

Association of Professional Accountants and
Auditors of the Republic of Moldova (ACAP RM)



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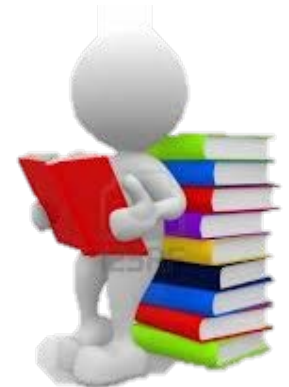
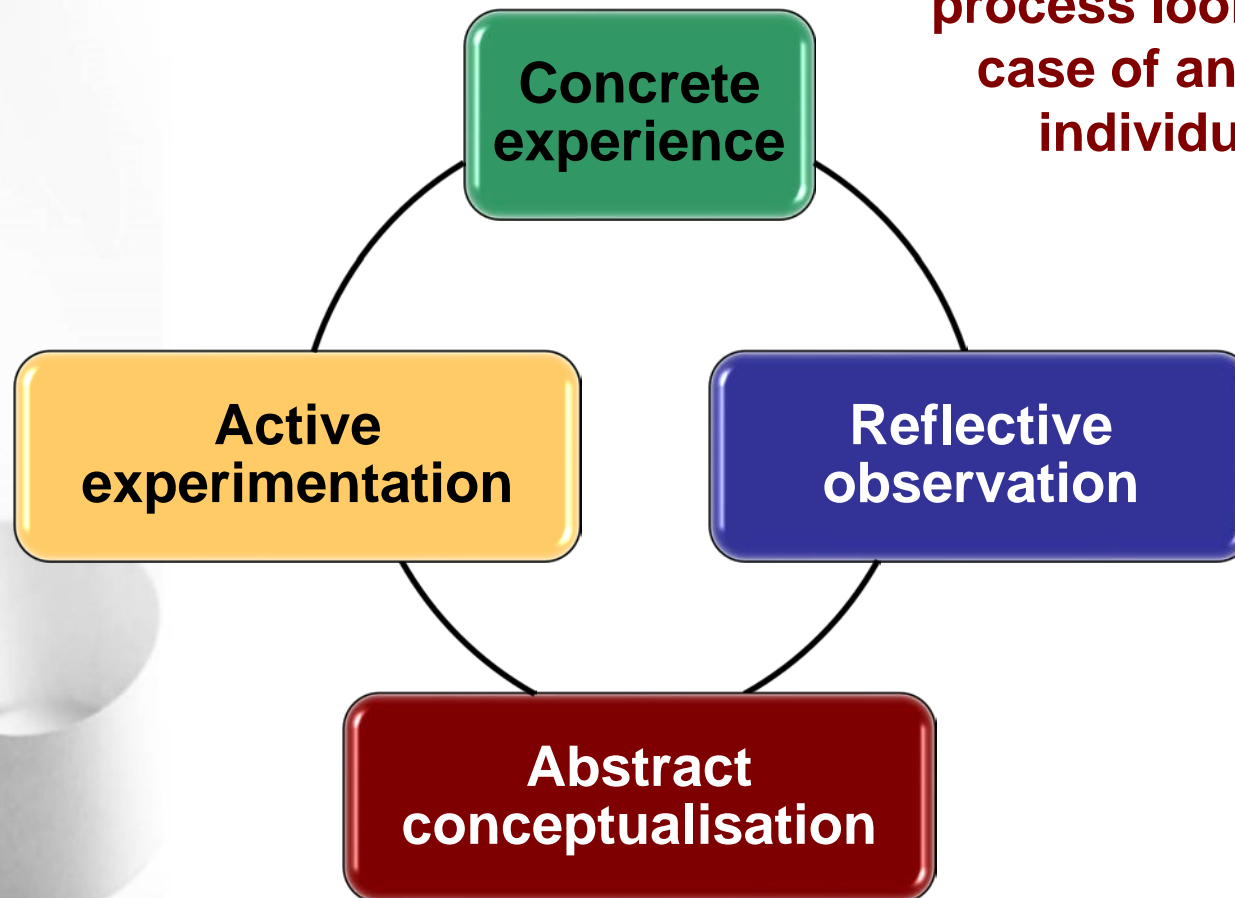
Practical Methods Applied in Education, Accounting and Auditing

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The experiential learning cycle of an adult individual, according to the American educational theorist David. A. Kolb

What does a learning process look like in case of an adult individual?



Classification of Teaching Methods

A method means a way, approach chosen to share knowledge.

Passive

- ☐ ***Lecture***
- ☐ ***Test***
- ☐ ***Exam***
- ☐ ***Review work***
- ☐ ***Homework***

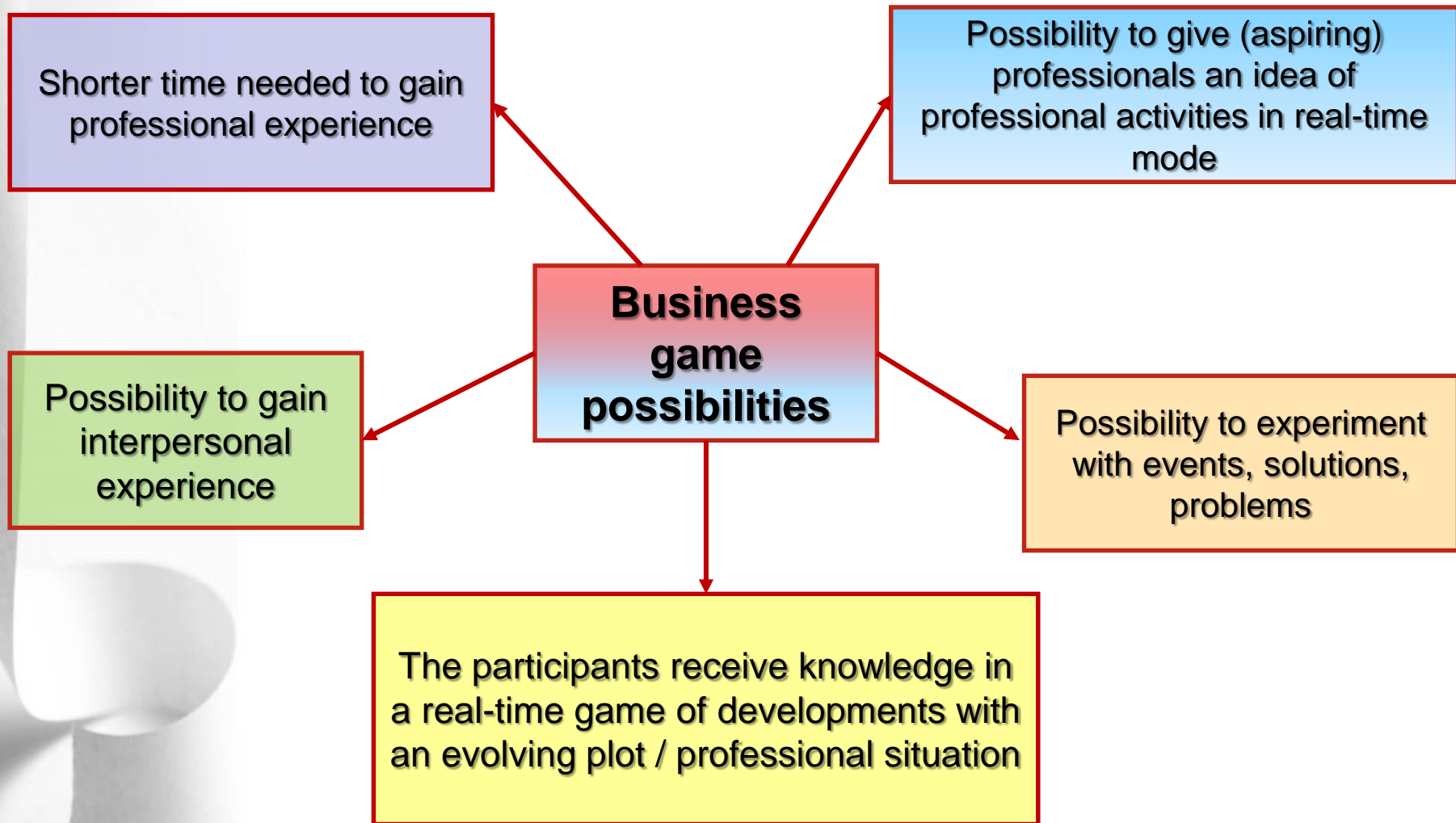
Active

- ☐ ***Discussion***
- ☐ ***Dialogue***
- ☐ ***Presentation***
- ☐ ***Coaching***
- ☐ ***Master class***
- ☐ ***Demonstration***
- ☐ ***Skill training***
- ☐ ***Instruction***

Interactive

- ☐ ***Workshop***
- ☐ ***Game simulation***
- ☐ ***Role play***
- ☐ ***Project work***
- ☐ ***Group work forms***

Game simulation: Business game (simulation exercise)



Game simulation: Business game

Objective of game simulations in accounting education:

- *Forming professional judgments;*
- *Developing and shaping responsibility for own actions;*
- *Developing the skill to form a clear idea of the professional situation, to make correct decisions promptly;*
- *Preventing actual mistakes and errors possible in future professional activities;*
- *Assessing and adjusting own knowledge and skills;*
- *Developing a comprehensive idea of the impact accounting data has on investor decision-making.*

During a game simulation

the participants can play the roles of:

- ✓ Accountant;
- ✓ Prospective investor;
- ✓ Tax officer;
- ✓ CFO;
- ✓ Financial analyst.

Practical example

Topic: *Effect of subsequent measurement of fixed assets on investor decision-making*

SUBSEQUENT MEASUREMENT OF FIXED ASSETS

MEASUREMENT after recognition of fixed assets

Measurement at **HISTORICAL
cost model**

Measurement at **REVALUATION model**

***Pro rata* revaluation
approach**

**Book value write-
down/write-up approach**

Background information:

Historical cost of an item of fixed assets: 100,000 monetary units

Accumulated depreciation charges: 25,000 monetary units

Book value after revaluation: 110,000 monetary units

Model for subsequent measurement of fixed assets

at **HISTORICAL COST**

No accounting
postings

at **REVIEWED VALUE**

***Pro rata revaluation
approach***

**Book value write-
down/write-up approach**

Computation of the difference

$110,000 / 100,000 - 25,000$

Accounting postings

Debit: Fixed asset 46,700

Credit: Accumulated depreciation 11,700

Credit: Provisions for revaluation 35,000

Accounting postings

Debit: Fixed asset 10,000

Debit: Accumulated depreciation 25,000

Credit: Provisions for revaluation 35,000

Reflecting the outcome of subsequent measurement of fixed assets in the Income Statement and Notes

Item	Historical cost	Reviewed value	
		Pro rata <i>revaluation approach</i>	<i>Book value write-down/write-up approach</i>
Assets			
<i>Fixed asset</i>	75,000	110,000	110,000
✓ Value	100,000	146,700	110,000
✓ Accumulated depreciation	25,000	36,700	0
Total assets	75,000	110,000	110,000
Equity and liabilities			
<i>Equity</i>	75,000	75,000	75,000
<i>Provisions for revaluation</i>	0	35,000	35,000
Total equity and liabilities	75,000	110,000	110,000

Investor perspective

Measurement at **HISTORICAL COST** model:

- Low long-term assets;
- Low equity;
- Financial statements do not show actual value of the assets as of the reporting date.

Measurement at **REVALUATED VALUE** model

Pro rata revaluation approach:

- Higher total assets;
- Higher share of equity as a funding source;
- Financial statements show the value of fixed assets accurately;
- Depreciation charges have to be taken into account to ensure comparability of the financial statements.

Book value write-down/write-up approach:

- Higher total assets;
- Total assets seem to be new;
- Accumulated depreciation, which shows asset wear and tear and obsolescence, is not reflected;
- Financial statements show the value of fixed assets accurately.

*"By three methods we may learn wisdom:
First, by reflection, which is noblest;
second is by imitation, which is easiest;
and third by experience, which is the bitterest."*

Confucius

IES 7: Continuing Professional Development (CPD)

"... CPD plays an important part in enabling professional accountants to develop and maintain professional competence that is relevant to their role" (IES 7, A2).

All professional accountants must "provide high quality services to clients, employers, and other stakeholders..." (IES 7, A8)



THANK YOU FOR YOUR ATTENTION

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