 5. Segment reporting
      - 6. Earnings per share
      - 7. Other disclosures
  - 1.3 Cash basis to accrual basis and single entry
  - 1.4 Financial reporting and changing prices (including hyperinflationary economies)
- 2.0 Accounting for Income and Expenses
  - 2.1 Net income
    - a. Transaction approach
    - b. Capital maintenance approach
  - 2.2 Accounting changes
  - 2.3 Prior-period errors
  - 2.4 Interim reporting
  - 2.5 Segment reporting
  - 2.6 Development-stage enterprise
- 3.0 Accounting for Assets
  - 3.1 Cash and cash equivalents
  - 3.2 Trade and other receivables
  - 3.3 Inventories
  - 3.4 Prepaid expenses
  - 3.5 Investments (excluding investment in subsidiaries and joint ventures)
  - 3.6 Property, plant and equipment
  - 3.7 Intangibles
  - 3.8 Other assets
  - 3.9 Impairment of assets

- 4.0 Accounting for Liabilities
  - 4.1 Trade and other payables
  - 4.2 Provisions; Contingent liabilities
  - 4.3 Income taxes payable
  - 4.4 Bonds payable
  - 4.5 Notes payable
  - 4.6 Debt restructuring (except dacion en pago)
  - 4.7 Employee benefits
  - 4.8 Other liabilities
  
- 5.0 Accounting for Equity
  - 5.1 Preference shares
  - 5.2 Ordinary shares
  - 5.3 Additional paid-in capital / share premium / other sources
  - 5.4 Reserves (e.g., revaluation surplus, translation adjustments, and unrealized gain or loss on assets available for sale)
  - 5.5 Retained earnings / accumulated profit or loss
  - 5.6 Treasury shares
  - 5.7 Earnings per share
  - 5.8 Book value per share
  - 5.9 Capital restructuring
  
- 6.0 Other Topics
  - 6.1 Accounting for deferred taxes
  - 6.2 Accounting for leases
  - 6.3 Accounting for non-current assets held for sale and discontinued operations
  - 6.4 Accounting for share-based payments
  - 6.5 Accounting for biological assets, agricultural produce at the point of harvest and government grants related to agricultural activity
  - 6.6 Accounting for government grants and disclosure of government assistance
  - 6.7 Other current pronouncements

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**PRACTICAL ACCOUNTING PROBLEMS II**  
(Effective October 2006 Examinations)

This subject tests the candidates' proficiency in applying accounting concepts, techniques and methodology to problems likely to be encountered in practice. Candidates should know and understand problems involving accounting of special transactions and their effects and presentation in the financial statements.

Each examination will contain a minimum of forty (40) and a maximum of fifty (50) multiple choice problems, equitably allocated to the different subject areas as indicated below.

- 1.0 Accounting for Business Combination
  - 1.1 Acquisition of assets and liabilities (purchase method)
    - a. Presentation and required disclosures
- 2.0 Preparation of Consolidated and Separate Financial Statements
  - 2.1 Accounting for Investment in Subsidiary (cost method)
  - 2.2 Consolidated Financial Statements
    - a. Date of acquisition
    - b. Subsequent to date of acquisition
      - 1. Net income, dividends and amortization
      - 2. With intercompany transactions (inventories, land and depreciable assets)
    - c. Required disclosures
- 3.0 Accounting for Foreign Currency Transactions
  - 3.1 Without derivatives and hedging activities (import, export, lending, and borrowing transactions)
    - a. Required disclosures
  - 3.2 With derivatives and hedging activities
    - a. Foreign currency forward contracts
      - 1. Fair value hedge
      - 2. Cash flow hedge
        - (a) Recognized asset or liability (exposed asset or liability position)
        - (b) Unrecognized firm commitment (identifiable foreign currency commitment - purchase or sale)
        - (c) Forecasted transaction (anticipated foreign currency transaction - purchase or sale)
      - 3. Hedge of a net investment in foreign entity
    - b. Other foreign currency forward contracts - speculation
    - c. Foreign currency options
      - 1. Recognized asset or liability (exposed asset or liability position)
      - 2. Unrecognized firm commitment (identifiable foreign currency commitment-purchase or sale)
      - 3. Forecasted transaction (anticipated foreign currency transaction - purchase or sale)
- 4.0 Other Derivatives and Hedging Activities
  - 4.1 Future contracts

- 4.2 Swaps
- 4.3 Options
  
- 5.0 Preparation of Foreign Currency Financial Statements
  - 5.1 Translation to the presentation currency (Functional currency is not the currency of a hyperinflationary economy or if the presentation currency differs from the entity's functional currency; current rate / closing rate method)
  - 5.2 Restatement of financial statements (Functional currency is the currency of a hyperinflationary economy)
  
- 6.0 Cost Accounting
  - 6.1 Job-order costing system
    - a. Cost accumulation procedures
    - b. Journal entries
    - c. Preparation of statement of goods manufactured and sold
    - d. Accounting for scrap, waste, spoilage and rework
  - 6.2 Process costing system
    - a. Cost accumulation procedures
    - b. Journal entries
    - c. Preparation of cost of production report
      - 1. First-in, first-out (FIFO) method
      - 2. Average method
    - d. Accounting for lost units - inspection point - end of process only
      - 1. Normal lost units
      - 2. Abnormal lost unit
  - 6.3 Backflush costing system (JIT system)
    - a. Cost accumulation procedures
    - b. Journal entries
  - 6.4 Activity-based costing system (ABC costing)
  - 6.5 Accounting for joint and by-products
    - a. Methods of allocating joint cost to joint products
      - 1. Market (sales) value method
      - 2. Average unit (production output) method
      - 3. Weighted average method
    - b. Treatment of by-products
  - 6.6 Standard costing system (two-way variance excluding mix and yield variances)
    - a. Computation of variances
    - b. Journal entries
  
- 7.0 Partnership Accounting
  - 7.1 Formation
  - 7.2 Operations
  - 7.3 Dissolution / changes in ownership interest
    - a. Admission of a new partner
      - 1. By purchase of interest
      - 2. By investment
    - b. Withdrawal, retirement or death of a partner
    - c. Incorporation of a partnership
  - 7.4 Liquidation
    - a. Lump-sum method
    - b. Installment method

- 8.0 Other Special Transactions
  - 8.1 Accounting for installment sales contracts
  - 8.2 Long-term construction contracts
    - a. Percentage-of-completion method
    - b. Cost recovery or zero-profit method
  - 8.3 Commercial franchise operations - point of view of franchisor
  - 8.4 Financial reporting of interests in joint ventures
  - 8.5 Corporate liquidation
  - 8.6 Accounting for insurance contracts by insurers
  - 8.7 Not-for-profit organizations
    - a. Voluntary health and welfare organizations (VHWO)
    - b. Hospitals and other health care organizations
    - c. Colleges and universities
    - d. Other not-for-profit organizations such as churches, museums, fraternity association, etc.
  - 8.8 Accounting for build-operate-transfer (BOT)
  
- 9.0 Accounting for Branch and Agency Transactions
  - 9.1 Transactions on the books of the home office and the branch
  - 9.2 Reconciliation of reciprocal accounts
  - 9.3 Preparation of individual and combined financial statements
  - 9.4 Agency transactions
  
- 10.0 Government Accounting - New Government Accounting System