

Appendix 3.01.2 Pre-requisites and knowledge assumed for this book

The structure of the accounting and auditing profession and sector

The additional material in Chapter 1.2 examined the structure of the accounting and auditing profession and sector. This includes the professional bodies (of which the authors are closest to the ICAEW [English and Wales chartered accounts body]). And the structure of the accounting and auditing firms, the dominance of the Big Four, the fee income and number of staff (including partners) of the largest firms and the fee income now totally more than £15 billion and, we predict, likely to grow considerably further. Think more than £50 billion by 2040 to 2050 (discussed in Chapter 15). Also the number of trainees. We also examine the recent audit changes and the ARGA/FRC interpretation known as ARD (Audit Regulation and Directive) and the limits imposed by a) mandatory rotation, b) the cap of non-audit to audit fee income of 70% and c) a blacklist of activities that auditors are not allowed to undertake. We also examine the effect of rotation and the surprising impact on the change in audit fees. Also the tender process is examined in Chapter 8. The degree of concentration of the Big Four is increasing. The three-mid-tier firms find it too expensive to tender for audits – by 2020 we believe will be around £500,000 per tender. If you are not familiar with any of this material then please go to www.fin-rep.net Chapter 1.2 extensions.

The regulation, reporting & auditing definitions

The additional material covered in Chapter 1.3 includes the definitions and principles of financial and corporate reporting, messages between the reporting and company and the public, shareholders, analyst, professional investors and stock markets. Reporting and accounting rules and standards are considered and will be updated. The individual country standards were considered. And a comparison between the UK, US and EU. The regulatory bodies, of the SEC and PCAOB in the US were discussed. The standard setting bodies discussed. The reader should be familiar with FASB, IFRS, IASB, IASC, EFRAG, US GAAP, UK GAAP, SOC, ARC, ESMA, CEAOB, and others. The UK watchdogs of the FRC, FCA, TPA, PRA, the Insolvency Service and the Department of Business (BEIS). The convergence and possible divergence of US and UK/EU standards was discussed. The full gamut of current reporting and its widening content was examined. The concept of simulacra was introduced and a note on the growing issue of intangibles provided. If you are not familiar with any of this material then please go to www.fin-rep.net Chapter 1.3 extensions¹.

January 2018	IFRS 15 – new for revenue recognition IFRS 9 – new for financial instruments
April 2018	Gender pay gap – website only and every year from then onwards Amendments to several existing IFRS 1, 2, 4, 8, 28, 40
January 2019	IFRS 16 – new for leases Amendments to several existing IFRS 3, 9, 11 and IAS 12, 19, 23, 28
January 2020	IFRS Insurance Amendments to several existing IFRS 3 and IAS 1, 8

The current reporting and auditing environment

A quick survey of academic literature, then a discussion of the failure of current financial reporting in and the changing role of stock markets. The current range and types of financial reports, information and data is highlighted, together with typical components of the same. The front-end now has a growing narrative section and much is made of this later in this book (with evidence that not all is well). Currently the size of a company defines as to what is to be reported and how, if at all, it should be audited. The UK GAAP and its current changes are examined. The differences between EU and UK reporting is analysed. US GAAP is contrasted. If you are not familiar with any of this material then please go to www.fin-rep.net Chapter 1.4 extensions.

¹ For the latest IFRSs and amendments see:
<https://www.iasplus.com/en/standards/effective-dates/effective-ifrs>
and
<https://www.ifrsbox.com/ifrs-2019-update-changes/>