

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