

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

**BOARD OF ACCOUNTANCY**

**THE CPA LICENSURE EXAMINATION SYLLABUS**  
**FINANCIAL ACCOUNTING AND REPORTING**

Effective May 2019 Examination

This subject covers the candidates' ability to demonstrate understanding and application of accounting principles and standards relating to: nature and composition of accounts, initial recognition, measurement and valuation, subsequent events and transactions, subsequent measurement and recognition of losses due to impairment and other causes, related party transactions, financial statement presentation and disclosures.

The candidates must have a working knowledge in the application of the various financial accounting and reporting standards relating to the above.

The candidates must also be able to communicate effectively matters pertaining to the financial accounting work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

Only new standards and other issuances shall be included in the examinations if these are in effect for at least six (6) months at the date of the examination.

The examination shall have seventy (70) multiple choice questions.

The syllabus for the subject is presented below.

**1.0 Development of Financial Reporting Framework, Standard-Setting Bodies, Regulation of the Accountancy Profession, Conceptual Framework of Financial Statements and Accounting Process (10%)**

**1.1 Development of Financial Reporting Framework**

1.1.1 Financial Reporting Framework

1.1.2 Components of the Framework

**1.2 Standard-Setting Bodies**

1.2.1 AASC

1.2.2 FRSC

1.2.3 PIC

**1.3 Regulation of the Accountancy Profession**

1.3.1 Regulators of the Profession

1.3.2 Developments in the Accountancy Profession

1.3.3 Compilation Services

1.3.4 Accreditation of CPA Professionals

**1.4 Conceptual Framework**

1.4.1 Basic Objectives of Financial Statements

1.4.2 Qualitative Characteristics of Financial Statements

1.4.3 Elements of Financial Statements

1.4.4 Financial Capital and Physical Capital

**1.5 Accounting Process**

1.2.1 Adjusting Entries

1.2.2 Accounting Cycle

**2.0 Presentation of Financial Statements ( PAS 1, PAS 8, PAS 10, PAS 7, PFRS 5, PAS 33, PAS 18 / PFRS 15) (11.43%)**

2.1 Statement of Financial Position

2.2 Statement of Comprehensive Income

2.3 Statement of Cash Flows

2.4 Statement of Changes in Equity

2.5 Notes to the Financial Statements

**3.0 Assets (34.29%)**

3.1 Financial Assets (PAS 7, PAS 32 & PAS 39 / PFRS 9, PFRS 7, PAS 28)

3.1.1 Cash & Cash Equivalents

3.1.2 Loans and Receivables (Financial Assets at Amortized Cost)

3.1.3 Investments in Debt Instruments

3.1.3.1 Financial Assets at Fair Value through Profit or Loss (Except Derivatives)

3.1.3.2 Financial Assets at Fair Value through Other Comprehensive Income

3.1.3.3 Financial Assets at Amortized Cost

3.1.4 Investments in Associates (equity method of accounting)

- 3.1.5 Basic Derivatives (excluding Hedge Accounting)
  - 3.1.5.1 Forwards
  - 3.1.5.2 Futures
  - 3.1.5.3 Interest Rate Swap
  - 3.1.5.4 Call and Put Options
- 3.2 Non-Financial Assets( PAS 2, PAS 16, PAS 38, PAS 40, PAS 23, PAS 41, PAS 20, PAS 36, PFRS 5, PFRS 6, PFRS 13)
  - 3.2.1 Inventories
    - 3.2.1.1 Cost, Lower of cost or Net realizable value
    - 3.2.1.2 Estimating procedures
  - 3.2.2 Property, Plant and Equipment
    - 3.2.2.1 Nature
    - 3.2.2.2 Recognition principle
    - 3.2.2.3 Initial recognition basis
    - 3.2.2.4 Depreciation methods
    - 3.2.2.5 Impairment
  - 3.2.3 Investment Property
    - 3.2.3.1 Nature and measurement principle
  - 3.2.4 Intangibles
    - 3.2.4.1 Nature and recognition principle
    - 3.2.4.2 Research and development expenditures
    - 3.2.4.3 Subsequent expenditures
  - 3.2.4.2 Amortization
  - 3.2.5 Biological Assets
    - 3.3.5.1 Nature and recognition principle
  - 3.3.5.2 After initial recognition
  - 3.3.6 Non-Current Assets Held For Sale
    - 3.3.6.1 Classification criteria
    - 3.3.6.2 Initial and subsequent measurement principles
- 4.0 **Liabilities (IFRIC 1, PAS 32, PAS 39/ PFRS 9, PFRS 7, PAS 37) (10%)**
  - 4.1 Financial Liabilities
    - 4.1.1 Accounts Payable and Other Trade Payables
      - 4.1.1.1 Initial recognition
      - 4.1.1.2 Subsequent measurement
    - 4.1.2 Debt Restructuring
      - 4.1.2.1 Nature and forms
      - 4.1.2.2 Principles of derecognition
  - 4.2 Non-Financial Liabilities
    - 4.2.1 Premiums and warranties
    - 4.2.2 Unearned revenues for gift certificates and subscriptions
  - 4.3 Provisions and Contingencies
    - 4.3.1 Recognition and measurement criteria
- 5.0 **Equity (11.43%)**
  - 5.1 Share Capital Transactions (PAS 32, PFRS 7)
    - 5.1.1 Share Capital (nature, recognition, and measurement)
    - 5.1.2 Issuance and retirement of preference and ordinary shares
    - 5.1.3 Share split, treasury shares and other equity transactions
    - 5.1.4 Recapitalization and quasi-reorganization
  - 5.2 Dividends (IFRIC 17)
  - 5.3 Retained Earnings
  - 5.4 Other Comprehensive Income
  - 5.5 Book Value per share and Earnings per Share

- 6.0 Other Topics (15.71%)**
  - 6.1 Share-based payments (PFRS 2)
  - 6.2 Borrowing Costs (PAS 23)
    - 6.2.1 Nature
    - 6.2.2 Criteria for capitalizing borrowing costs
  - 6.3 Leases (PFRS 17/ PFRS 16)
    - 6.3.1 Operating lease
    - 6.3.2 Finance lease
  - 6.4 Income Tax (PAS 12, PFRS 14)
    - 6.4.1 Accounting profit
    - 6.4.2 Taxable profit
  - 6.5 Employee Benefits (PAS 19, PAS 26)
    - 6.5.1 Defined benefit plan
    - 6.5.2 Defined benefit liability (asset)
  - 6.6 Interim Reporting (PAS 34, PAS 24)
    - 6.6.1 Purpose
    - 6.6.2 Principles for Recognition
  - 6.7 Segment Reporting (PFRS 8)
    - 6.7.1 Identification of segments
    - 6.7.2 Measurement of segment information
    - 6.7.3 Disclosure
  - 6.8 Cash to Accrual
    - 6.8.1 Purpose
    - 6.8.2 Single-entry computation of profit
    - 6.8.3 Reconciling profit using the transaction approach
    - 6.8.4 Convert cash basis revenues and expenses to accrual basis revenues and expenses
  - 6.9 PFRS for Small and Medium Sized Entities
    - 6.9.1 Reporting Requirements
    - 6.9.2 Peculiarities
    - 6.9.3 Principles for reporting investments in equity and debt securities
  - 6.10 PFRS on Micro Enterprises
- 7.0 Updates on Special Concerns (10% or the percentage that result in a minimum of 5 questions)**
  - 7.1 Globalization
  - 7.2 Digital and Information Technology
  - 7.3 Governance and Ethics
  - 7.4 Effective Business Communication
  - 7.5 BoA regulatory and compliance requirements and considerations

## Changes in FAR Syllabus

1. The 11 Topics are now reduced to 7 major topics with very detailed subtopics.
2. Development of Financial Reporting Framework, Standard-Setting Bodies, Regulation of the Accountancy Profession, Conceptual Framework and Accounting Process were lump into one topic.
3. Share-based payments which was previously under Equity is now part of Other Topics.
4. Interim and Segment Reporting, Cash to Accrual and Small and Medium Entities which were previously separate topics are now also under Other Topics.
5. Updates on special concerns are given more emphasis and are to include Effective Business Communication, Globalization, Digital and Information Technology, Governance and Ethics and BOA regulatory and compliance requirements and considerations are lump into one new topic Updates on Special Concerns.
6. New standards that have become effective prior and up to 2018 were integrated in the related topics in addition to the superseded standards.

# THE CPA LICENSURE EXAMINATION SYLLABUS ADVANCED FINANCIAL ACCOUNTING AND REPORTING

Effective May 2019 Examination

This subject covers the candidates' knowledge of the concepts and principles in advanced financial accounting and reporting and the application of these accounting concepts including 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 including among others: accounting for partnerships, corporate liquidation, joint arrangements, revenue recognition, home office and branch/ principal and agency transactions, business combinations and consolidations, foreign currency transactions and translations, not for-profit organizations, including government accounting and cost accounting and treatment and presentation of consolidated financial statements. Also, a working knowledge of the standards related to these special topics is expected of the candidates.

The candidates must also be able to communicate effectively matters pertaining to these special accounting topics and the related work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

Only new standards and other issuances shall be included in the examinations if these are in effect for at least six (6) months at the date of the examination.

The examination shall have seventy (70) multiple choice questions.

The syllabus for the subject is presented below.

## **1.0 Partnership Accounting**

- 1.1 Formation
- 1.2 Operations
- 1.3 Dissolution / changes in ownership interest
  - 1.3.1 Admission of a new partner
    - 1.3.1.1 By purchase of interest
    - 1.3.1.2 By investment
  - 1.3.2 Withdrawal, retirement or death of a partner
  - 1.3.3 Incorporation of a partnership
- 1.4 Liquidation
  - 1.4.1 Lump – sum method
  - 1.4.2 Installment method

## **2.0 Corporate Liquidation**

- 2.1 Statement of Affairs

- 2.2 Statement of Deficiency
- 2.3 Statement of Realization and Liquidation
- 2.4 Determination of the order of priority of claimants of company assets subject to liquidation
  
- 3.0 **Joint Arrangements (PFRS 11)**
  - 3.1 Joint Operations
  - 3.2 Joint Venture (equity method)
  - 3.3 Accounting for SME
  
- 4.0 **Revenue Recognition (PFRS 15)**
  - 4.1 Revenue from Contracts with Customers
    - 4.1.1 Five-Steps Model Framework
      - 4.1.1.1 Step 1: Identify the contract with the customer
      - 4.1.1.2 Step 2: Identify the performance obligations in the contract
      - 4.1.1.3 Step 3: Determine the transaction price
      - 4.1.1.4 Step 4: Allocate the transaction price to the performance obligations in the contracts
      - 4.1.1.5 Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
    - 4.1.2 Other Revenue Recognition Issues
      - 4.1.2.1 Sale with a right of return
      - 4.1.2.2 Warranties
      - 4.1.2.3 Principal versus agent considerations
      - 4.1.2.4 Non-refundable upfront fees
      - 4.1.2.5 Licensing
      - 4.1.2.6 Repurchase arrangements
      - 4.1.2.7 Consignment arrangements
      - 4.1.2.8 Bill-and-hold arrangements
    - 4.1.3 Financial Statement Presentation
    - 4.1.4 Accounting for SMEs
  - 4.2 Long – term Construction Contracts
    - 4.2.1 Journal entries and determination of revenue, costs and gross profit
      - 4.2.1.1 Over Time
        - 4.2.1.1.1 Input Method
        - 4.2.1.1.2 Output Method
      - 4.2.1.2 Point in Time
    - 4.2.2 Gross amount due from / to customers
    - 4.2.3 Financial Statement Presentation
    - 4.2.4 Accounting for SME
  - 4.3 Franchise Operations – Franchisor's point of view
    - 4.3.1 Journal entries and determination of revenue, costs and gross profit
      - 4.3.1.1 Initial Franchise Fee
      - 4.3.1.2 Continuing Franchise Fee, Bargain Purchase Option, and Commingled Revenue
      - 4.3.1.3 Repossessed Franchise
      - 4.3.1.4 Option to Purchase the Franchise Outlet
    - 4.3.2 Financial Statement Presentation
    - 4.3.3 Accounting for SME
  - 4.4 Consignment Sales

- 5.0 Accounting for Home Office, Branch and Agency Transactions**
  - 5.1 Transactions on the books of the home office and the branch
  - 5.2 Reconciliation of reciprocal accounts
  - 5.3 Preparation of individual and combined financial statements
  - 5.4 Special procedures in home office and branch transactions (inter – branch transfer of cash and merchandise at cost or at billed price)
  - 5.5 Accounting for agency transactions
  
- 6.0 Business Combination (PFRS 3)**
  - 6.1 Acquisition of assets and liabilities (acquisition method)
    - 6.1.1 Determination of Consideration Transferred
    - 6.1.2 Recognition of Acquired Assets and Liabilities
    - 6.1.3 Recognition and Measurement of Goodwill and Gain from a Bargain Purchase
    - 6.1.4 Journal Entries
  - 6.2 Financial Statement Presentation
  - 6.3 Accounting for SME
  
- 7.0 Separate Financial Statements (PAS 27)**
  - 7.1 Accounting for Investment in Subsidiary (at cost, in accordance with PFRS 9, and equity method)
  - 7.2 Financial Statement Presentation
  - 7.3 Accounting for SME
  
- 8.0 Consolidated Financial Statements (PFRS 10)**
  - 8.1 Consolidated Financial Statement in Subsidiary
    - 8.1.1 Date of acquisition
    - 8.1.2 Subsequent to date of acquisition (at cost, in accordance with PFRS 9, and equity method)
      - 8.1.2.1 Net income, dividends, amortization and impairment of goodwill
      - 8.1.2.2 With intercompany transactions (inventories, land and depreciable assets)
    - 8.1.3 Determination of:
      - 8.1.3.1 Net Income/ Other Comprehensive Income/ Equity
        - 8.1.3.1.1 Attribution to Equity Holders of Parent/ Controlling or Parent's Interest
        - 8.1.3.1.2 Non-controlling Interest
        - 8.1.3.1.3 Consolidated/ Group
      - 8.1.3.2 Retained Earnings/ Common Share / Dividends
        - 8.1.3.2.1 Attributable to Equity Holders of Parent / Controlling or Parent's Interest/ Consolidated / Group
  - 8.2 Accounting for SME
  
- 9.0 Foreign Currency Transactions**
  - 9.1 Without hedging activities (import, export, lending, and borrowing transactions)
  - 9.2 Hedging Activities: Hedging Foreign Currency Exposures
    - 9.2.1 Foreign Currency Forward Contracts
      - 9.2.1.1 Hedges that not requires a Hedge Accounting (undesignated hedges)
        - 9.2.1.1.1 Exposed Asset (import) or Liability (export) Position
        - 9.2.1.1.2 Speculation
      - 9.2.1.2 Hedges that requires a Hedge Accounting:
        - 9.2.1.2.1 Fair value hedge
          - 9.2.1.2.1.1 Hedge of a Firm Commitment (purchase or sale transaction)
        - 9.2.1.2.2 Cash flow hedge



- 9.2.1.2.2.1 Hedge of a Firm Commitment (purchase or sale transaction)
        - 9.2.1.2.2.2 Hedge of a Forecasted Transaction (purchase or sale transaction)
        - 9.2.1.2.3 Hedge of a net investment in foreign entity
  - 9.3 Accounting for SME
- 10.0 Translation of Foreign Currency Financial Statements (PAS 21/ PAS 29)**
- 10.1 Translation from the Functional Currency to the Presentation Currency (Closing/ Current Rate Method)
  - 10.2 Remeasurement from a Foreign Currency to the Functional Currency (Temporal Method)
  - 10.3 Restatement of Financial Statements
- 11.0 Not – for – profit organizations**
- 11.1 Voluntary health and welfare organizations (VHWO)
  - 11.2 Hospitals and other health care organizations
  - 11.3 Colleges and universities
  - 11.4 Other not – for – profit organizations such as churches, museums, fraternity association, etc.
- 12.0 Government Accounting – General Fund**
- 12.1 Basic Concepts in Government Accounting
  - 12.2 Budget Process
  - 12.3 Journal Entries – Books of National Government Agency
- 13.0 Other special Topics (basic knowledge)**
- 13.1 Accounting for insurance contracts by insurers (PFRS 4/ PFRS 17)
  - 13.2 Accounting for build, operate & transfer (PFRIC 12)
- 14.0 Cost Accounting**
- 14.1 System of cost Accumulation or Costing System
    - 14.1.1 Comparison between Actual Costing, Normal Costing and Standard Costing
  - 14.2 Job – order costing system
    - 14.2.1 Cost accumulation procedures – materials, labor and overhead
    - 14.2.2 Journal entries
    - 14.2.3 Preparation of statement of goods manufactured and sold
    - 14.2.4 Accounting for scrap, waste, spoilage and rework
  - 14.3 Process costing system
    - 14.3.1 Cost accumulation procedures – materials, labor and overhead
    - 14.3.2 Journal entries
    - 14.3.3 Preparation of cost of production report
      - 14.3.3.1 First – in, first –out (FIFO) method
      - 14.3.3.2 Average method
    - 14.3.4 Accounting for lost units
      - 14.3.4.1 Normal lost units
      - 14.3.4.2 Abnormal lost unit
  - 14.4 Backflush costing system (JIT system)
    - 14.4.1 Cost Accumulation procedures – materials, labor and overhead
    - 14.4.2 Journal entries
  - 14.5 Service Cost Allocation
    - 14.5.1 Direct method

- 14.5.2 Step – down
- 14.5.3 Reciprocal method
- 14.6 Activity – based costing system (ABC costing)
  - 14.6.1 Allocation of costs: Traditional Costing versus ABC Costing
  - 14.6.2 Determination of Total Product Costs: Traditional Costing versus ABC costing
- 14.7 Accounting for joint and by – products
  - 14.7.1 Methods of allocating joint cost to products
    - 14.7.1.1 Market (sales) value method:
      - 14.7.1.1.1 Market value at split – off point approach
      - 14.7.1.1.2 Hypothetical Market Value Approach or Approximated Net Realizable Value Approach or Net Realizable Value Method
      - 14.7.1.1.3 Average unit (production output) method
      - 14.7.1.1.4 Weight average method
    - 14.7.1.2 Methods of allocating Joint Cost to By – products
      - 14.7.1.2.1 No joint cost allocated to by – product
      - 14.7.1.2.2 With joint costs allocated to by – product
    - 14.7.1.3 Treatment of by - products
- 14.8 Standard Costing (two-way variance excluding mix and yield variances)
  - 14.8.1 Computation of Variances
  - 14.8.2 Journal Entries and reporting
- 15.0 **Updates on Special Concerns**
  - 15.1 Globalization
  - 15.2 Digital and Information Technology
  - 15.3 Governance and Ethics
  - 15.4 Regulatory Requirements and Considerations
  - 15.5 Effective Business Communication

## **THE CPA LICENSURE EXAMINATION SYLLABUS MANAGEMENT ADVISORY SERVICES**

Effective May 2019 Examination

The subject covers the candidates' knowledge of the concepts, techniques and methodology applicable to management accounting, financial management and management consultancy. Candidates should know and understand the role of information in accounting, finance and economics in management consultancy and in management processes of planning, controlling and decision-making.

The candidates must have a working knowledge to comply with the various management accounting and consultancy engagements.

The candidates must also be able to communicate effectively matters pertaining to the management accounting and consultancy work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

The examination shall have seventy (70) multiple choice questions.

The syllabus for the subject is presented below.

## 1.0 Management Accounting

- 1.1 Objectives, role and scope of management accounting
  - 1.1.1 Basic management functions and concepts
  - 1.1.2 Distinction among management accounting, cost accounting and financial accounting
  - 1.1.3 Role and activities of controller and treasurer
  - 1.1.4 International certifications in management accounting
- 1.2 Management Accounting Concepts and Techniques for Planning & Control
  - 1.2.1 Cost terms, concepts and behavior
    - 1.2.1.1 Nature and classification of costs
    - 1.2.1.2 Analysis of cost behavior (variable, fixed, semi-variable/mixed, step-cost)
    - 1.2.1.3 Splitting mixed cost (high-low, scatter graph, least-squares regressions)
  - 1.2.2 Cost-volume-profit (CVP) analysis
    - 1.2.2.1 Uses, assumptions and limitations of CVP analysis
    - 1.2.2.2 Factors affecting profit
    - 1.2.2.3 Breakeven point in unit sales and peso sales
    - 1.2.2.4 Required selling price, unit sales and peso sales to achieve a target profit
    - 1.2.2.5 Sensitivity analysis (including indifference point in unit sales and peso sales)
    - 1.2.2.6 Use of sales mix in multi-product companies
    - 1.2.2.7 Concepts of margin of safety and degree of operating leverage
  - 1.2.3 Standard costing and variance analysis
    - 1.2.3.1 Direct material variance (quantity, price usage, purchase price, mix and yield)
    - 1.2.3.2 Direct labor variance (efficiency, rate, mix and yield)
    - 1.2.3.3 Factory overhead variance – two-way method (controllable and volume); three-way method (spending, variable efficiency and volume); four-way method (variable spending, fixed spending, variable efficiency and volume)
  - 1.2.4 Variable costing and absorption costing
    - 1.2.4.1 Nature and treatment of fixed factory overhead costs
    - 1.2.4.2 Distinction between product cost and period cost
    - 1.2.4.3 Inventory costs between variable costing and absorption costing
    - 1.2.4.4 Reconciliation of operating income under variable costing and absorption costing
  - 1.2.5 Financial planning and budgets
    - 1.2.5.1 Definition and coverage of the budgeting process
    - 1.2.5.2 Master budget and its components (operating and financial budgets)
    - 1.2.5.3 Types of budgets (static, flexible, zero-based, continuous)
    - 1.2.5.4 Budget variance analysis (static and flexible)
  - 1.2.6 Activity-based costing (ABC) and activity-based management (ABM)
    - 1.2.6.1 Activity levels (unit-level, batch-level, product-level and facility-level), cost pools and activity drivers
    - 1.2.6.2 Determination of cost pool rates and application of overhead costs
    - 1.2.6.3 Traditional costing versus activity-based costing
    - 1.2.6.4 Process value analysis (value-added activities and non-value-added activities)
  - 1.2.7 Strategic cost management
    - 1.2.7.1 Total quality management
    - 1.2.7.2 Just-in-time production system
    - 1.2.7.3 Continuous improvement
    - 1.2.7.4 Business process reengineering
    - 1.2.7.5 Kaizen costing
    - 1.2.7.6 Product life cycle costing

- 1.2.7.7 Target costing
- 1.3 Management Accounting Concepts and Techniques for Performance Measurement
  - 1.3.1 Responsibility accounting and transfer pricing
    - 1.3.1.1 Type of responsibility centers (cost, revenue, profit and investment centers)
    - 1.3.1.2 Concepts of decentralization and segment reporting
    - 1.3.1.3 Controllable and non-controllable costs, direct and common costs
    - 1.3.1.4 Performance margin (manager versus segment performance)
    - 1.3.1.5 Preparation of 'segmented' income statement
    - 1.3.1.6 Return on investment (RoI), residual income and economic value added (EVA)
    - 1.3.1.7 Rational and need for transfer price
    - 1.3.1.8 Transfer pricing schemes (minimum transfer price, market-based transfer price, cost-based transfer price and negotiated price)
  - 1.3.2 Balanced scorecard
    - 1.3.2.1 Nature and perspectives of balanced scorecard
    - 1.3.2.2 Financial and non-financial performance measures
- 1.4 Management Accounting Concepts and Techniques for Decision Making
  - 1.4.1 Quantitative techniques
    - 1.4.1.1 Regression and correlation analysis
    - 1.4.1.2 Gantt chart
    - 1.4.1.3 Program evaluation review technique (PERT) – Critical Path Method (CPM)
    - 1.4.1.4 Probability analysis (expected value concept)
    - 1.4.1.5 Decision tree diagram
    - 1.4.1.6 Learning curve
    - 1.4.1.7 Inventory models (carrying and ordering costs, EOQ model, safety stock, reorder point)
    - 1.4.1.8 Linear programming (graphic method; algebraic method)
  - 1.4.2 Relevant costing and differential analysis
    - 1.4.2.1 Definition and identification of relevant costs
    - 1.4.2.2 Concept of opportunity costs
    - 1.4.2.3 Approaches in analyzing alternatives in non-routing decisions (total and differential)
    - 1.4.2.4 Types of decisions (make or buy, accept or reject special order, continue or drop/shutdown, sell or process further, best product combination, pricing decisions)

## 2.0 Financial Management

- 2.1 Objectives and Scope of Financial Management
  - 2.1.1 Nature, purpose and scope of financial management
  - 2.1.2 Role of financial managers in investment, operating and financing decisions
- 2.2 Financial Management Concepts and Techniques for Planning, Control & Decision Making
  - 2.2.1 Financial statement analysis
    - 2.2.1.1 Vertical analysis (common-size financial statements)
    - 2.2.1.2 Horizontal analysis (trend percentages and index analysis)
    - 2.2.1.3 Cash flow analysis (interpretation of cash flows including free cash flow concept)
    - 2.2.1.4 Gross profit variance analysis (price, cost and volume factors)
    - 2.2.1.5 Financial ratios (liquidity, solvency, activity, profitability, growth and other ratios; Du Pont model)
    - 2.2.1.6 Financial forecasting using additional funds needed (AFN)
  - 2.2.2 Working capital finance
    - 2.2.2.1 Concepts and significance of working capital management
    - 2.2.2.2 Working capital investment and financing policies (conservative vs. aggressive)
    - 2.2.2.3 Cash and marketable securities management (cash conversion cycle, optimal cash balance, collection and disbursement float, cash management system)
    - 2.2.2.4 Receivables management (average balance of and investment in accounts receivable, incremental analysis and evaluation of discount, collection and credit policies)
    - 2.2.2.5 Inventory management (carrying, ordering and stock-out costs, inventory control system including EOQ model, safety stock, reorder point)

- 2.2.2.6 Sources of short-term funds (trade credit, bank loans, commercial papers, receivable factoring)
- 2.2.2.7 Estimating cost of short-term funds (annual cost of trade credit, effective and nominal annual rate of short-term funds)
- 2.2.3 Capital budgeting
  - 2.2.3.1 Capital investment decision factors (net investment for decision making, cost of capital, cash and accrual net returns)
  - 2.2.3.2 Non-discounted capital budgeting techniques (payback period, accounting rate of return on original and average investment, bail-out payback and payback reciprocal)
  - 2.2.3.3 Discounted capital budgeting techniques (net present value, internal rate of return, profitability index, equivalent annual annuity, fisher rate/ NPV point of indifference)
  - 2.2.3.4 Project screening, project ranking and capital rationing (independent and mutually exclusive capital investment projects)
  - 2.2.3.5 Sensitivity analysis (effects of changes in project cash flow, tax rates and other assumptions)
- 2.2.4 Investments, risks and rates of returns
  - 2.2.4.1 Types of risks (business/ operating, financing)
  - 2.2.4.2 Measures of risks (coefficient of variation and standard deviation)
  - 2.2.4.3 Degree of operating, financial and total leverage
  - 2.2.4.4 Derivatives (forwards, futures, swaps and options)
  - 2.2.4.5 Investment models (Black Sholes, CAPM)
  - 2.2.4.6 Capital markets, the Philippine Stock Exchange and other foreign bourses
  - 2.2.4.7 Types of investment products and their characteristics
- 2.2.5 Capital structure and long-term financing decision
  - 2.2.5.1 Basic concepts and tools of capital structure management
  - 2.2.5.2 Sources of intermediate and long-term financing (including hybrid financing)
  - 2.2.5.3 Cost of capital (cost of long-term debt, cost of preferred shares, cost of equity, weighted average cost of capital, marginal cost of capital)

### **3.0 Management Consultancy and Effective Communications to Stakeholders**

- 3.1 Management Consultancy Practice by Certified Public Accounting (CPAs)
  - 3.1.1 Nature of management consultancy engagements
  - 3.1.2 Professional attributes of management consultants
  - 3.1.3 Areas, stages and management of management consultancy engagements
  - 3.1.4 IFAC & Philippine Code of Ethics for the Accountancy profession
  - 3.1.5 NOCLAR provisions and implications
- 3.2 Project Feasibility Studies
  - 3.2.1 Nature, purpose and components (economic/ marketing, technical and financial)
  - 3.2.2 Analysis of project revenue and costs under specific assumptions
  - 3.2.3 Preparation of projected financial statements
  - 3.2.4 Analysis of financial projections

### **4.0 Economic Concepts essential to obtaining an understanding of entity's business and industry**

- 4.1 Macroeconomics (national economic issues and measures of economic performance such as GDP; unemployment and inflation; fiscal and monetary policies; international trade and foreign exchange rates)
- 4.2 Microeconomics (concept of and factors affecting supply; concept of and factors affecting demand; market equilibrium; price elasticity of demand; market structure; production and cost functions)

### **5.0 Updates on Special Consideration**

- 5.1 Globalization
- 5.2 Digitaland Information Technology
- 5.3 Governance and Ethics
- 5.4 Regulatory Requirements and Considerations
- 5.5 Effective Business Communication

## **THE CPA LICENSURE EXAMINATION SYLLABUS AUDITING**

Effective May 2019 Examination

This subject covers the candidates' knowledge of the principles and concepts of auditing and the practical application of these principles and concepts. There shall be two parts of this subject: Auditing Theory and Auditing Problems.

### **AUDITING THEORY**

This part covers 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.

### **AUDITING PROBLEM**

This part covers 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 knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

The candidates must also be able to communicate effectively matters pertaining to the audit work that will be handled.

Only new standards, interpretations and other issuances shall be included in the examinations if these are in effect for at least six (6) months at the date of the examination.

The examination shall have seventy (70) multiple choice questions.

## **AUDITING THEORY**

### **1.0 Fundamentals of Auditing and Assurance Services**

- 1.1 Introduction to assurance engagements
  - 1.1.1 Nature, objective and elements
  - 1.1.2 Types of assurance engagements (audits, reviews, other assurance engagements)
  - 1.1.3 Assurance service vis-a-vis attestation services
- 1.2 Introduction to auditing
  - 1.2.1 Nature, philosophy, and objectives
  - 1.2.2 Types of audit
    - 1.2.2.1 According to nature of assertion/ data (financial statements audit, operational audit, and compliance audit)
    - 1.2.2.2 According to types of auditor (external independent financial statements audit, internal audit, and government audit)

### **2.0 The Financial Statements Audit -Client Acceptance, Audit Planning, Supervision and Monitoring**

- 2.1 Overview of the audit process
- 2.2 Pre-engagement procedures
- 2.3 Scope and purposes of audit planning
  - 2.3.1 Essential planning requirements
    - 2.3.1.1 Knowledge of the business
    - 2.3.1.2 Preliminary analytical procedures
    - 2.3.1.3 Materiality
    - 2.3.1.4 Assessing and managing audit risks
    - 2.3.1.5 Overall audit plan and audit program (experts, internal auditor, other independent auditors)
- 2.4 Direction, supervision and review

### **3.0 Understanding the Entity and its Environment Including its Internal Control and Assessing the Risks of Material Misstatement**

- 3.1 Industry, regulatory and other external factors, including the applicable financial reporting framework
  - 3.1.1 Nature of the entity
  - 3.1.2 Objectives and strategies and related business risks
  - 3.1.3 Measurement and review of the entity's financial performance
- 3.2 Internal control
  - 3.2.1 Basic concepts and elements of internal control
  - 3.2.2 Consideration of accounting and internal control systems
    - 3.2.2.1 Understanding and documentation
    - 3.2.2.2 Assessment of control risks
      - 3.2.2.2.1 Test of controls
      - 3.2.2.2.2 Documentation
- 3.3 Assessing the risks of material misstatement
  - 3.3.1 Fraud and errors
  - 3.3.2 Risk assessment procedures
  - 3.3.3 Discussion among the engagement team
  - 3.3.4 Significant risks that require special audit consideration
  - 3.3.5 Risks for which substantive procedures alone do not provide sufficient appropriate audit evidence
  - 3.3.6 Revision of risk assessment
- 3.4 Communicating with those charged with governance and management

#### **4.0 Audit Objectives, Procedures, Evidences and Documentation**

- 4.1 Nature and significance
- 4.2 Evidential matters
- 4.3 Audit procedures/techniques
- 4.4 Audit working papers

#### **5.0 Completing the Audit/ Post-Audit Responsibilities**

- 5.1 Completing the audit and audit report preparation
  - 5.1.1 Analytical procedures for overall review
  - 5.1.2 Related party transactions
  - 5.1.3 Subsequent events review
  - 5.1.4 Assessment of going concern assumption
  - 5.1.5 Obtaining client's representation letter
  - 5.1.6 Evaluating findings, formulating an opinion and drafting the audit report
- 5.2 Post-audit responsibilities
  - 5.2.1 Subsequent discovery of facts
  - 5.2.2 Subsequent discovery of omitted procedures

#### **6.0 Reports on Audited Financial Statements**

- 6.1 The unqualified auditor's report
- 6.2 Basic elements of the unqualified auditor's report
- 6.3 Modified auditor's report
  - 6.3.1 Matters that do not affect the auditor's opinion



- 6.3.2 Matters that do affect the auditor's opinion
- 6.4 Report on comparatives

## **7.0 Auditing in a Computerized Information Systems (CIS) Environment**

- 7.1 Internal control in a CIS environment
  - 7.1.1 Introduction
  - 7.1.2 Impact of computers on accounting and internal control systems
    - 7.1.2.1 General controls
    - 7.1.2.2 Application controls
  - 7.1.3 Unique characteristics of specific CIS
    - 7.1.3.1 Stand alone
    - 7.1.3.2 On-line
    - 7.1.3.3 Database system
- 7.2 Basic approach to the audit of CIS environment
  - 7.2.1 Introduction
  - 7.2.2 Effects of computers on the audit process
  - 7.2.3 Computer assisted audit techniques

## **8.0 Other Assurance and Non-assurance Services**

- 8.1 Procedures and reports on special purpose audit engagements
  - 8.1.1 General considerations
  - 8.1.2 Audit of financial statements prepared in accordance with a comprehensive basis of accounting other than GAAP in the Philippines
  - 8.1.3 Audit of a component of financial statements
  - 8.1.4 Reports on compliance with contractual agreements
  - 8.1.5 Reports on summarized financial statements
- 8.2 Nonaudit engagements: procedures and reports
  - 8.2.1 Examination of prospective financial information
  - 8.2.2 Engagements to review financial statements
- 8.3 Nonassurance engagements
  - 8.3.1 Engagements to perform agreed-upon procedures regarding financial information
  - 8.3.2 Engagements to compile financial information

## **9.0 Updates on Special Concerns**

- 9.1 Globalization
- 9.2 Digital and Information Technology
- 9.3 Governance and Ethics
- 9.4 Regulatory Requirements and Considerations
- 9.5 Effective Business Communication

## **AUDITING PROBLEM**

### **1.0 Evidence Accumulation and Evaluation – Substantive Tests of Transactions and Balances**

- 1.1 Audit of the revenue and receipt cycle
  - 1.1.1 Audit of sales and revenue transactions
  - 1.1.2 Audit of receivable balances
- 1.2 Audit of expenditure and disbursement cycle
  - 1.2.1 Audit of acquisitions and purchases
  - 1.2.2 Audit of payroll transactions
  - 1.2.3 Audit of inventory balances
  - 1.2.4 Audit of trade payable balances
  - 1.2.5 Audit of prepaid expenses and accrued liabilities
- 1.3 Audit of production cycle
  - 1.3.1 Audit of conversion activities
  - 1.3.2 Audit of inventory balances: work-in-process and finished goods
  - 1.3.3 Audit of cost of goods sold balance
- 1.4 Audit of the financing cycle
  - 1.4.1 Audit of financing cycle transactions
  - 1.4.2 Audit of non-trade liability balances
  - 1.4.3 Audit of interest expense and finance cost balances
  - 1.4.4 Audit of equity accounts
- 1.5 Audit of investing cycle
  - 1.5.1 Audit of investing transactions
  - 1.5.2 Audit of investment account balances
  - 1.5.3 Audit of property, plant and equipment account balances
  - 1.5.4 Audit of intangible account balances
- 1.6 Audit of cash balances
  - 1.6.1 Audit of cash receipt transactions balance
  - 1.6.2 Audit of cash disbursement transactions balance

- Substantially the same as the 2016 syllabus and TOS
- 70 questions – 50% multiple choice; 50% situational
- Inclusion of applicable Auditing standards
- Additional topics on Updates on Special Concerns
  - Globalization of Public Practice of Accountancy
  - Digital and Information Technology in Audit
  - Governance and Ethics
  - Regulatory Requirements and Considerations
  - Effective Business Communication

# THE CPA LICENSURE EXAMINATION SYLLABUS TAXATION

Effective May 2019 Examination

This subject covers the candidates' knowledge of the principles and concepts of taxation and the practical application of these principles and concepts. Candidates are expected to know the National Internal Revenue Code (NIRC) provisions on income tax, business taxes (value-added and percentage taxes), estate tax, donor's tax, excise and documentary stamps tax, the Tariff and Customs Code, Local Government Code on local taxes, preferential tax or tax exemption provisions and taxes pertaining to senior citizens and persons with disability, Board of Investments, PEZA, BMBE, various Tax Treaties and other special laws and issuances that may be legislated in the future. The candidates must be familiar with the Implementing Rules and Regulations, circulars, rulings and other issuances pertinent to the implementation of the various taxation laws earlier specified. The candidates should know the taxation principles in the decisions of the Court of Tax Appeals, Court of Appeals and Supreme Court.

The candidates must have a working knowledge to comply with the various taxation measures. Compliance includes, among others, computation of tax liabilities, accomplishing tax returns and forms, availment of tax incentive benefits, submission of tax related regulatory and registration requirements and dealing with the various offices involved in taxation.

The candidates must also be familiar with the taxpayer rights and remedies, handling disputes on tax issues, knowing the various tax offices that they will be interacting and basic tax planning to derive the benefits of the tax laws and incentives.

The candidates must also be able to communicate effectively matters pertaining to the taxation work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

Only new laws, implementing rules and regulations, jurisprudences and other issuances shall be included in the examinations if these are in effect for at least six (6) months at the date of the examination.

Tax rates shall be provided in the examination when candidates are required to compute taxes.

The examination shall have seventy (70) multiple choice questions.

The syllabus for the subject is presented below.

## **1.0 PRINCIPLES OF TAXATION**

- 1.1 Nature, scope, classification, and essential characteristics
- 1.2 Principles of sound tax system
- 1.3 Limitations on the power of taxation

- 1.4 Tax evasion vs. tax avoidance
- 1.5 Situs/place of taxation
- 1.6 Double taxation
- 1.7 Legislation of tax laws
- 1.8 Impact of taxes in nation building
- 1.9 Ethical tax compliance and administration
- 1.10 Organization of the Bureau of Internal Revenue, Bureau of Customs, Local Government Tax Collecting Units, Board of Investments, Philippine Economic Zone Authority

## **2.0 TAX REMEDIES**

- 2.1 Remedies of the government
  - 2.1.1 Definition, scope, prescriptive period
  - 2.1.2 Administrative remedies
  - 2.1.3 Judicial actions
  - 2.1.4 Additions to Tax (surcharge, interest, compromise penalty)
  - 2.1.5 Other sanctions (criminal penalties, closure of business, collection of delinquent taxes)
  - 2.1.6 Powers of the Bureau of Internal Revenue
- 2.2 Remedies of the taxpayer
  - 2.2.1 Definition, scope, prescriptive period
  - 2.2.2 Taxpayers rights
  - 2.2.3 Administrative remedies (protesting of assessment, recovery of excess or erroneously paid taxes, request for the compromise, abatement or refund or credit of taxes, request for rulings)
  - 2.2.4 Judicial remedies
- 2.3 Expanded jurisdiction of the Court of Tax Appeals

## **3.0 INCOME TAX**

- 3.1 Taxpayer and tax base
  - 3.1.1 Individuals
  - 3.1.2 Corporations
  - 3.1.3 Partnerships
  - 3.1.4 Joint ventures
  - 3.1.5 Estates and trusts
  - 3.1.6 Co-ownerships
  - 3.1.7 Tax exempt individuals and organizations
- 3.2 Gross income
  - 3.2.1 Inclusions in the gross income
  - 3.2.2 Exclusions/exemptions from gross income
  - 3.2.3 Income from compensation
  - 3.2.4 Income from business
  - 3.2.5 Passive income subject to final withholding tax
  - 3.2.6 Capital gains
- 3.3 Deductions from gross income
  - 3.3.1 Itemized deductions
  - 3.3.2 Items not deductible
  - 3.3.3 Optional standard deduction
  - 3.3.4 Deductions allowed under special laws
- 3.4 Accounting periods
- 3.5 Accounting methods

- 3.5.1 Reconciliation of income under PFRS and income under Tax Accounting
- 3.6 Tax return preparation and filing and tax payments
  - 3.6.1 Manual filing
  - 3.6.2 Electronic filing and E-submission
  - 3.6.3 Large taxpayers and non-large taxpayers
  - 3.6.4 Income tax credits
  - 3.6.5 Venue and time of filing of tax returns
  - 3.6.6 Venue and time of payment
  - 3.6.7 Modes of payment
  - 3.6.8 Use of tax tables
  - 3.6.9 Accomplishing of various income tax returns and forms
  
- 3.7 Withholding taxes (at source, expanded or creditable withholding tax, final withholding taxes and withholding tax on government payments)
  - 3.7.1 Time of withholding
  - 3.7.2 Income payments subject to withholding
  - 3.7.3 Year end withholding of tax and requirements
  - 3.7.4 Venue and time of filing of withholding tax returns
  - 3.7.5 Venue and time of payment
  - 3.7.6 Modes of payment
  - 3.7.7 Time of payment
  - 3.7.8 Use of tax tables and rates
  - 3.7.9 Use of various withholding tax returns and forms
- 3.8 Compliance Requirements
  - 3.8.1 Administrative requirements (registration, issuance of receipts, printing of receipts)
  - 3.8.2 Attachments to the income tax return, including CPA certificate, per NIRC requirement
  - 3.8.3 Keeping of books of accounts and records, including report of inventories
  - 3.8.4 Prescriptive period of maintain books of accounts and other accounting records

## **4.0 TRANSFER TAX**

- 4.1 Estate tax
  - 4.1.1 Gross estate
  - 4.1.2 Deductions allowed to estate
  - 4.1.3 Tax credit
  - 4.1.4 Venue and time of filing of tax returns
  - 4.1.5 Venue and time of payment
  - 4.1.6 Modes of payment
  - 4.1.7 Use of tax tables
  - 4.1.8 Accomplishing of tax returns and forms
  - 4.1.9 Attachments to the tax return
  - 4.1.10 Administrative requirements
- 4.2 Donor's tax
  - 4.2.1 Gross gift
  - 4.2.2 Exemptions
  - 4.2.3 Tax rates in general and when the donee is a stranger
  - 4.2.4 Venue and time of filing of tax returns
  - 4.2.5 Venue and time of payment
  - 4.2.6 Modes of payment
  - 4.2.7 Use of tax tables
  - 4.2.8 Accomplishing of tax returns and forms

- 4.2.9 Attachments to the tax return
- 4.2.10 Administrative requirements

## **5.0 VALUE ADDED TAX (VAT) AND PERCENTAGE TAX**

- 5.1 Value added tax
  - 5.1.1 Output VAT
  - 5.1.2 Input VAT
  - 5.1.3 Input VAT tax credits
  - 5.1.4 Refund of excess input VAT
  - 5.1.5 Venue and time of filing of donors tax returns
  - 5.1.6 Venue and time of payment
  - 5.1.7 Modes of payment
  - 5.1.8 Accomplishing of tax returns and forms
  - 5.1.9 Attachments to the tax return
  - 5.1.10 Invoicing, and Accounting requirements
- 5.2 Percentage tax
  - 5.2.1 Tax base and tax rates
  - 5.2.2 Venue and time of filing of tax returns
  - 5.2.3 Venue and time of payment
  - 5.2.4 Modes of payment
  - 5.2.5 Use of tax rates
  - 5.2.6 Accomplishing of tax returns and forms

## **6.0 EXCISE TAX**

- 6.1 Describe, Analyze and Compute Excise Tax
  - 6.1.1 Concept
  - 6.1.2 Applicability
  - 6.1.3 Classification of Excisable Materials and Rates
  - 6.1.4 Specific Tax
  - 6.1.5 Ad Valorem Tax
  - 6.1.6 Coverage
  - 6.1.7 Time of Payment

## **7.0 DOCUMENTARY STAMP TAX**

- 7.1 Describe, Analyze and Compute Documentary Stamp Tax (Limited to Shares of Stocks, Sales, Debt Instruments and Deeds of Sale)
  - 7.1.1 Definition
  - 7.1.2 Coverage and Exemptions
  - 7.1.3 Tax Base Rates

7.1.4 Time and Manner of Payment

**8.0 TAXATION UNDER THE LOCAL GOVERNMENT CODE**

- 8.1 Scope and different types of local taxes (limited to real property tax, local business tax)
- 8.2 Tax base and tax rates
- 8.3 Venue and time of filing of tax returns
- 8.4 Venue and time of payment

**9.0 PREFERENTIAL TAXATION**

- 9.1 Senior Citizens Law
  - 9.1.1 Exemption from income tax of qualified senior citizens
  - 9.1.2 Tax incentives for qualified establishments selling goods and services to senior citizens
- 9.2 Magna Carta for Disabled Persons
  - 9.2.1 Tax incentives for qualified establishments selling goods and services to disabled persons
- 9.3 Special Economic Zone Act
  - 9.3.1 Policy and the Philippine Economic Zone Authority (PEZA)
  - 9.3.2 Registration of investments
  - 9.3.3 Fiscal incentives to PEZA-registered economic zone enterprises
- 9.4 Omnibus Investments Code (Book 1 of Executive Order 226)
  - 9.4.1 Policy and the Board of Investment (BOI)
  - 9.4.2 Preferred areas of investment
  - 9.4.3 Investments priority plan
  - 9.4.4 Registration of investments
  - 9.4.5 Fiscal incentives to BOI registered enterprises
- 9.5 Barangay Micro Business Enterprises (BMBEs) Act
  - 9.5.1 Registration of BMBEs
  - 9.5.2 Fiscal Incentives to BMBEs
  
- 9.6 Double Taxation Agreements (DTA)
  - 9.6.1 Nature and purpose of DTAs
  - 9.6.2 Manner of giving relief from double taxation
  - 9.6.3 Procedure for availment of tax treaty benefits

**10.0 TARIFF AND CUSTOMS CODE**

- 10.1 Functions of the Bureau of Customs
- 10.2 Functions of the Tariff Commission
- 10.3 Nature of tariff and customs duties
- 10.4 Basis of assessment of duty
- 10.5 Documents required for importation of goods
- 10.6 Documents required for export of goods

**11.0 UPDATES ON SPECIAL CONCERNS**

- 11.1 Globalization
- 11.2 Digital and Information Technology
- 11.3 Governance and Ethics
- 11.4 Regulatory Requirements and Considerations
- 11.5 Effective Business Communication



	PRESENT		PROPOSED	
	WEIGHT	NO. OF ITEMS	WEIGHT	NO. OF ITEMS
1. PRINCIPLES	10%	7	9%	6
2. TAX REMEDIES	13%	9	10%	7
3. INCOME TAXATION	20%	14	19%	13
4. TRANSFER TAXES	14%	10	14%	10
5. VAT & PERCENTAGE TAX	17%	12	17%	12
6. DOCUMENTATION STAMP TAX	0%	0	3%	2
7. EXCISE TAX	0%	0	3%	2
8. TAXATION UNDER LGU	6%	4	4%	3
9. PREFERENTIAL TAXATION	10%	7	10%	7
10. TARIFFS & CUSTOMS CODE	4%	3	4%	3
11. UPDATES ON SPECIAL CONCERNS	6%	4	7%	5
	100%	70	100%	70



EXPANDING HORIZONS

## **THE CPA LICENSURE EXAMINATION SYLLABUS REGULATORY FRAMEWORK for BUSINESS TRANSACTIONS**

Effective May 2019 Examination

This subject covers the candidates' knowledge of the regulatory framework governing business transactions and business organizations/ associations, and of business laws including their legal implications. Candidates should know and understand the pertinent legal provisions, general principles, concepts, and underlying philosophy of the laws applicable to commerce and business. The candidates must have sufficient knowledge to enable them to recognize the legal implications of business situations or transactions and to know when to seek legal counsel or recommend that it be sought.

The candidates must have a working knowledge to apply the various regulatory framework measures and the pertinent provisions of the law relative to particular business scenarios.

The candidates must also be familiar with clients' rights and remedies, with the handling of disputes on regulatory issues. They must know the various regulatory offices that they will be interacting with and the basic regulations that they will derive benefits from.

The candidates must also be able to communicate effectively matters pertaining to the regulatory work that will be handled.

The knowledge of the candidates in the competencies cited above is that of an entry level accountant who can address the fundamental requirements of the various parties that the candidates will be interacting professionally in the future.

Only new laws, implementing rules and regulations, jurisprudences and other issuances shall be included in the examinations if these are in effect for at least six (6) months at the date of the examination.

The examination shall have one hundred (100) multiple choice questions.

The syllabus for the subject is presented below.

## 1.0 LAWS ON BUSINESS TRANSACTIONS

### 1.1 Obligations

- 1.1.1 Sources of obligations and their concepts
  - 1.1.1.1 Law
  - 1.1.1.2 Contracts
  - 1.1.1.3 Quasi-contracts
  - 1.1.1.4 Delicts
  - 1.1.1.5 Quasi-delicts
- 1.1.2 Kinds of obligations in general under the Civil Code
- 1.1.3 Specific circumstances affecting obligations in general
  - 1.1.3.1 Fortuitous events
  - 1.1.3.2 Fraud
  - 1.1.3.3 Negligence
  - 1.1.3.4 Delay
  - 1.1.3.5 Breach of contract
- 1.1.4 Duties of obligor in obligation to do or not to do
- 1.1.5 Extinguishment of obligation with special emphasis on
  - 1.1.5.1 Payment of debts of money
  - 1.1.5.2 Mercantile documents as means of payment
  - 1.1.5.3 Special forms or modes of payment
  - 1.1.5.4 Remission or condonation, confusion, compensation and novation
  - 1.1.5.5 Effect of insolvency and bankruptcy on extinguishment of obligation

### 1.2 Contracts

- 1.2.1 Concepts and classification
- 1.2.2 Elements and stages
- 1.2.3 Freedom from contract and limitation
- 1.2.4 Persons bound
- 1.2.5 Consent
  - 1.2.5.1 Capacitated persons
  - 1.2.5.2 Requisites
  - 1.2.5.3 Vices of consent
- 1.2.6 Objects of contracts
- 1.2.7 Considerations of contracts
- 1.2.8 Formalities of contracts
- 1.2.9 Interpretation and reformation of contracts
- 1.2.10 Defective contracts

Rescissible

Voidable

1.2.10.3 Unenforceable

Void

### 1.3. Sales

- 1.3.1 Nature, forms and requisites
- 1.3.2 Earnest money as distinguished from option money
- 1.3.3 Rights/obligations of vendor and vendee
- 1.3.4 Warranties (in relation to consumer laws)
- 1.3.5 Installment sales
  - 1.3.5.1 Personal property – Recto Law
  - 1.3.5.2 Real Property – Maceda Law
  - 1.3.5.3 PD 957 / Condominium Act

## 2.0 LAW ON CREDIT TRANSACTIONS

- 2.1 Pledge, Real Mortgage and Chattel Mortgage
  - 2.1.1 Nature and requisites
  - 2.1.2 Requirements to bind the parties and third persons
  - 2.1.3 Obligations and rights of pledgor and pledge
  - 2.1.4 Obligations and rights of mortgagor and mortgagee
  - 2.1.5 Effect of pactum commissorium
  - 2.1.6 Modes of Extinguishment

### **3.0 NEGOTIABLE INSTRUMENTS AND BOUNCING CHECKS LAW**

- 3.1 Negotiable Instruments
  - 3.1.1 Negotiability of instrument
  - 3.1.2 Abnormal negotiable Instruments
  - 3.1.3 Incomplete but delivered instruments
  - 3.1.4 Incomplete and undelivered instruments
  - 3.1.5 Complete but undelivered instruments
  - 3.1.6 Instruments with forged signature
- 3.2 Bouncing Checks
  - 3.2.1 Checks without insufficient funds
  - 3.2.2 Evidence of knowledge of insufficient funds
  - 3.2.3 Duty of Drawee
  - 3.2.4. Credit Construed

### **4.0 LAWS ON BUSINESS ORGANIZATION**

- 4.1 Partnership
  - 4.1.1 Nature and as distinguished from corporation
  - 4.1.2 Elements and kinds
  - 4.1.3 Formalities required
  - 4.1.4 Rules of management
  - 4.1.5 Distribution of profits and losses
  - 4.1.6 Sharing of losses and liabilities
  - 4.1.7 Modes and retirement requirements
  - 4.1.8 Limited partnership
- 4.2 Corporations
  - 4.2.1 Nature and classes of corporation
  - 4.2.2 Incorporation and organization of Private Corporation
  - 4.2.3 Powers of a corporation
    - 4.2.3.1 Expressed
    - 4.2.3.2 Implied
    - 4.2.3.3 Incidental
  - 4.2.4 Board of Directors/Corporate Officers
    - 4.2.4.1 Qualifications
    - 4.2.4.2 Election and removal
    - 4.2.4.3 Powers and fiduciary duties
  - 4.2.5 Classes of stocks
    - 4.2.5.1 Concepts
    - 4.2.5.2 Subscriptions
  - 4.2.6 Powers, duties, rights and obligations of stockholders
  - 4.2.7 Majority and minority control
  - 4.2.8 By Laws
  - 4.2.9 Meetings
  - 4.2.10 Corporate reorganization
    - 4.2.10.1 Mergers
    - 4.2.10.2 Consolidations
    - 4.2.10.3 Other business combinations
  - 4.2.11 Non-stock corporation
  - 4.2.12 Modes of dissolution and liquidation
    - 4.2.12.1 Retirement Requirements

- 4.2.13 Foreign corporations
  - 4.2.13.1 License to do business
    - 4.2.13.1.1 Purpose of the license
    - 4.2.13.1.2 Requirements for application/issuance of license
    - 4.2.13.1.3 Consequence of doing business without a license
  - 4.2.13.2 Definition and rights of foreign corporations
  - 4.2.13.3 Suspension or revocation of license
- 4.2.14 Kinds and availability of corporate books
- 4.2.15 Securities Regulation Code
  - 4.2.15.1 Registration of Securities
  - 4.2.15.2 Shareholders' interests
  - 4.2.15.3 Prohibition on fraud, manipulation, private tender offer and insider trading
  - 4.2.15.4 Exchanges and other securities trading markets
- 4.2.16 Code of Corporate Governance
- 4.2.17 Securities and Regulation Code (SRC), Rule 68, as amended
- 4.2.18 SEC Circulars and Issuances
  - 4.2.18.1 Filing of General Information Sheet
  - 4.2.18.2 Filing of Annual Audited Financial Statements
  - 4.2.18.3 Filing of Articles of Incorporation, By-laws and its amendments and Secondary License
  - 4.2.18.4 Fines and Penalties

#### 4.3 Cooperatives

- 4.3.1 Organization and Registration of Cooperatives
- 4.3.2 Administration
- 4.3.3 Responsibilities, Rights and Privileges of Cooperatives
- 4.3.4 Membership
- 4.3.5 Capital, Property of Funds
- 4.3.6 Audit, Inquiry and Members' Right to Examine
- 4.3.7 Allocation and Distribution of Funds
- 4.3.8 Types and Categories of Cooperatives
- 4.3.9 Merger and Consolidation of Cooperatives
- 4.3.10 Dissolution of Cooperatives

#### 5.0 Laws on other Business Transactions

##### 5.1 PDIC Law

- 5.1.1 Insurable deposits
- 5.1.2 Maximum liability
- 5.1.3 Requirements for Claims

##### 5.2 Secrecy of Bank Deposits and Unclaimed Balances Law

##### 5.3 AMLA Law

- 5.3.1 Definition of Terms
- 5.3.2 Unlawful Activities
- 5.3.3 Covered Institutions/Persons
- 5.3.4 Covered Transactions and Suspicious Transactions
- 5.3.5 Record Keeping Requirements
- 5.3.6 Powers of AMLC
- 5.3.7 Reporting requirements

##### 5.4 Intellectual Property Law (except provisions under Part 1

- 5.4.1 The Law on Patents
- 5.4.2 The Law on Trademark, Service Marks and Trade Names
- 5.4.3 The Law on Copyright

- 5.5 Data Privacy Act
  - 5.5.1 General Provisions and National Privacy Commission
  - 5.5.2 Processing and Security of Personal Information
  - 5.5.3 Rights of the data subject
  - 5.5.4 Accountability for transfer of information
  - 5.5.5 Security of Sensitive Personal Information in Government
  - 5.5.6 Penalties
- 5.6. Electronic Commerce Act
  - 5.6.1 General Provisions
  - 5.6.2 Legal Recognition and Communication of electronic messages and electronic documents
  - 5.6.3 Electronic commerce in carriage of goods and electronic transactions in government
- 6.0 Updates on Special Concerns**
  - 6.1 Globalization
  - 6.2 Digital and Information Technology
  - 6.3 Governance and Ethics
  - 6.4 Regulatory Requirements and Considerations
  - 6.5 Effective Business Communication

**NOTES:**

1. The following can be incorporated in the syllabus of Laws on Business Organization:
  - a. Securities Regulation Code
  - b. SEC Circulars and Issuances
  - c. Cooperatives
2. The SRC Rule 68 can be taught in Financial Reporting.
3. Code of Corporate Governance can be discussed in Good Governance and Corporate Responsibility.
4. The Bouncing Checks law and Banking Laws can be taught in the Negotiable Instruments Law.
5. Data Privacy Act and e-commerce law can be incorporated in the subject Other Commercial Laws.
6. Updates on Special Concerns can be discussed in the subject Integrative Course.

7. Intellectual Property Law can be discussed in Financial Reporting.

