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For the USCPA Exam

# USCPA



Financial Accounting & Reporting

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2024 Edition



2024 Edition

# CPA EXAM REVIEW

# Financial

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## FINAL REVIEW



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# FINANCIAL

## *final review topics*

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FINANCIAL 2	<i>Segment Reporting</i>
FINANCIAL 3	<i>Accounts Receivable</i>
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# FINANCIAL 1

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- ◆ Presentation Order of the Major Components of an Income and Retained Earnings Statement
  - ◆ Comprehensive Income
  - ◆ Revenue Recognition Principle
    - ◆ Completed Contract Method
    - ◆ Percentage of Completion Method
  - ◆ Franchises
  - ◆ Changes in Accounting Principle
    - ◆ Changes in Accounting Entity
    - ◆ Error Corrections

## NOTES

## I. PRESENTATION ORDER OF THE MAJOR COMPONENTS OF AN INCOME AND RETAINED EARNINGS STATEMENT

### Reported on Income Statement

#### A. Income (or Loss) from Continuing Operations (Report Gross; then Net of Tax)

Income from continuing operations includes operating activities (i.e., revenues, costs of goods sold, selling expenses, and administrative expenses), non-operating activities (e.g., other revenues and gains and other expenses and losses), and income taxes.

Income from Continuing Operations (継続事業利益) を計算する項目は収益・費用ともに総額で記載する。

#### B. Income (or Loss) from Discontinued Operations (Report "Net of Tax")

The (normal) loss from discontinued operations can consist of three "elements": (1) an impairment loss, (2) income/loss from actual operations, and (3) a gain/loss on disposal. All of these amounts are included in discontinued operations in the period in which they occur.

Discontinued operations から生じる損失には、次の3つのものがある。

- A gain / loss from actual operations (実際の事業からの利得または損失)  
期首から計算することに注意する。

- Impairment loss (減損損失)

Held for sale に分類されると、その component に含まれる資産については、depreciation や amortization を行わず、impairment のテストを行う。つまり、(a) book value (carrying amount, carrying value) と、(b) fair value less costs to sell のいずれか低い方で測定され、(b) の方が低ければ、両者の差額として impairment loss が認識されることになる。

なお、impairment loss を認識した後、fair value が増加した場合には、過去に認識した損失を超えない範囲でのみ戻し入れによる利益を認識することができる。

- A gain / loss on disposal (除却・売却による利得または損失)  
I / S への記載は、これらの金額を合計して Net of taxes で行う。

### Reported on Statement of Retained Earnings

#### C. Change in Accounting Principle (Report "Net of Tax")

The cumulative effect of a change in accounting principle is presented net of tax. It is the cumulative effect (calculated as of the beginning of the first period presented) of a change from one acceptable method of accounting to another ("GAAP to GAAP" or "IFRS to IFRS") because the new method presents the financial information more fairly than the old method.

Change in accounting principle (会計方針の変更) が行われた場合の cumulative effect (累積的影響額) は、期首 (比較財務諸表の場合は最初の期) の retained earnings を修正する。

## II. COMPREHENSIVE INCOME

Comprehensive income includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. Comprehensive income is **net income plus other comprehensive income**.

Comprehensive Income（包括利益）とは株主との資本取引以外の取引や事象から生じた一期間における資本の変動額をいい、Net income に Other comprehensive income（その他の包括利益）を加えて求めることができる。

Other comprehensive income includes:（その他包括利益に含まれるもの）

Unrealized gains and losses on available-for-sale securities（売却可能証券の未実現（保有）利得／損失）

Foreign currency items（為替換算調整勘定）

## III. REVENUE RECOGNITION PRINCIPLE

### **The Five-Step Approach**

Revenue is recognized when the good or service is transferred to the customer and the performance obligation is satisfied. The amount of revenue to be recognized should reflect the expected consideration that the entity is entitled to receive.

収益は、顧客に財または役務の提供が行われ履行義務が充足された時点で、顧客への財または役務の提供との交換により企業が権利を得ると見込まれる金額で計上される。

The five-step approach should be implemented by an entity in order to properly recognize revenue. The steps are as follows:

収益の認識には、以下の5stepアプローチが適用される。

**Step 1:** Identify the contract with the customer—a contract is an agreement between parties that creates enforceable rights or obligations.

顧客との契約を識別する。契約とは、「強制可能な権利と義務を生じさせる複数の当事者間の合意」である

**Step 2:** Identify the separate performance obligations in the contract—a performance obligation is a promise to transfer either a good or a service to a customer.

契約における履行義務を識別する。履行義務とは、財またはサービスを提供する契約上の約束のことをいう。

**Step 3:** Determine the transaction price—the transaction price is the amount of consideration that an entity is entitled to receive in exchange for transferring goods and/or services to a customer.

取引価格を算定する。取引価格とは、財やサービスを顧客へ移転し、それと交換で受け取ることができる見込まれる対価の額である。



**Step 4:** Allocate the transaction price to the separate performance obligations—if a contract contains more than one performance obligation, the overall transaction price will need to be allocated to each separate obligation.

履行義務へ取引価格を配分する。契約の中に複数の履行義務が存在している場合には、その履行義務ごとに契約の取引価格を配分する必要がある。契約の取引価格の配分は、履行義務に含まれる財やサービスを単独で販売した場合の金額（stand-alone selling price）の比率を基にして行われる。

**Step 5:** Recognize revenue when or as the entity satisfies each performance obligation—revenue is recognized when the performance obligation is satisfied either at a point in time or over time through transferring the good/service to the customer.

履行義務を充足した時に（または充足するにつれて）収益を認識する。

履行義務が、一定の期間にわたり徐々に充足されるのか、あるいは一時点で充足されるのかは、契約の開始時に決定しなければならない。

履行義務が、一定の期間にわたり徐々に充足される場合、収益を認識するためには、進捗度を測定できなければならない。進捗度の測定方法には、output methods と input methods がある。

### 1. Output Methods

Output Methods では、現在までに顧客に移転した財やサービスの価値と残りの財やサービスの価値との比率に基づいて、収益を認識する。（例えば、生産もしくは引き渡しの数量、経過期間、契約上のマイルストーン）

### 2. Input Methods

Input Methods では、履行義務の充足に向けて企業がこれまでに投入した労力の、投入されると予定される総投入量に対する割合に基づいて、収益を認識する。（例えば、発生したコストの見積もり総コストに対する割合、消費した資源、労働時間、経過期間）

## IV. COMPLETED CONTRACT METHOD

Long-term construction contracts について、履行義務を充足した時に（at a point in time）収益を認識する方法を、completed-contract method（工事完成基準）と呼んでいる。

Construction in progress	XXX	
Cash / Accounts payable		XXX
Accounts receivable	XXX	
Progress billings		XXX

Loss が予想された場合は、その期に全額を認識する。

## V. PERCENTAGE OF COMPLETION METHOD

Long-term construction contracts について、履行義務を充足するにつれて (over time) 収益を認識する方法を、percentage-of-completion method (工事進行基準) と呼んでいる。

工事進行基準では、当期末までに計上されるべき利益の累計額を計算し、その額から前期までに計上した利益をマイナスして、当期の income statement に計上される利益を求める。

Loss が予想された場合は、その期に全額を認識する。

Construction in progress	XXX	
Cash / Accounts payable		XXX
Accounts receivable	XXX	
Progress billings		XXX
Construction in progress	XXX	
Current gross profit		XXX

Calculation of Current Gross Profit		
Step #1	Total Gross Profit	Contract Price (Total Estimated Cost) <u>Gross Profit</u>
Step #2	% Completed	<u>Cost to Date</u> Total Estimated Cost
Step #3	Gross Profit Earned to Date	Step #1 x Step #2
Step #4	Current Gross Profit	Gross Profit Earned to Date (Gross Profit Previously Recognized) <u>Current Gross Profit</u>

## VI. FRANCHISES

The franchisor reports revenue from franchise fees when all material conditions of the sale have been "**substantially performed**." Substantial performance means that the initial services required of the franchisor have been performed and there is no obligation to refund any payment received.

### ① Initial franchise fees

Franchise 契約にあたり、当初の段階で一定の金額の支払いを求めることがある。これを **initial franchise fees** と呼ぶ。

**Initial franchise fees** は、初期のサービスの提供が実質的に終了した時点で **revenue** とされる。そのため、代金を受け取った時点では **unearned franchise fees (deferred revenue)** として繰り延べることになる。

### ② Continuing franchise fees

定期的に支払われるものは、サービスの提供に応じて収益計上される。試験においては、たとえば「2022年7月から12月までの売上の2%を翌年2023年2月に受け取ることになっている」という設定で出題されることがあるが、この場合、**franchise fee** の受け取り時（2023年2月）に **revenue** を計上するのではなく、2022年の **revenue** であることに注意しなければならない。

## VII. CLASSIFICATION AND APPROACHES (会計上の変更)

- Changes in an accounting estimate (会計上の見積りの変更)
- Changes in an accounting principle (会計処理方法の変更)
- Changes in the reporting entity (会計報告単位の変更)
- Error correction (誤謬の修正)

In accounting for accounting changes and error corrections, the objective is to maintain the validity of comparative information.

会計上の変更がおこなわれた場合は、見積りの変更は **Prospective application** (将来にわたって処理)、会計処理方法の変更は、比較情報の有効性を維持するために、**retrospective application** (過年度に遡って財務諸表を作成し直す) となる。**Error correction** (誤謬の修正) は **Restatement approach** (過年度に遡って作り直し)。

### **Accounting change approaches:**

- Prospective application (将来にわたって処理)
- Retrospective application (cumulative effect) (過年度に遡って作り直し) 累積的影響額を **Statement of retained earnings** (利益剰余金計算書) に記載して修正する。
- Restatement approach (過年度に遡って作り直し)

## VIII. CHANGES IN ACCOUNTING ESTIMATE (*prospective approach*)

Adjustments for changes in accounting estimate are made in the current and future accounting periods.

They do not affect previous periods. Examples include:

- Change in useful life (耐用年数の変更)
- Change in salvage value (残存価額の変更)
- Change in the percentage of allowance (引当金の設定率の変更)

When a change in accounting principle is **inseparable** from a change in accounting estimate, it should be reported as a change in accounting estimate.

減価償却方法の変更のように、change in accounting principle と changes in accounting estimate が一体となっており、区別することができないときは、changes in accounting estimate として、prospective に処理すればよい。

## IX. CHANGES IN ACCOUNTING PRINCIPLE – *Retrospective Application (cumulative effect)*

*General rule:* Any change from one generally accepted accounting principle to another generally accepted accounting principle is recognized by **adjusting beginning retained earnings** for the cumulative effect of the change, net of tax. Prior period financial statements are restated (**IDEA**).

The cumulative effect of a change in accounting principle is computed as of the **beginning of the earliest year presented**, regardless of the actual date of the change, by applying the new principle to the item to be changed since inception. The difference between the two principles is the catch-up amount for all prior affected periods. It includes direct effects and only those indirect effects that are entered into the accounting records.

会計処理方法の変更が行われた場合、累積的影響額を **Statement of retained earnings** (利益剰余金計算書) に記載する。具体的には期首の **retained earnings** を修正するが、比較財務諸表の場合は、一番最初の期間の期首の **retained earnings** を修正する。

### A. Exceptions to the General Rule (*prospective application*):

#### 1. Impractical to Estimate

If it is considered impractical to accurately calculate this cumulative effect adjustment, then the change is handled **prospectively** (like a change in estimate). An example of a change handled in this manner is a change in inventory cost flow assumption to **LIFO** (U.S. GAAP only). Since a cumulative effect adjustment to LIFO would require the reestablishment and recalculation of old inventory layers, it is considered impractical to try and rebuild those old cost layers.

棚卸資産の評価方法を L I F O (後入先出法) に変更した場合は、例外的に **prospective** に処理すればよい。Retrospective application が、実務上困難であることを理由とする。

#### 2. Change in Depreciation Method

A change in the method of depreciation, amortization, or depletion is considered to be both a change in method and a change in estimate. These changes should be accounted for as changes in estimate and are handled **prospectively**. The new depreciation method should be used as of the beginning of the year of change in estimate and should start with the current book value of the underlying asset.

No adjustment should be made to Retained Earnings.

減価償却方法の変更のように、change in accounting principle と changes in accounting estimate が一体となっており、区別することができないときは、changes in accounting estimate として、**prospective** に処理すればよい。

**X. CHANGES IN ACCOUNTING ENTITY** (*retrospective application*)

Include changes in the companies that make up the consolidated or combined financial statements from year to year. Hence, if 5-year comparative statements are presented, all these statements would be restated as though all the companies were always combined.

会計報告単位が変更された場合、以前からその会計報告単位で活動していたものとして、過年度の財務諸表をすべて作成し直さなければならない。

**XI. ERROR CORRECTIONS** (*restatement approach*)

Error corrections require retroactive restatement by adjusting the beginning balance of retained earnings, net of tax, in the earliest year presented. If the error occurred in a year presented, the error is corrected in those prior financial statements.

誤謬の修正は過去に遡って行う (*Restatement*)。Restatement という言葉を使っているが、行っていることは *Retrospective application* と同様である。

*Gracie Company*  
**STATEMENT OF RETAINED EARNINGS (Partial)**  
*For the Year Ended December 31, Year 1*

Beginning balance (as previously reported)	\$28,000,000
Prior period adjustments:	
Correction of error (net of tax \$1,800,000)	(2,700,000)
Cumulative effect of accounting change (net of tax \$2,000,000)	3,000,000
Beginning balance (restated)	<u>\$28,300,000</u>

内 容	取り扱い
Changes in accounting principle	過年度に遡って作り直し ( <i>retrospective application</i> )
Changes in accounting estimate	将来にわたって処理 (過年度に遡る必要なし)
Changes in reporting entity	過年度に遡って作り直し ( <i>retrospective application</i> )
Error correction	過年度に遡って作り直し ( <i>restatement</i> )

**XII. SUMMARY OF ACCOUNTING CHANGES AND NECESSARY TREATMENTS**

<i>Accounting Changes</i>	<i>Example(s)</i>	<i>Income Statement</i>	<i>Statement of Retained Earnings</i>
From one GAAP/IFRS principle to another GAAP/IFRS principle	<input type="checkbox"/> Adopt a new standard <input type="checkbox"/> Change methods of inventory costing – FIFO to Average		<b>Retrospective application</b> , compute <b>cumulative</b> effect and report <b>net of tax</b> by adjusting beginning retained earnings of earliest year presented
Changes in principle – <b>Exceptions</b> (require prospective treatment)	<input type="checkbox"/> From any inventory valuation method to LIFO (U.S. GAAP only) <input type="checkbox"/> Change depreciation methods – SL to SYD	<input type="checkbox"/> <b>Prospective application</b> , the beginning inventory of the year of change is the first LIFO layer <input type="checkbox"/> Apply new depreciation method to remaining book value as of the beginning of the year	
Changes in entity	<input type="checkbox"/> Consolidation of a subsidiary not previously included in consolidated FS <input type="checkbox"/> Report consolidated FS in place of individual statements		<input type="checkbox"/> <b>Retrospective adjustments</b> (plus or minus) <b>net of tax</b> , against the beginning balance of the retained earnings under the caption of "Prior Period Adjustments" <input type="checkbox"/> Restate all financial statements presented
Neither a change in principle nor a change in estimate	<input type="checkbox"/> Change from cost method to equity method		<input type="checkbox"/> <b>Retroactive adjustments</b> (plus or minus) <b>net of tax</b> , against the beginning balance of the earliest retained earnings presented under the caption of "Prior Period Adjustments" <input type="checkbox"/> Restate all financial statements presented
Correction of errors	<input type="checkbox"/> From cash to accrual <input type="checkbox"/> Errors made in prior statements		<input type="checkbox"/> <b>Retroactive adjustments</b> (plus or minus) <b>net of tax</b> , against the beginning balance of the retained earnings under the caption of "Prior Period Adjustments" <input type="checkbox"/> Restate all financial statements presented that are affected
Changes in estimate	<input type="checkbox"/> Depreciation method <input type="checkbox"/> Useful life of depreciable asset <input type="checkbox"/> Residual value <input type="checkbox"/> Bad debt % <input type="checkbox"/> Loss accruals	<input type="checkbox"/> <b>Prospective application</b> , account for in the current statement "above the line" <input type="checkbox"/> No cumulative effect	





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