

МІНІСТЕРСТВО ОСВІТИ І НАУКИ УКРАЇНИ  
МИКОЛАЇВСЬКИЙ НАЦІОНАЛЬНИЙ АГРАРНИЙ УНІВЕРСИТЕТ

Навчально-науковий інститут економіки та управління

Обліково-фінансовий факультет

Кафедра обліку і оподаткування

**ОБЛІК І ФІНАНСОВА ЗВІТНІСТЬ ЗА МІЖНАРОДНИМИ  
СТАНДАРТАМИ (ІНОЗЕМНОЮ МОВОЮ)**

Ілюстративний матеріал для лекційних занять  
для здобувачів вищої освіти ступеня «магістр»  
спеціальності 071 «Облік і оподаткування»  
денної форми навчання

МИКОЛАЇВ  
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О - 16

Друкується за рішенням науково-методичної комісії обліково-фінансового факультету Миколаївського національного аграрного університету від 29.10.2020 р., протокол № 2.

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**CONTENT MODULE 1.**  
**GENERAL PRINCIPLES OF ACCOUNTING ACCORDING TO IFRS**

**THEME 1. THE DEVELOPMENT AND IMPLEMENTATION OF IFRS**

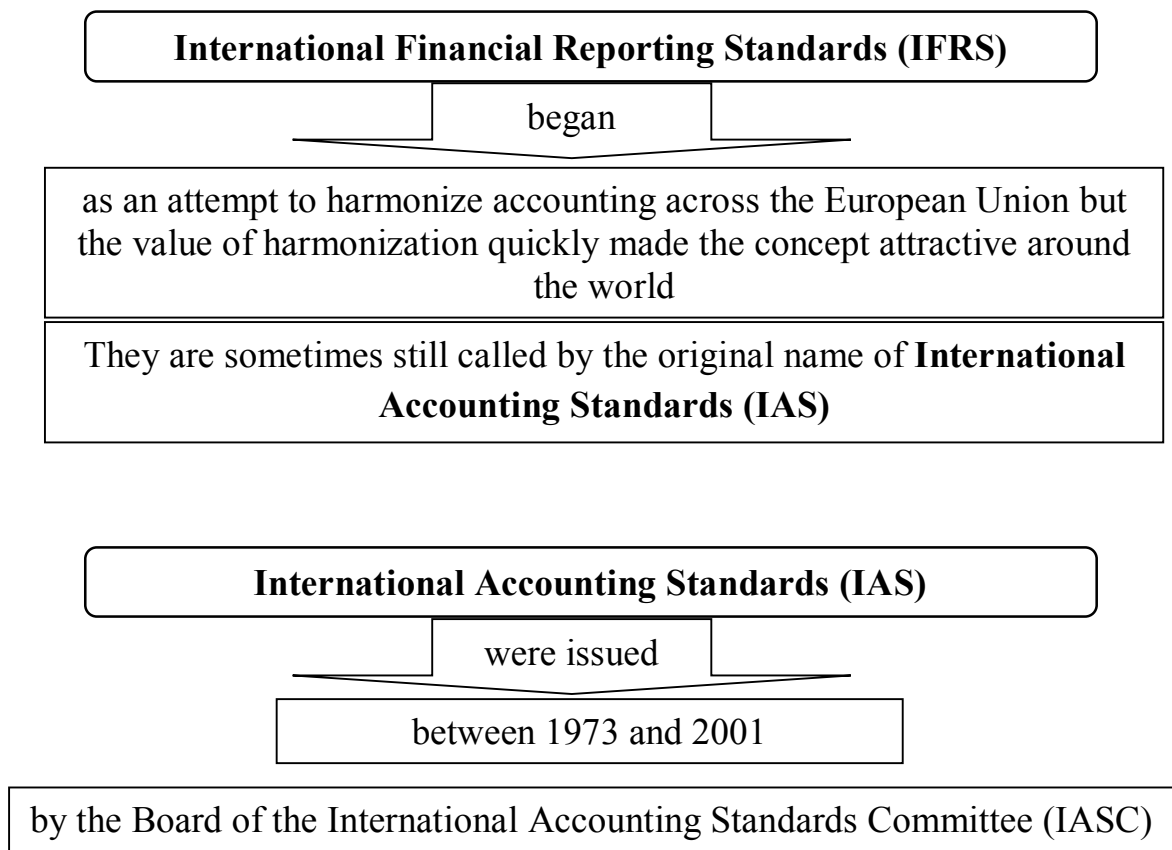
- 1.1. The establishment of IFRS
- 1.2. The role and the benefits of IFRS

**Key words:** international financial reporting standards, international accounting standards, international accounting standards committee, international accounting standards board, IFRS foundation

**Must-read:**

Preface to International Financial Reporting Standards

**1.1. The establishment of IFRS**



**The International Accounting Standards Committee (IASC)**

was founded

in June 1973 in London

as a result of an agreement between accountancy bodies in the following countries: Australia, Canada, France, Germany Japan, Mexico, the Netherlands, the United Kingdom and Ireland, the USA

**The International Accounting Standards Committee (IASC)**

was renamed as

**The International Accounting Standards Board (IASB)**

in April 2001

**International Financial Reporting Standards (IFRS)**

all the standards issued after 2001

The previous IAS are still valid  
but are being gradually superseded by new IFRS

## IFRS Foundation

is

an independent, privately organised, not-for-profit organisation, operating to serve the public interest

### main objectives

the development and promotion of the International Financial Reporting Standards (IFRSs) through the International Accounting Standards Board (IASB), which it oversees

### mission

to bring transparency, accountability and efficiency to financial markets around the world by developing IFRS

## International Financial Reporting Standards



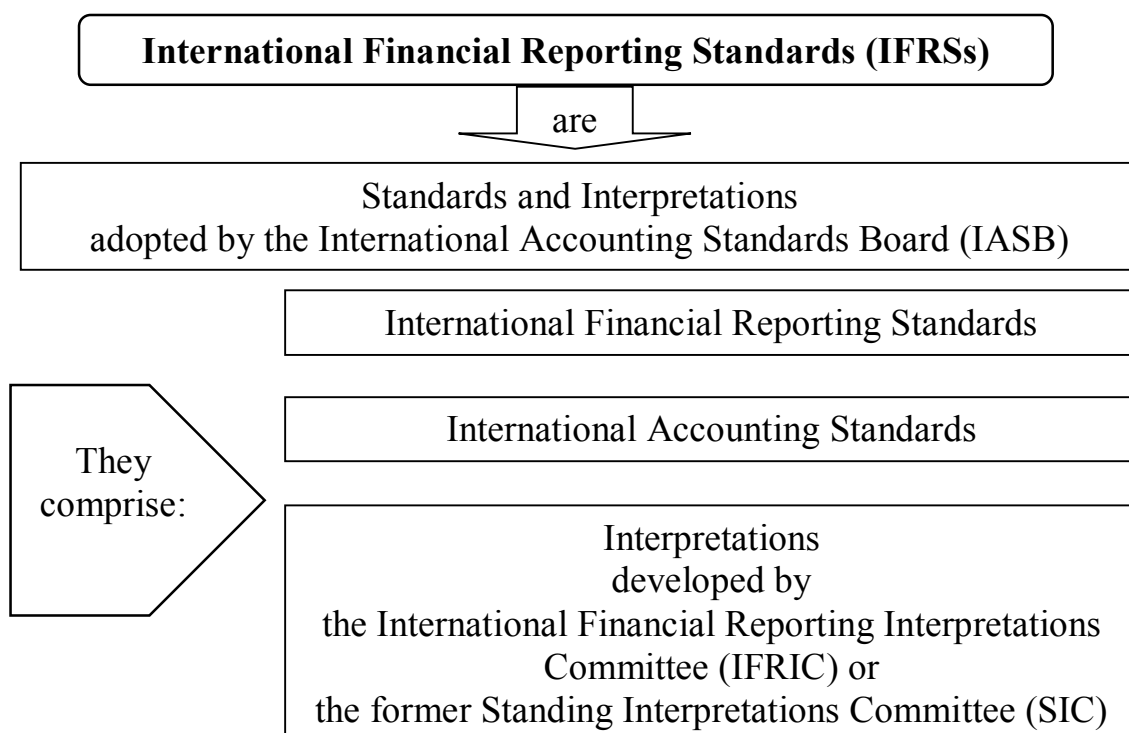
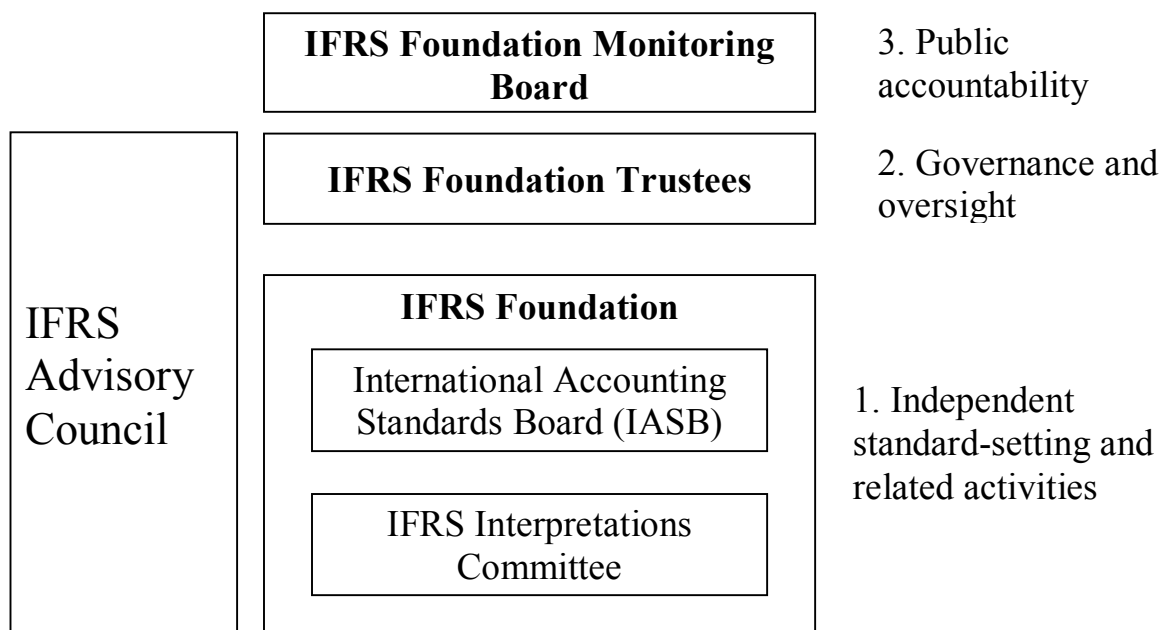
bring **transparency** by enhancing the international comparability and quality of financial information, enabling investors and other market participants to make informed economic decisions



strengthen **accountability** by reducing the information gap between the providers of capital and the people to whom they have entrusted their money



contribute to economic **efficiency** by helping investors to identify opportunities and risks across the world, thus improving capital allocation



### International Financial Reporting Standards

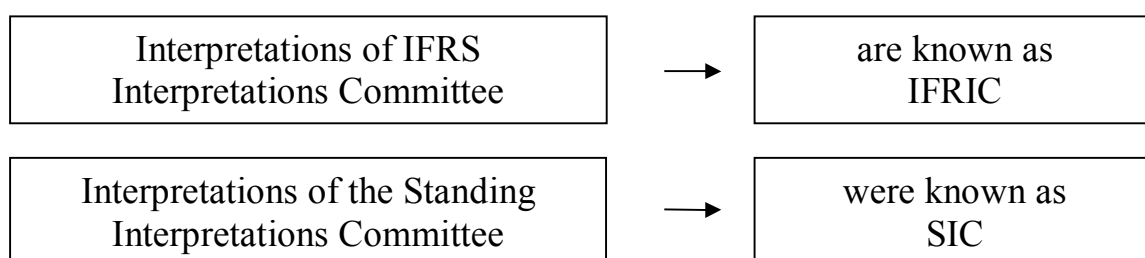
№	Name	Issued
IFRS 1	First-time Adoption of International Financial Reporting Standards	2008*
IFRS 2	Share-based Payment	2004
IFRS 3	Business Combinations	2008*
IFRS 4	Insurance Contracts <i>(Will be superseded by IFRS 17 as of 1 January 2023)</i>	2004
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	2004
IFRS 6	Exploration for and Evaluation of Mineral Resources	2004
IFRS 7	Financial Instruments: Disclosures	2005
IFRS 8	Operating Segments	2006
IFRS 9	Financial Instruments	2014*
IFRS 10	Consolidated Financial Statements	2011
IFRS 11	Joint Arrangements	2011
IFRS 12	Disclosure of Interests in Other Entities	2011
IFRS 13	Fair Value Measurement	2011
IFRS 14	Regulatory Deferral Accounts	2014
IFRS 15	Revenue from Contracts with Customers	2014
IFRS 16	Leases	2016
IFRS 17	Insurance Contracts	2017

### International Accounting Standards

№	Name	Issued
IAS 1	Presentation of Financial Statements	2007*
IAS 2	Inventories	2005*
IAS 7	Statement of Cash Flows	1992
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	2003
IAS 10	Events After the Reporting Period	2003
IAS 12	Income Taxes	1996*
IAS 16	Property, Plant and Equipment	2003*
IAS 19	Employee Benefits (2011)	2011*
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1983
IAS 21	The Effects of Changes in Foreign Exchange Rates	2003*
IAS 23	Borrowing Costs	2007*
IAS 24	Related Party Disclosures	2009*
IAS 26	Accounting and Reporting by Retirement Benefit Plans	1987
IAS 27	Separate Financial Statements (2011)	2011
IAS 28	Investments in Associates and Joint Ventures (2011)	2011



No	Name	Issued
IAS 29	Financial Reporting in Hyperinflationary Economies	1989
IAS 32	Financial Instruments: Presentation	2003*
IAS 33	Earnings Per Share	2003*
IAS 34	Interim Financial Reporting	1998
IAS 36	Impairment of Assets	2004*
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1998
IAS 38	Intangible Assets	2004*
IAS 40	Investment Property	2003*
IAS 41	Agriculture	2001

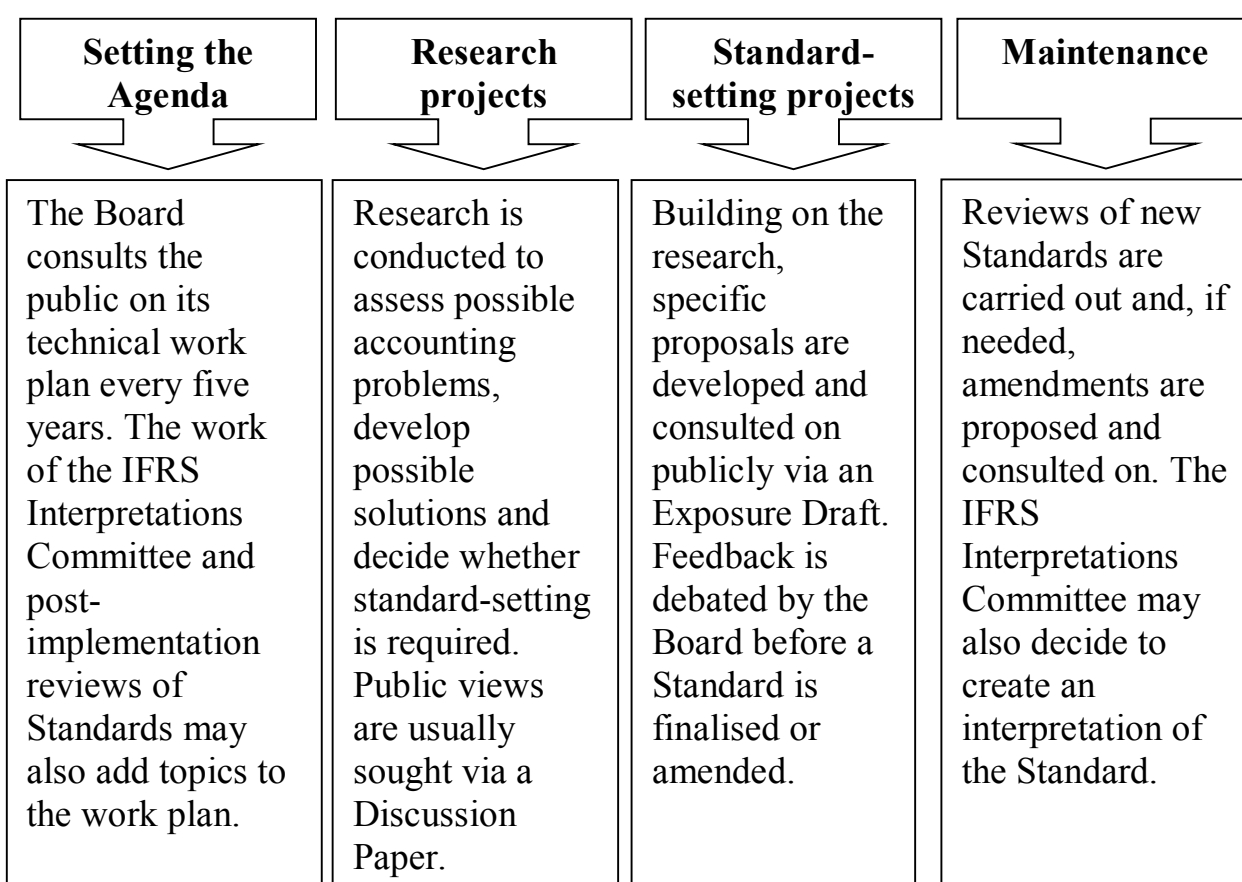


### IFRIC Interpretations

No	Name	Issued
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	2004
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments	2004
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	2004
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	2005
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	2005
IFRIC 9	Reassessment of Embedded Derivatives	2006
IFRIC 10	Interim Financial Reporting and Impairment	2006
IFRIC 12	Service Concession Arrangements	2006
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2007
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	2008
IFRIC 17	Distributions of Non-cash Assets to Owners	2008
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	2009
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	2011
IFRIC 21	Levies	2013
IFRIC 22	Foreign Currency Transactions and Advance Consideration	2016
IFRIC 23	Uncertainty over Income Tax Treatments	2017

### SIC Interpretations

№	Name	Issued
SIC 7	Introduction of the Euro	1998
SIC 10	Government Assistance — No Specific Relation to Operating Activities	1998
SIC 25	Income Taxes — Changes in the Tax Status of an Entity or its Shareholders	2000
SIC 29	Disclosure — Service Concession Arrangements	2001
SIC 32	Intangible Assets — Website Costs	2001



**Steps in the standard-setting process**

## 1.2. The role and the benefits of IFRS

### International Financial Reporting Standards



are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries



are a consequence of growing international shareholding and trade and are particularly important for companies that have dealings in several countries



are progressively replacing the many different national accounting standards

Currently, profiles are completed for 150 jurisdictions.

Afghanistan	Albania	Angola	Anguilla	Antigua and Barbuda	Argentina
Armenia	Australia	Austria	Azerbaijan	Bahamas	Bahrain
Bangladesh	Barbados	Belarus	Belgium	Belize	Bermuda
Bhutan	Bolivia	Bosnia and Herzegovina	Botswana	Brazil	Brunei Darussalam
Bulgaria	Cambodia	Canada	Cayman Islands	Chile	China
Colombia	Costa Rica	Croatia	Cyprus	Czech Republic	Denmark
Dominica	Dominican Republic	Ecuador	Egypt	El Salvador	Estonia
European Union	Fiji	Finland	France	Gambia	Georgia
Germany	Ghana	Greece	Grenada	Guatemala	Guinea-Bissau
Guyana	Honduras	Hong Kong SAR	Hungary	Iceland	India

Indonesia	Iran	Iraq	Ireland	Israel	Italy
Jamaica	Japan	Jordan	Kazakhstan	Kenya	Kosovo
Kuwait	Latvia	Lesotho	Liberia	Liechtenstein	Lithuania
Luxembourg	Macao	Macedonia	Madagascar	Malawi	Malaysia
Maldives	Malta	Mauritius	Mexico	Moldova	Mongolia
Montenegro	Montserrat	Myanmar	Namibia	Nepal	Netherlands
New Zealand	Nicaragua	Niger	Nigeria	Norway	Oman
Pakistan	Palestine	Panama	Paraguay	Peru	Philippines
Poland	Portugal	Qatar	Romania	Russia	Rwanda
Saudi Arabia	Serbia	Sierra Leone	Singapore	Slovakia	Slovenia
South Africa	South Korea	Spain	Sri Lanka	St Kitts and Nevis	St Lucia
St Vincent and the Grenadines	Suriname	Swaziland	Sweden	Switzerland	Syria
Chinese Taipei	Tanzania	Thailand	Timor-Leste	Trinidad and Tobago	Turkey
Uganda	Ukraine	United Arab Emirates	United Kingdom	United States	Uruguay
Uzbekistan	Venezuela	Vietnam	Yemen	Zambia	Zimbabwe

## **THEME 2. THE FIRST APPLICATION OF IFRS**

### 2.1. First-time adoption of IFRS

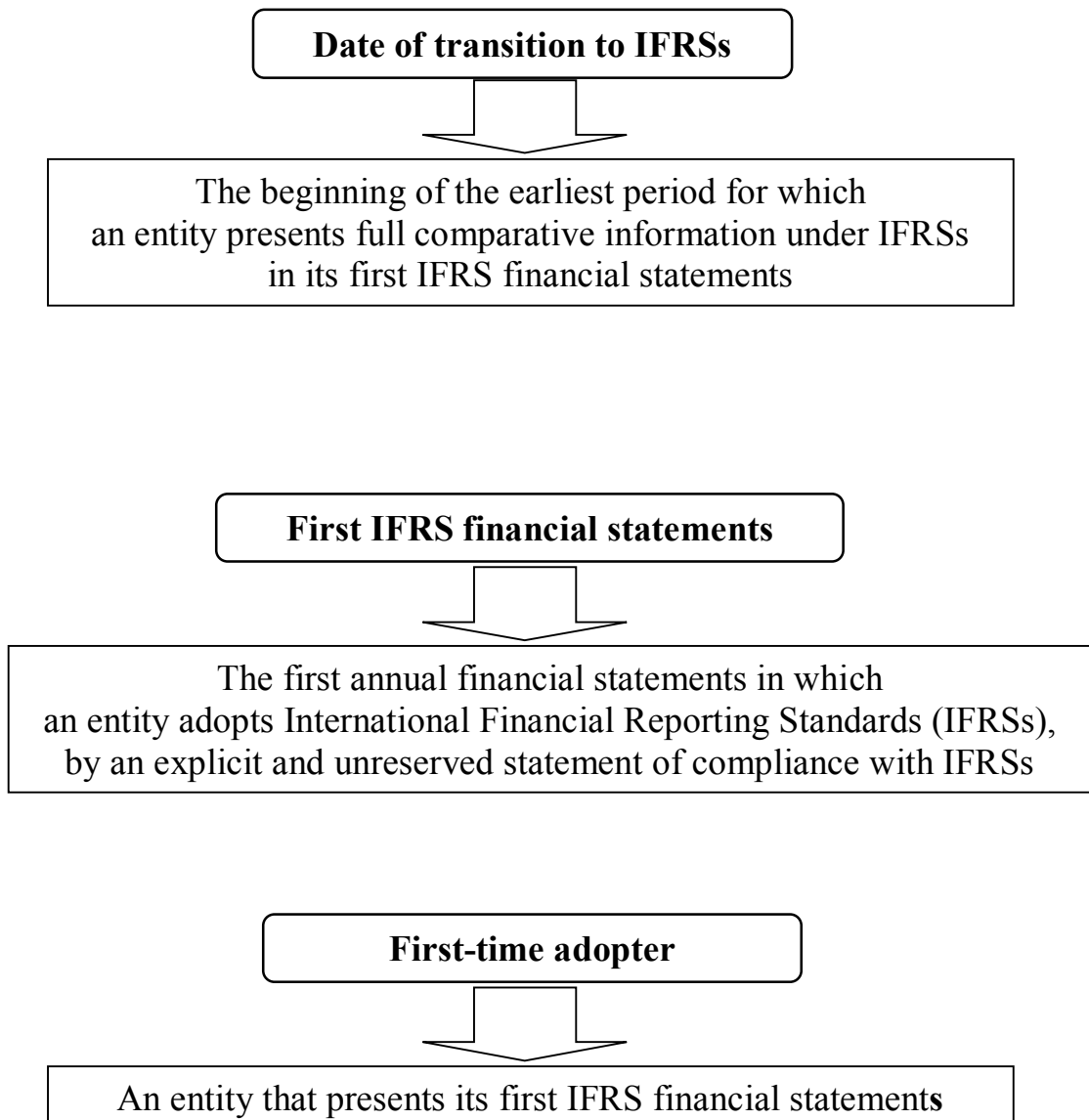
### 2.2. Chart of accounts

**Key words:** date of transition to IFRSs, first-time adopter, accounts, chart of accounts, balance sheet accounts, income statement accounts

**Must-read:**

IFRS 1 First-time Adoption of International Financial Standards

### **2.1. First-time adoption of IFRS**



## 2.2. Chart of accounts

To keep a company's financial data organized, accountants developed a system that sorts transactions into records

called

**accounts**

Because every business transaction affects at least two accounts, our accounting system

is known as

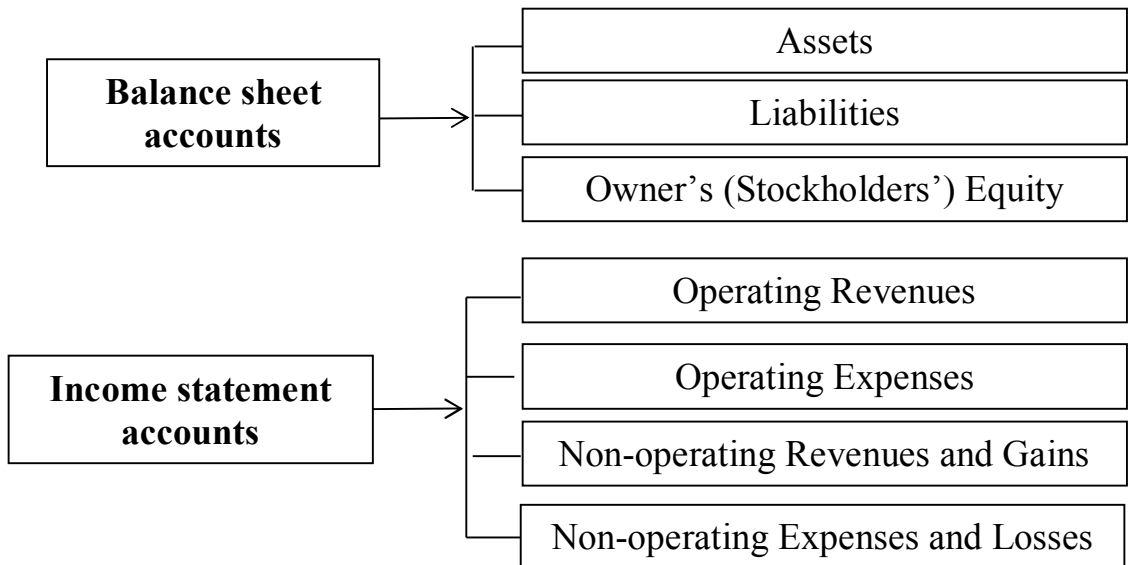
**a double-entry system**

**Chart of accounts**

is

a listing of the names of the accounts that a company has identified and made available for recording transactions in its general ledger

Within the chart of accounts  
the accounts are typically listed in the following order



Each account in the chart of accounts  
is typically assigned a name and a unique number by  
which it can be identified

## CONTENT MODULE 2. ACCOUNTING FOR ASSETS

### THEME 3. PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

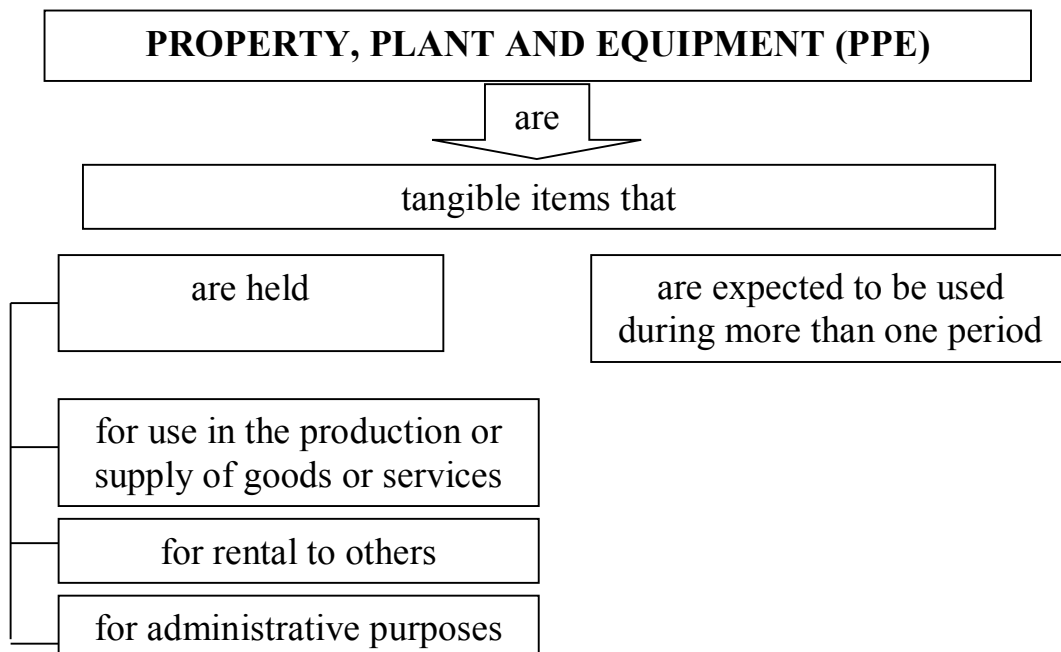
- 3.1. Recognition of Property, Plant and Equipment
- 3.2. Measurement of PPE
- 3.3. Depreciation
- 3.4. Derecognition of PPE
- 3.5. Disclosure of PPE in the financial statements
- 3.6. Investment Property

**Key words:** property, plant and equipment, initial measurement, subsequent measurement, depreciation, useful life, depreciation methods, investment property

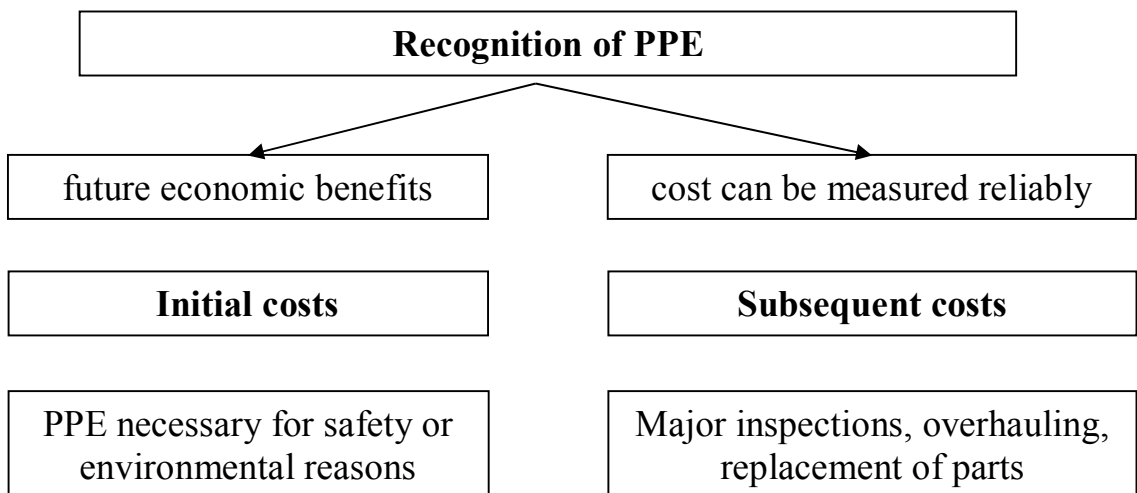
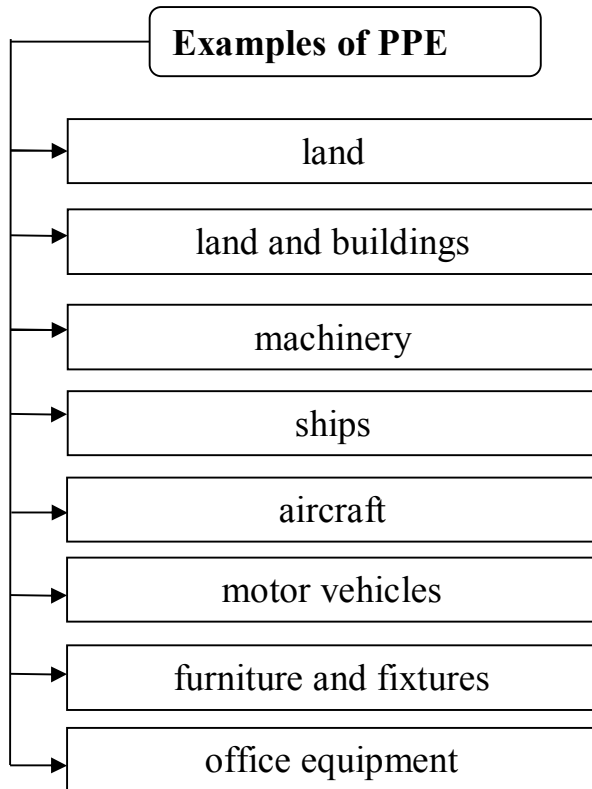
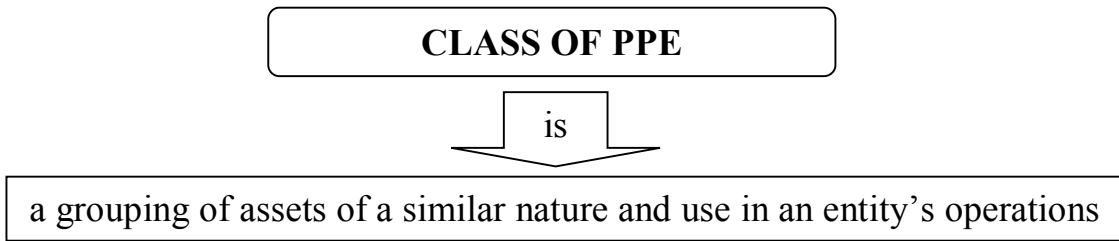
**Must-read:**

- IAS 16 Property, Plant and Equipment
- IAS 40 Investment Property
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 16 Leases
- IFRIC 1 — Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IFRIC 12 — Service Concession Arrangements
- IFRIC 20 — Stripping Costs in the Production Phase of a Surface Mine

#### 3.1. Recognition of Property, Plant and Equipment





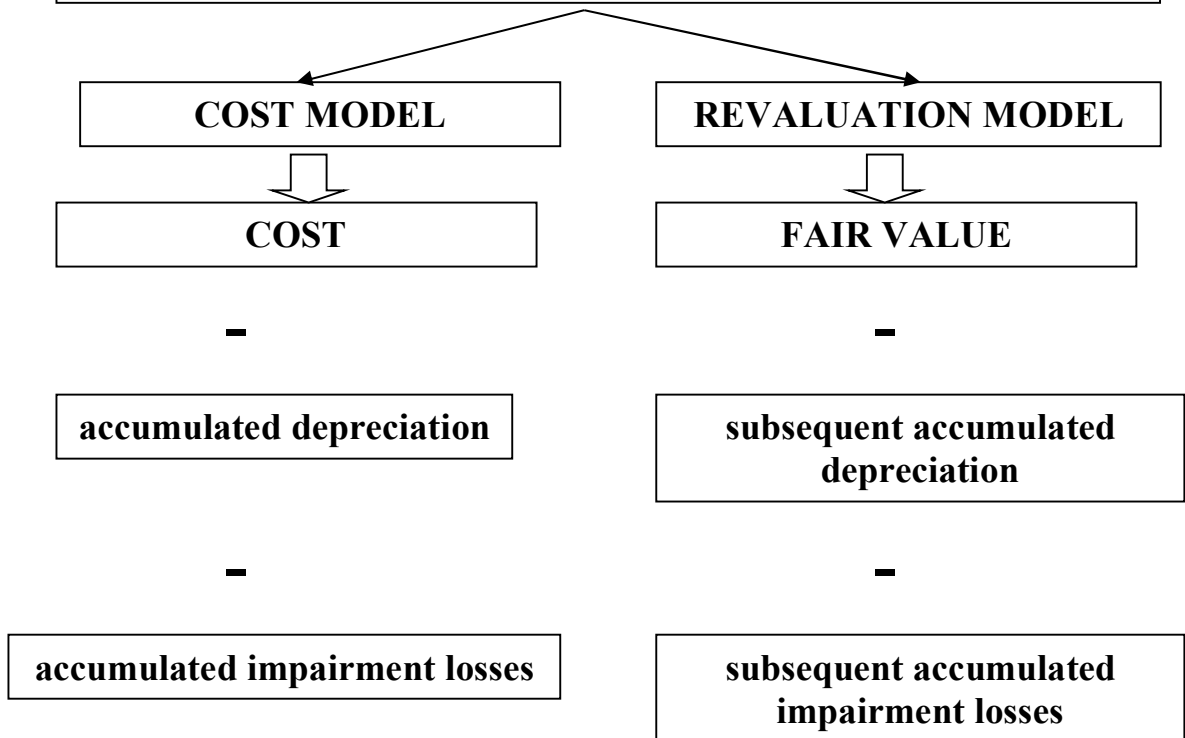


3.2. Measurement of PPE

**Initial Measurement of (PPE)**

$$\text{COST} = \text{Purchase price} + \text{Directly attributable costs} + \text{Removal costs}$$

**Subsequent Measurement of PPE**



**IMPAIRMENT LOSS**

is

the amount by which the carrying amount of an asset exceeds its recoverable amount

**RECOVERABLE AMOUNT**

is

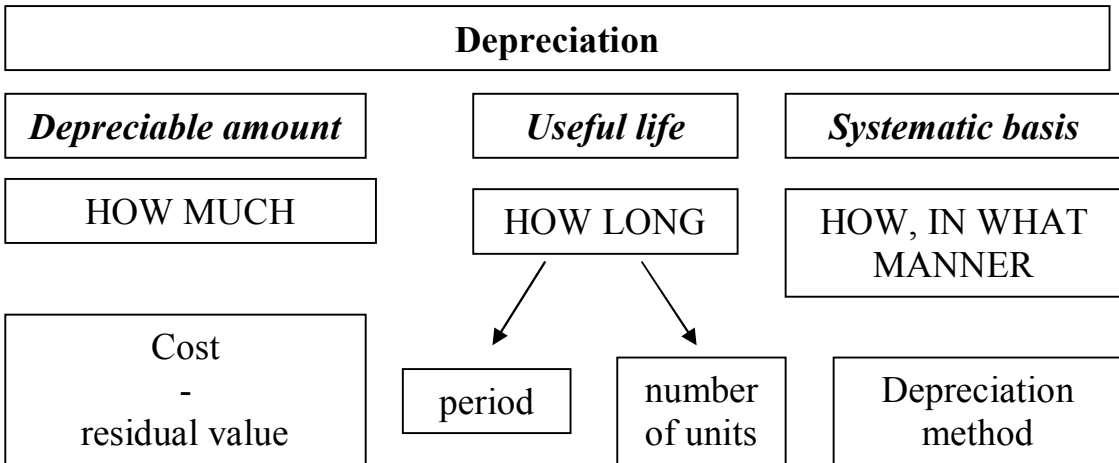
the higher of an asset's fair value less costs to sell and its value in use

**3.3. Depreciation**

**DEPRECIATION**

is

the systematic allocation of the depreciable amount of an asset over its useful life

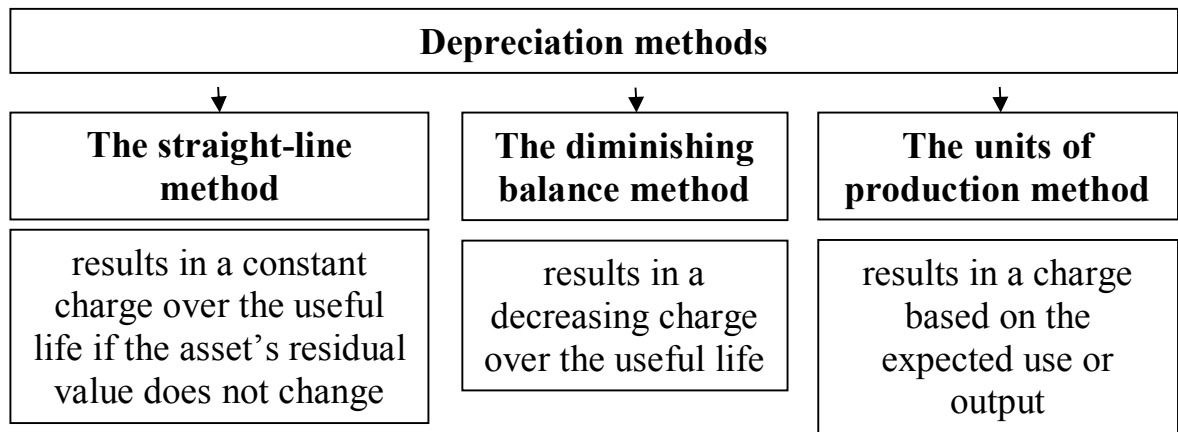


**USEFUL LIFE**

is

the period over which an asset is expected to be available for use by an entity

the number of production or similar units expected to be obtained from the asset by an entity



**CARRYING AMOUNT**

is

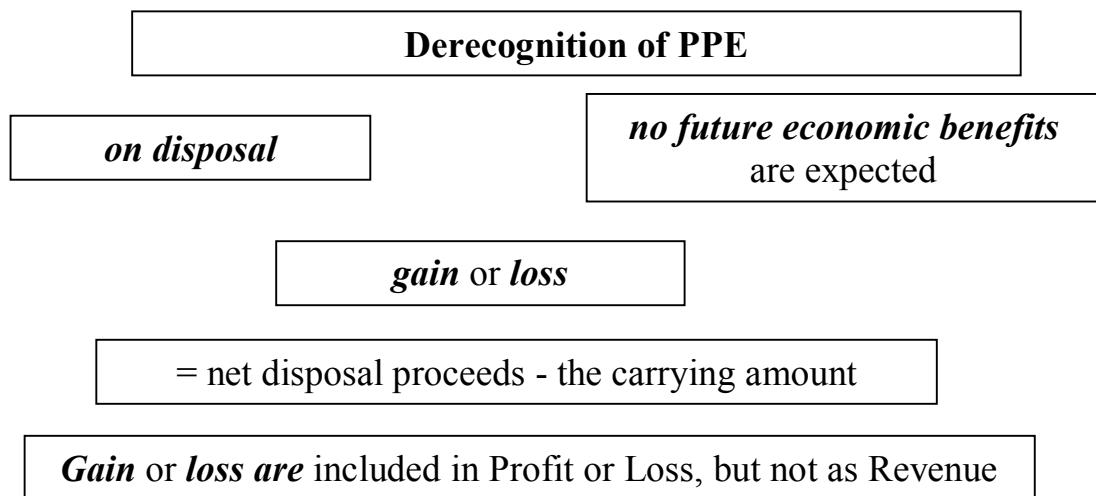
the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses

**RESIDUAL VALUE of an asset**

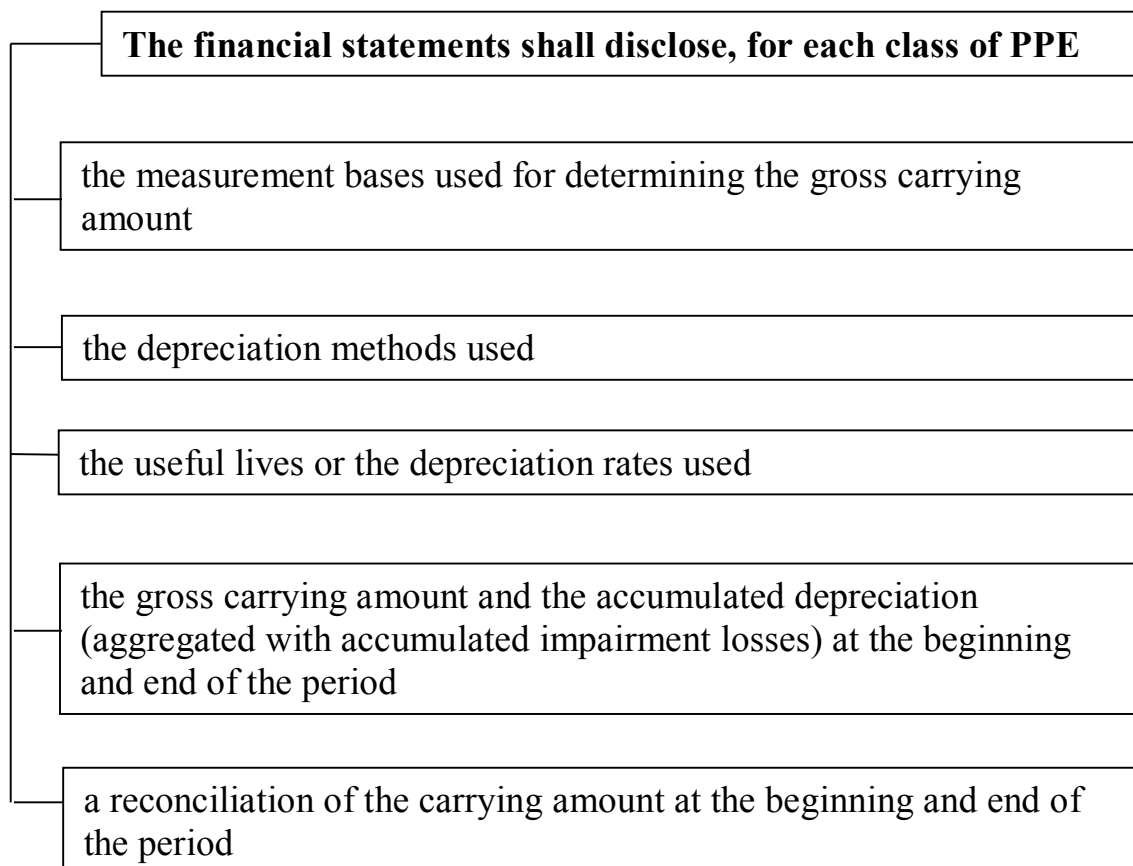
is

the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life

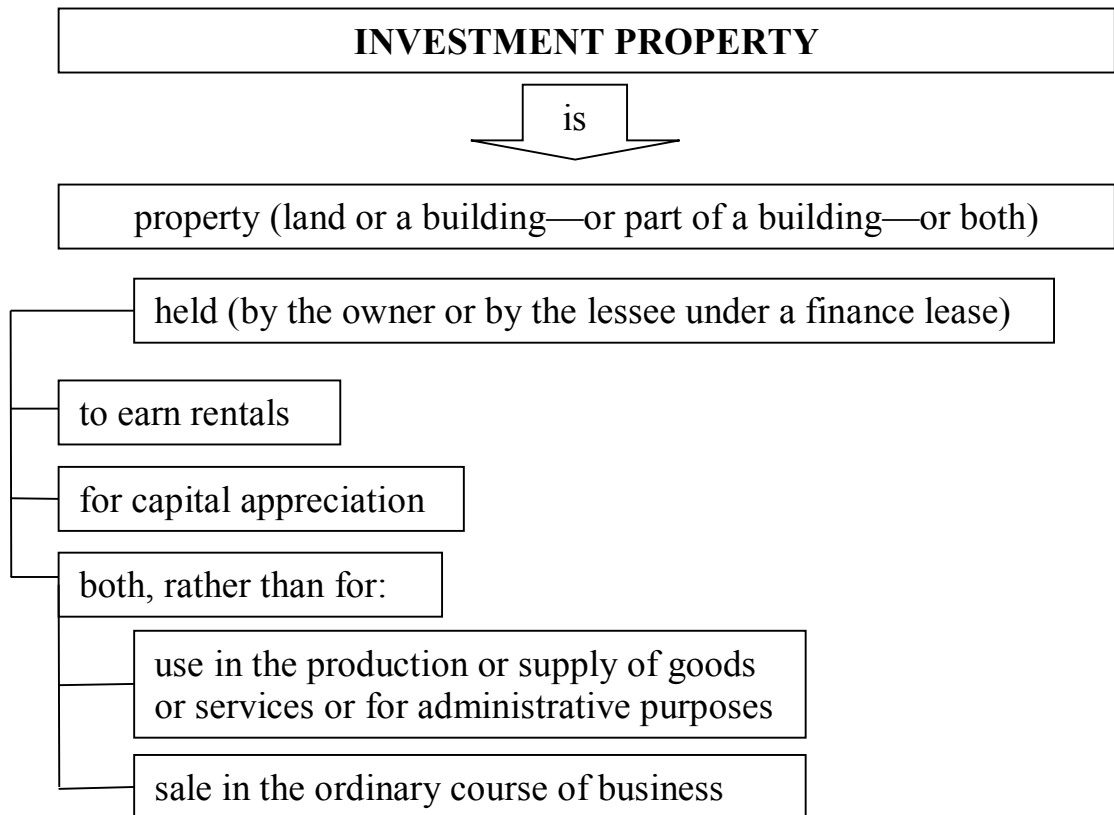
### 3.4. Derecognition of PPE



### 3.5. Disclosure of PPE in the financial statements



### 3.6. Investment Property



An investment property shall be measured initially at its **cost**

Transaction costs shall be included in the initial measurement

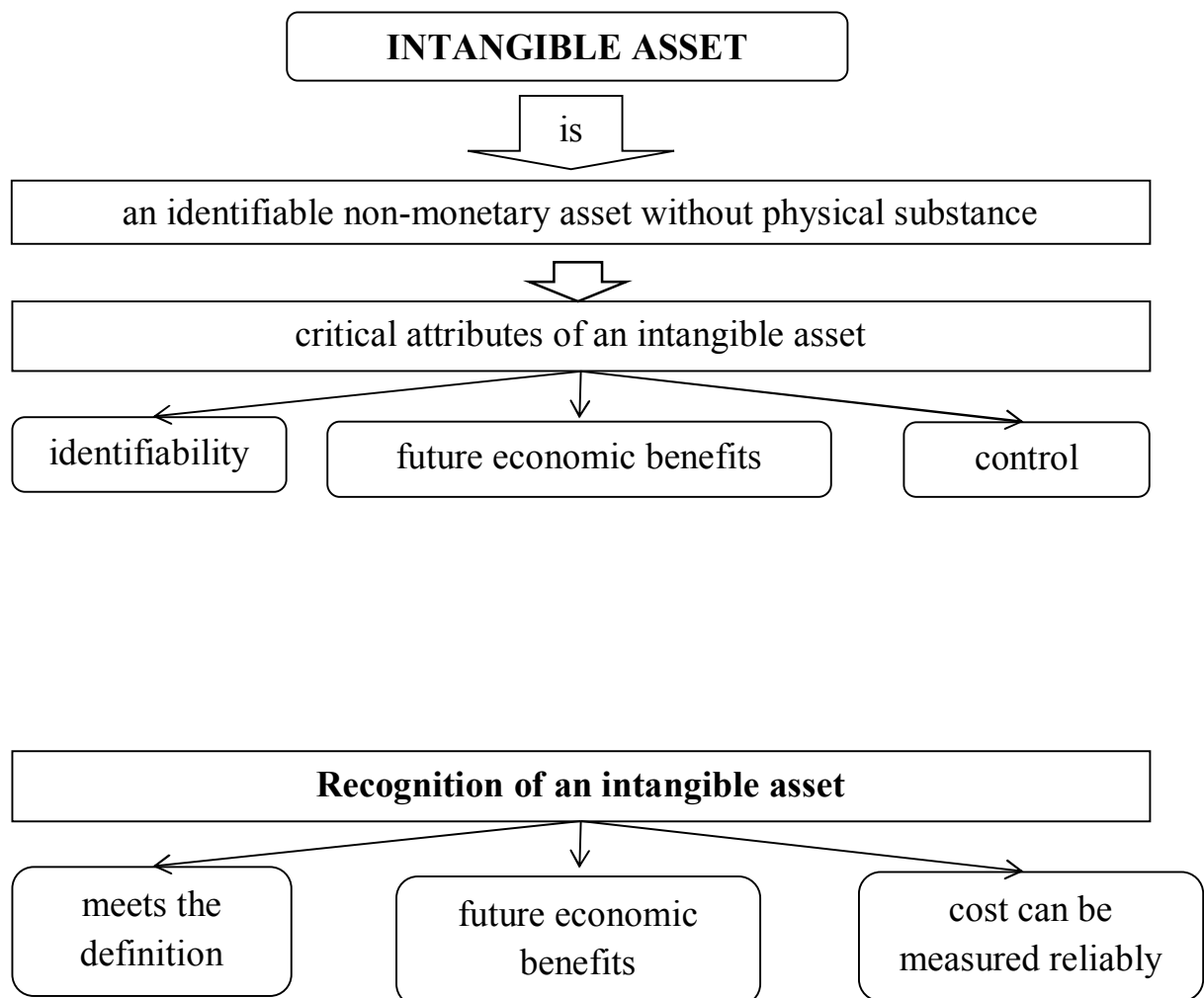
## THEME 4. INTANGIBLE ASSETS

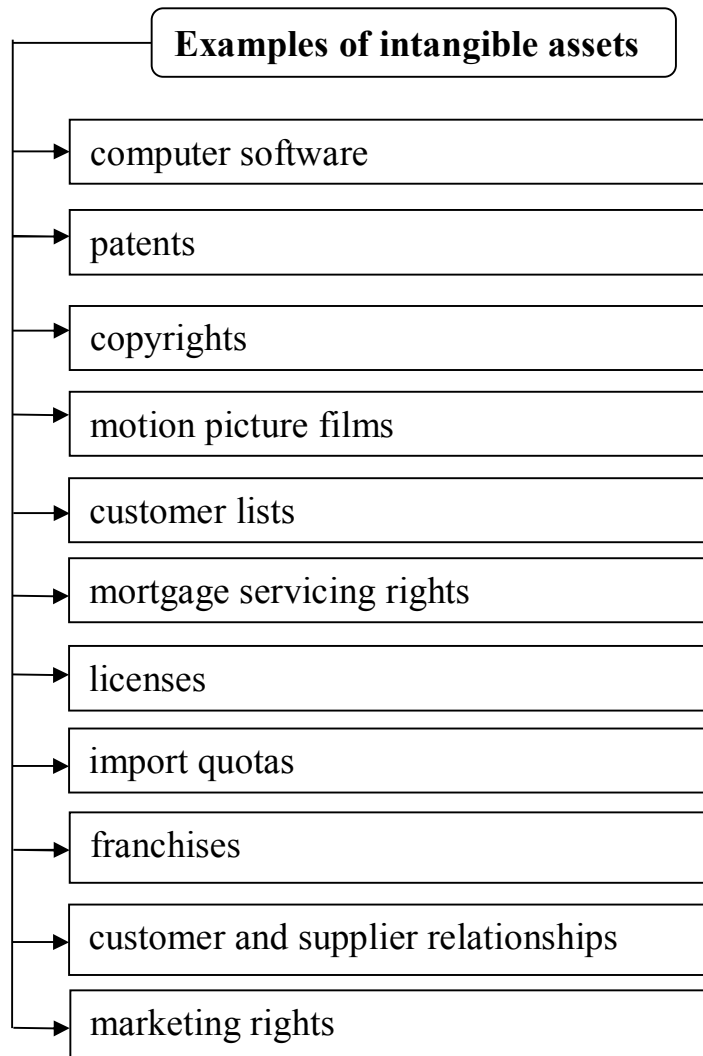
- 4.1. Definition, recognition and types of intangible assets
- 4.2. Sources and measurement of intangible assets
- 4.3. Amortization and disposal of intangible assets
- 4.4. Disclosure of intangible assets in the financial statements

**Key words:** intangible assets, research and development, initial measurement, subsequent expenditure, amortisation, derecognition of intangible assets

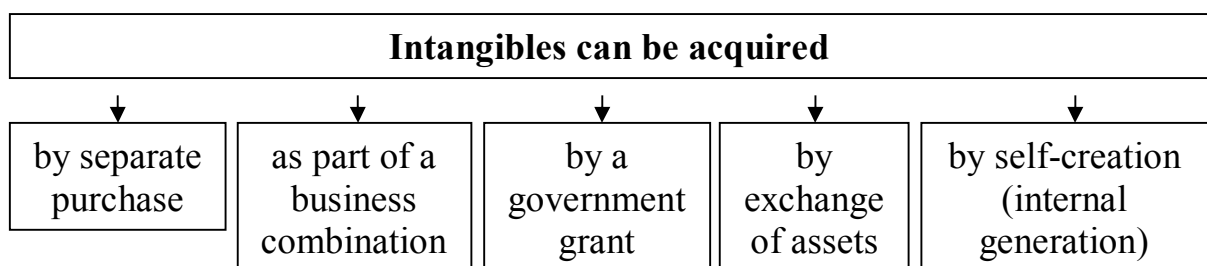
**Must-read:**  
IAS 38 Intangible Assets

### 4.1. Definition, recognition and types of intangible assets



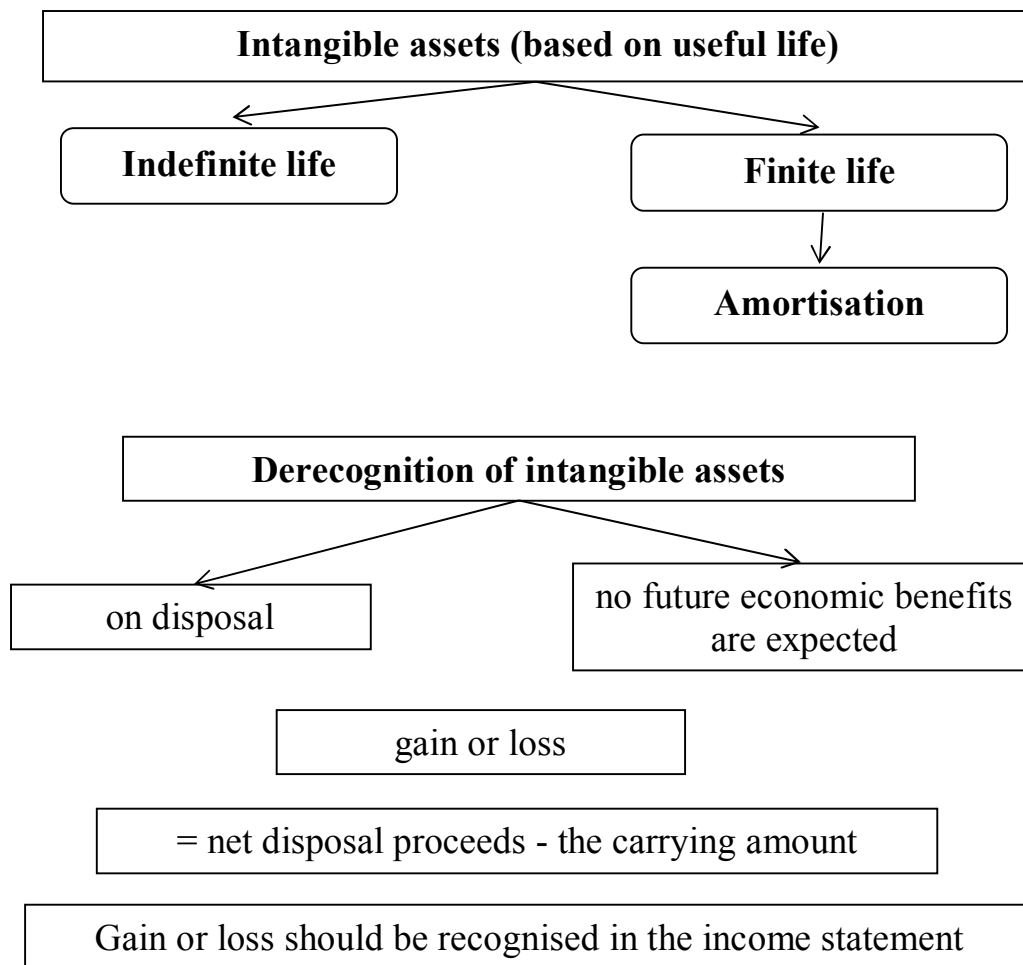


#### 4.2. Sources and measurement of intangible assets

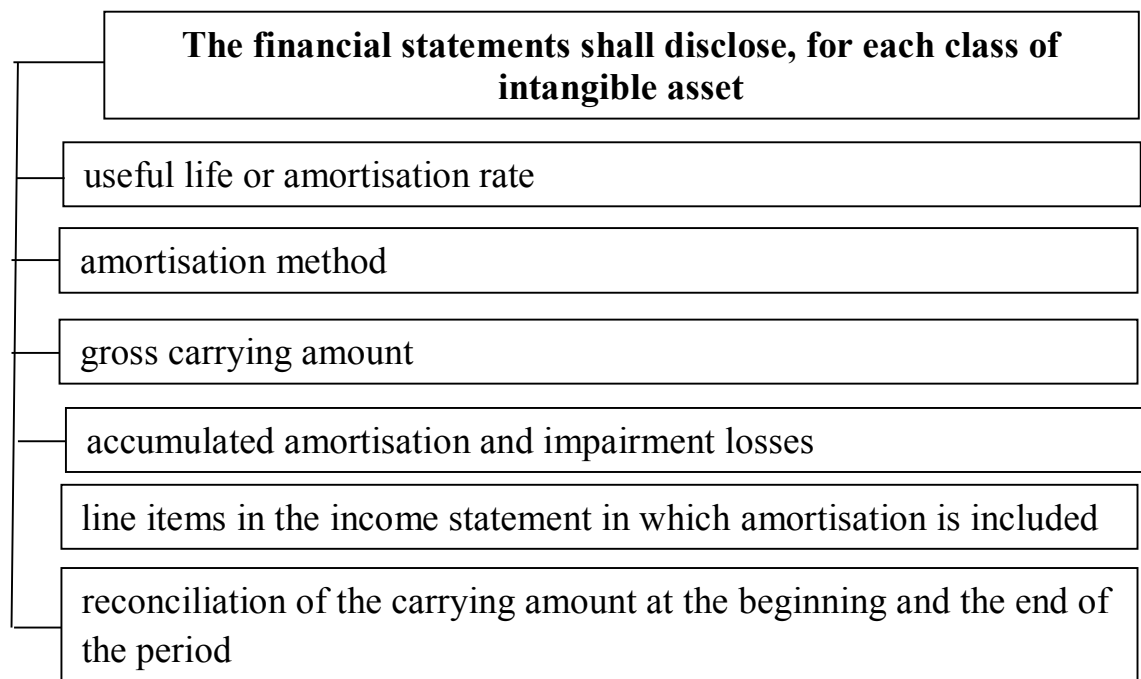




### 4.3. Amortization and disposal of intangible assets



### 4.4. Disclosure of intangible assets in the financial statements



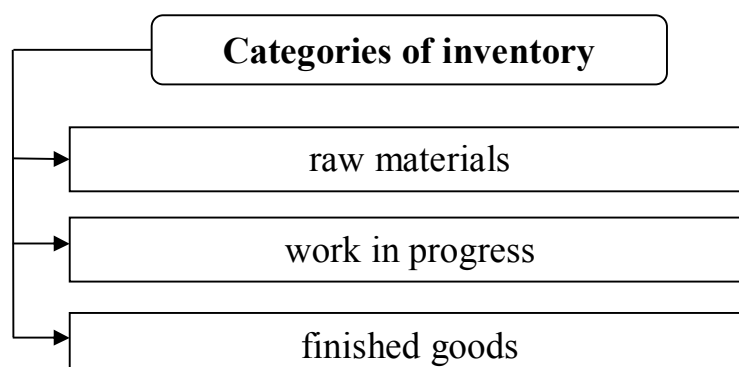
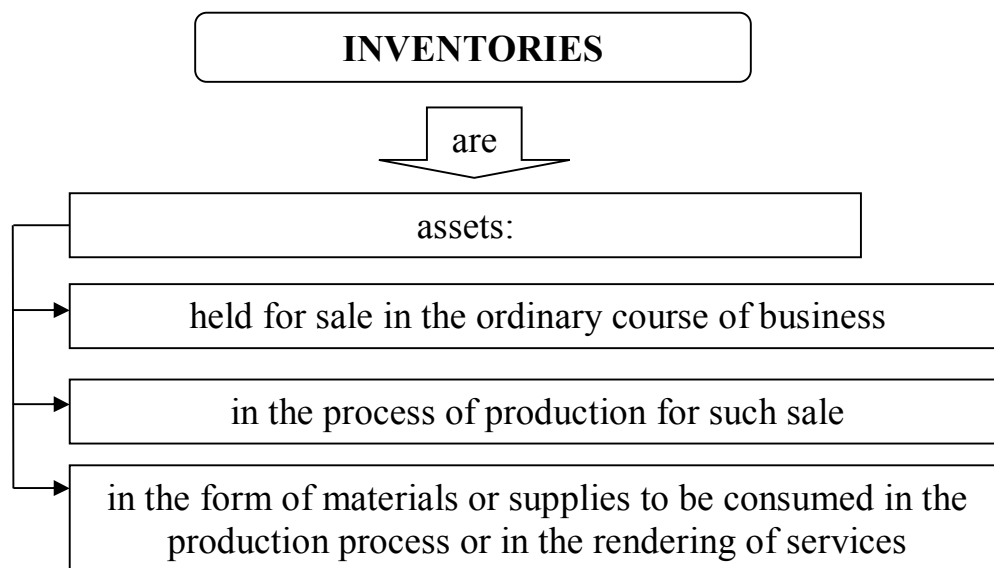
## THEME 5. INVENTORIES

- 5.1. Definitions and measurement of inventories
- 5.2. Inventory costing methods
- 5.3. Perpetual and periodic inventory systems
- 5.4. Recognition as an expense
- 5.4. Disclosure of inventories in the financial statements

**Key words:** inventories, net realisable value, specific identification method, FIFO method, weighted-average cost method, perpetual inventory system, periodic inventory system

**Must-read:**  
IAS 2 Inventories

### 5.1. Definitions and measurement of inventories



**NET REALISABLE VALUE**

is

the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

**Fair value**

is

the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

**Measurement of inventories**

lower of

cost

net realisable value

**COST of inventories**

=

all costs of purchase

+

costs of conversion

+

other costs incurred in bringing the inventories

**Costs of purchase of inventories**

=

purchase price

+

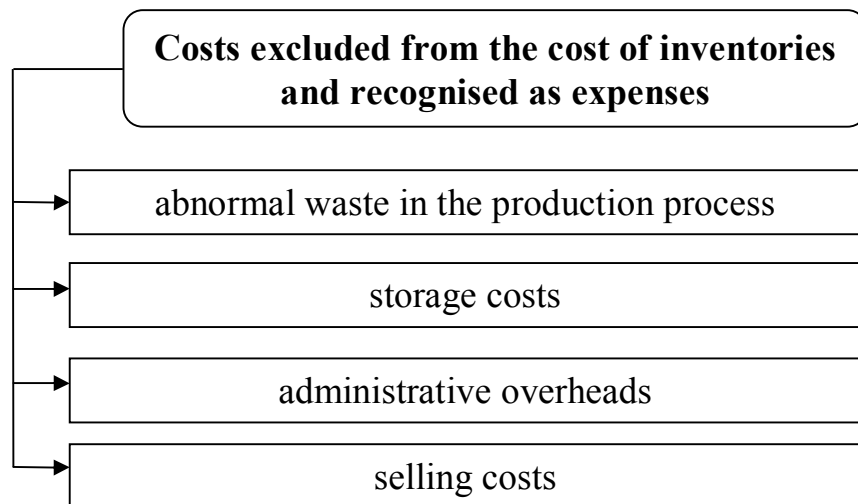
import duties and other taxes

+

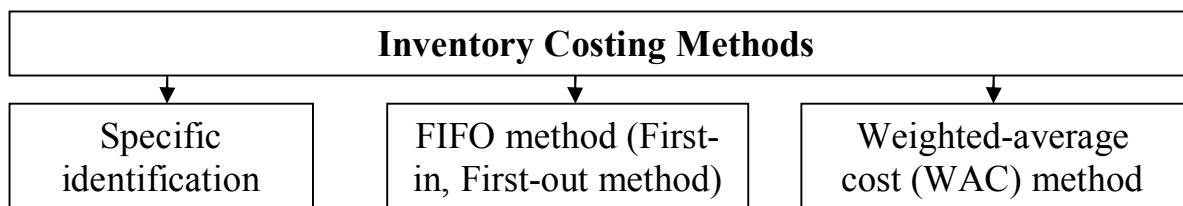
transport, handling and other costs

-

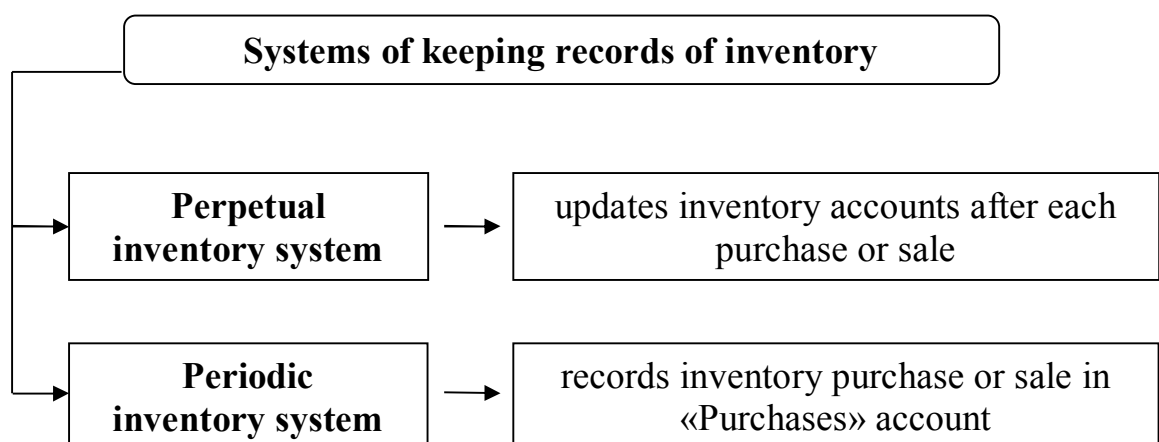
discounts, rebates



## 5.2. Inventory costing methods



## 5.3. Perpetual and periodic inventory systems

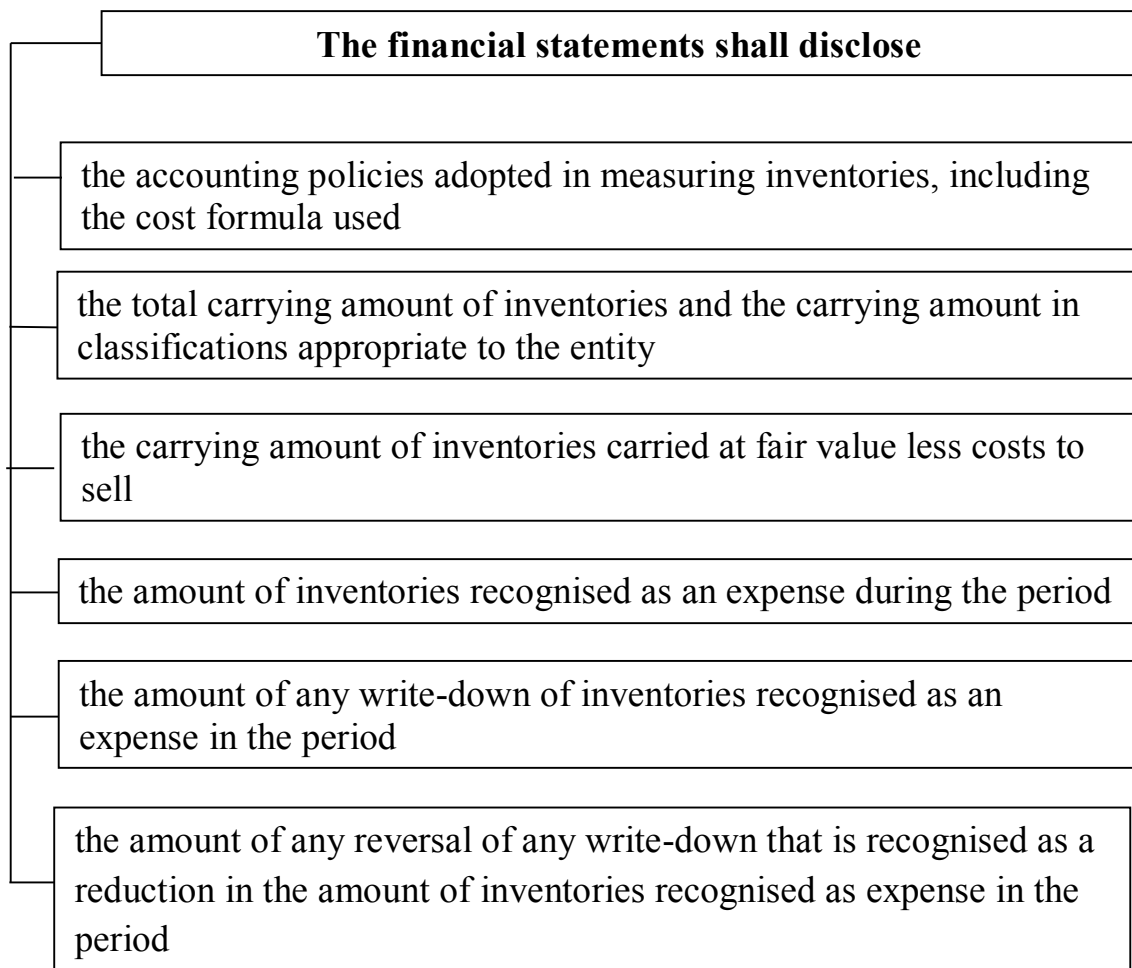


#### 5.4. Recognition as an expense

When inventories are sold, the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs

#### 5.5. Disclosure of inventories in the financial statements



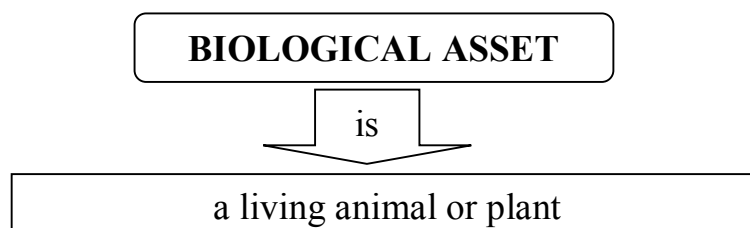
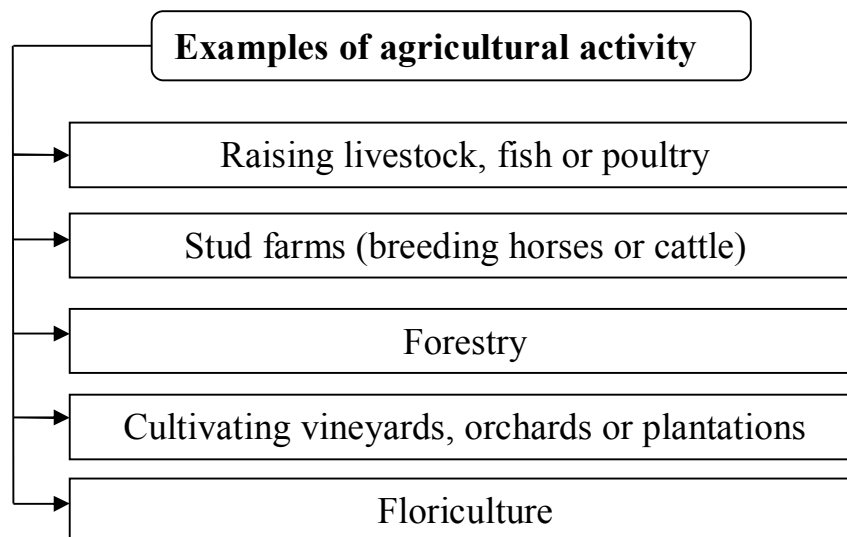
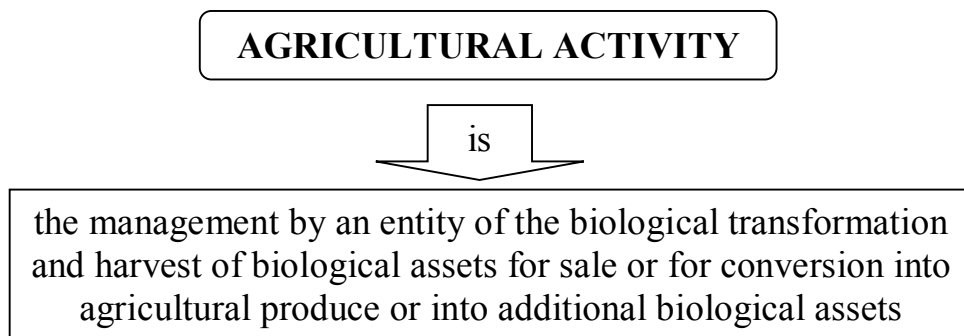
## THEME 6. BIOLOGICAL ASSETS

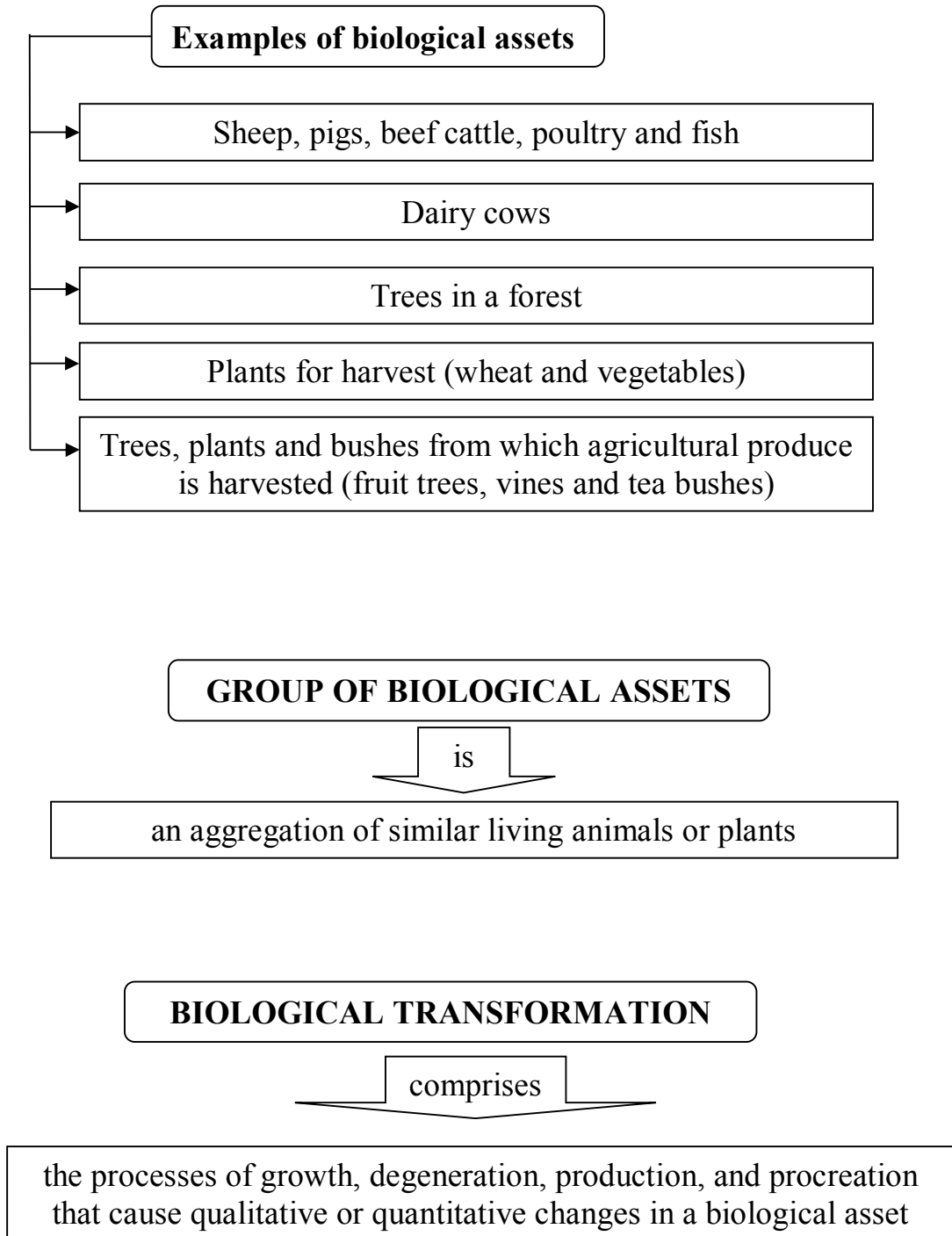
- 6.1. Definition and types of biological assets
- 6.2. Recognition and measurement
- 6.3. Disclosure of biological assets in the financial statements

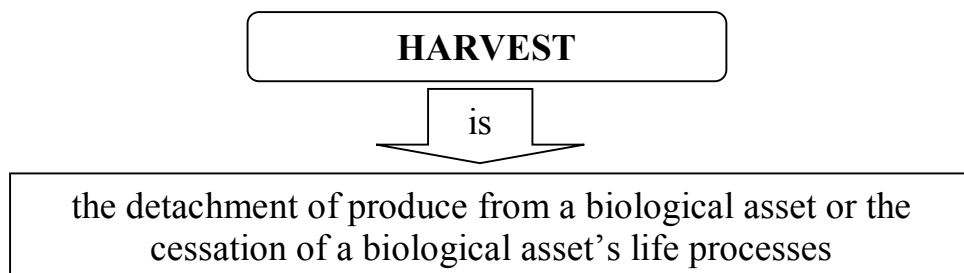
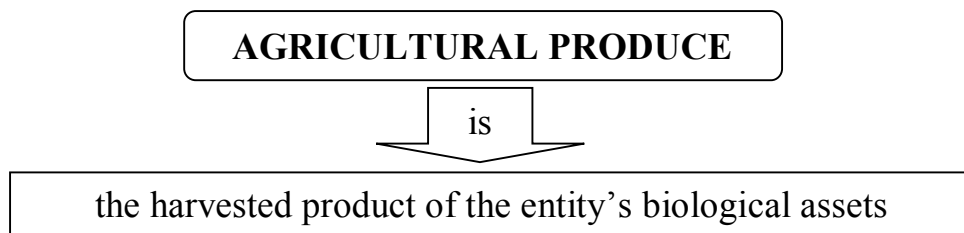
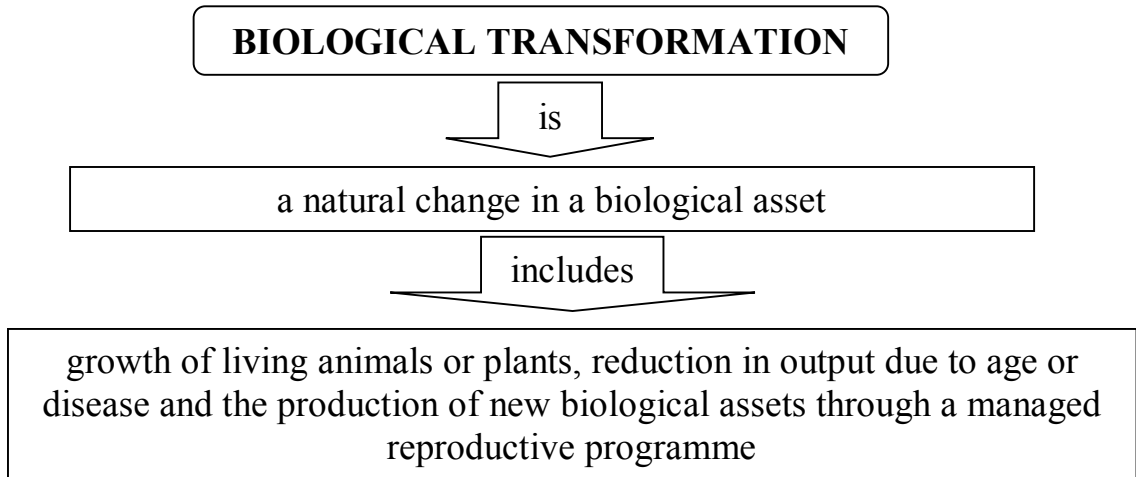
**Key words:** agricultural activity, biological asset, biological transformation, agricultural produce, fair value, costs to sell

**Must-read:**  
IAS 41 Agriculture

### 6.1. Definition and types of biological assets



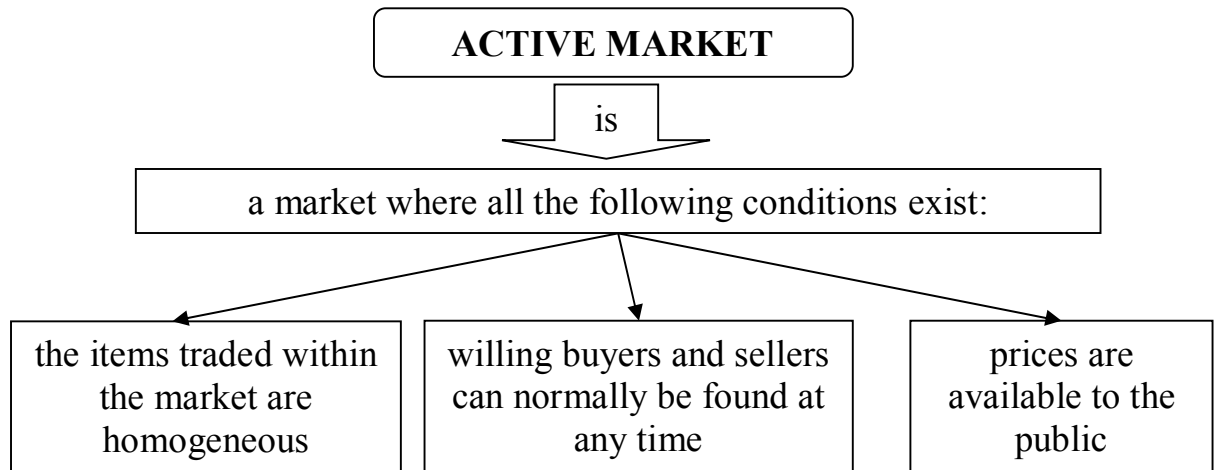




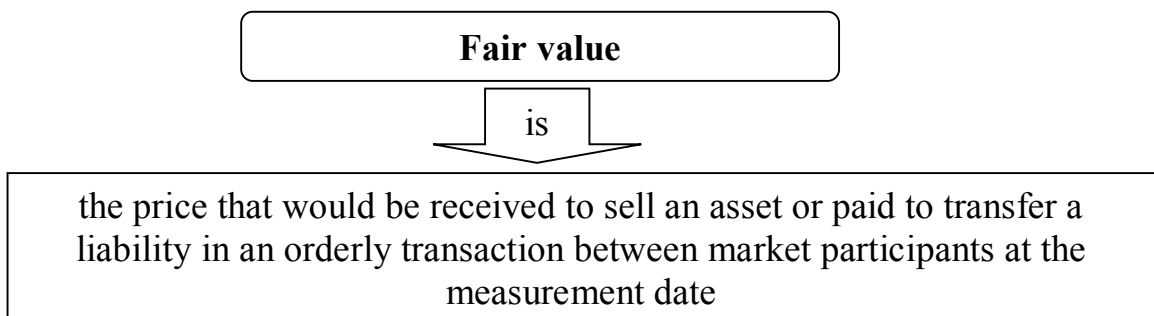
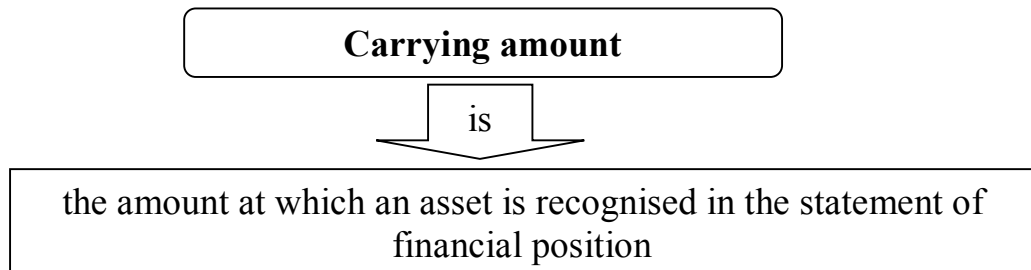
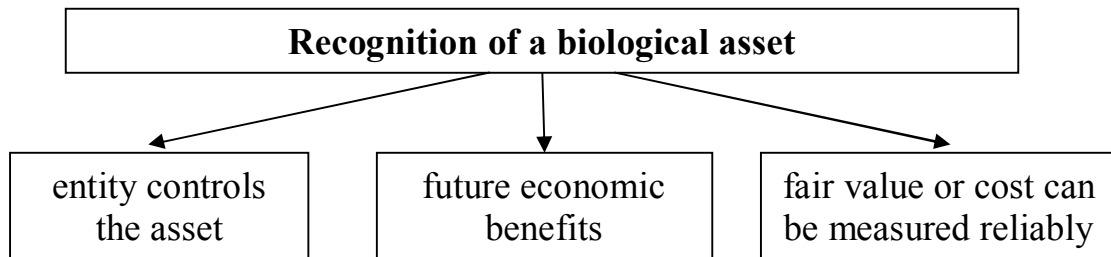
Examples of biological assets, agricultural produce, and products that are the result of processing after harvest

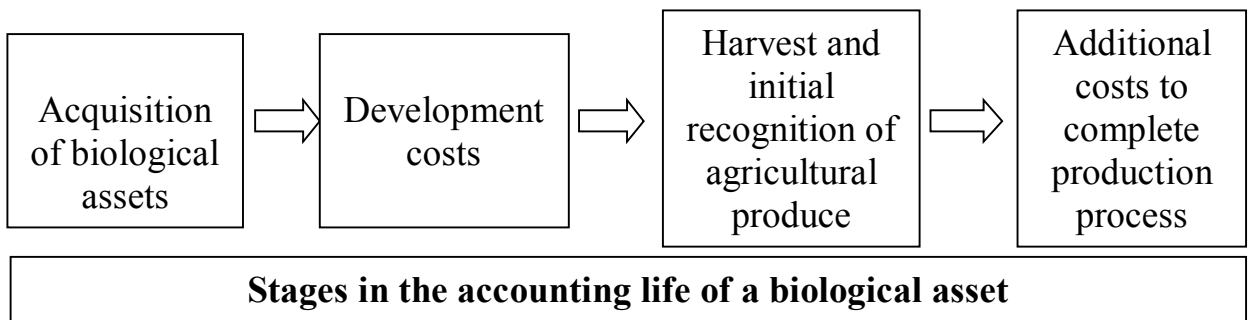
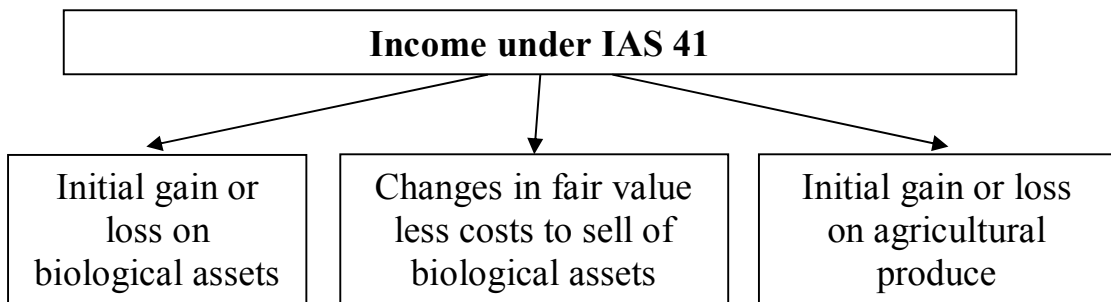
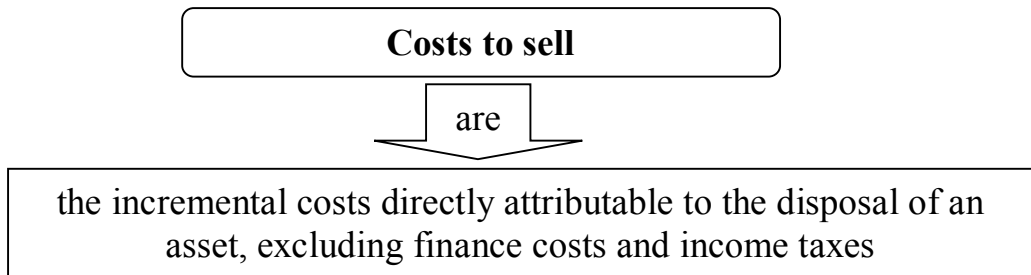
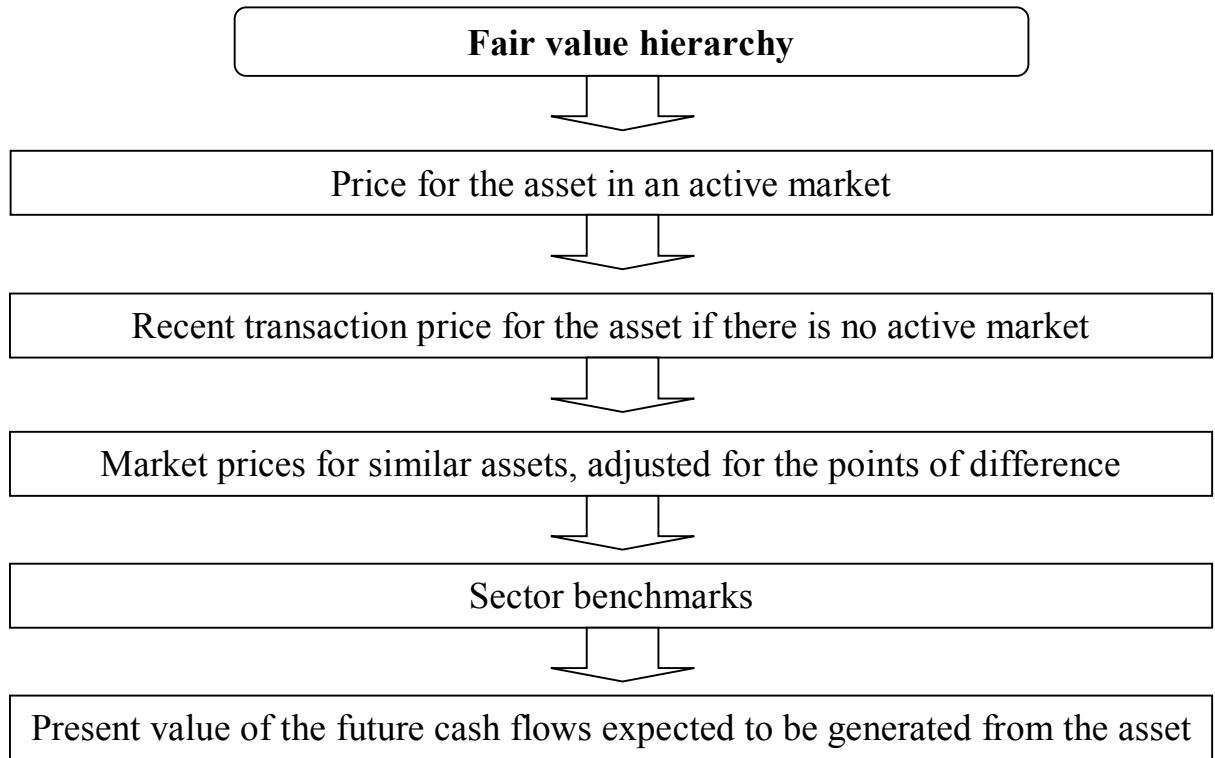
<b>Biological assets</b>	<b>Agricultural produce</b>	<b>Products that are the result of processing after harvest</b>
Sheep	Wool	Yarn, carpet
Trees in a plantation forest	Felled trees	Logs, lumber
Plants	Cotton	Thread, clothing
	Harvested cane	Sugar
Dairy cattle	Milk	Cheese
Pigs	Carcass	Sausages, cured hams
Bushes	Leaf	Tea, cured tobacco
Vines	Grapes	Wine
Fruit trees	Picked fruit	Processed fruit



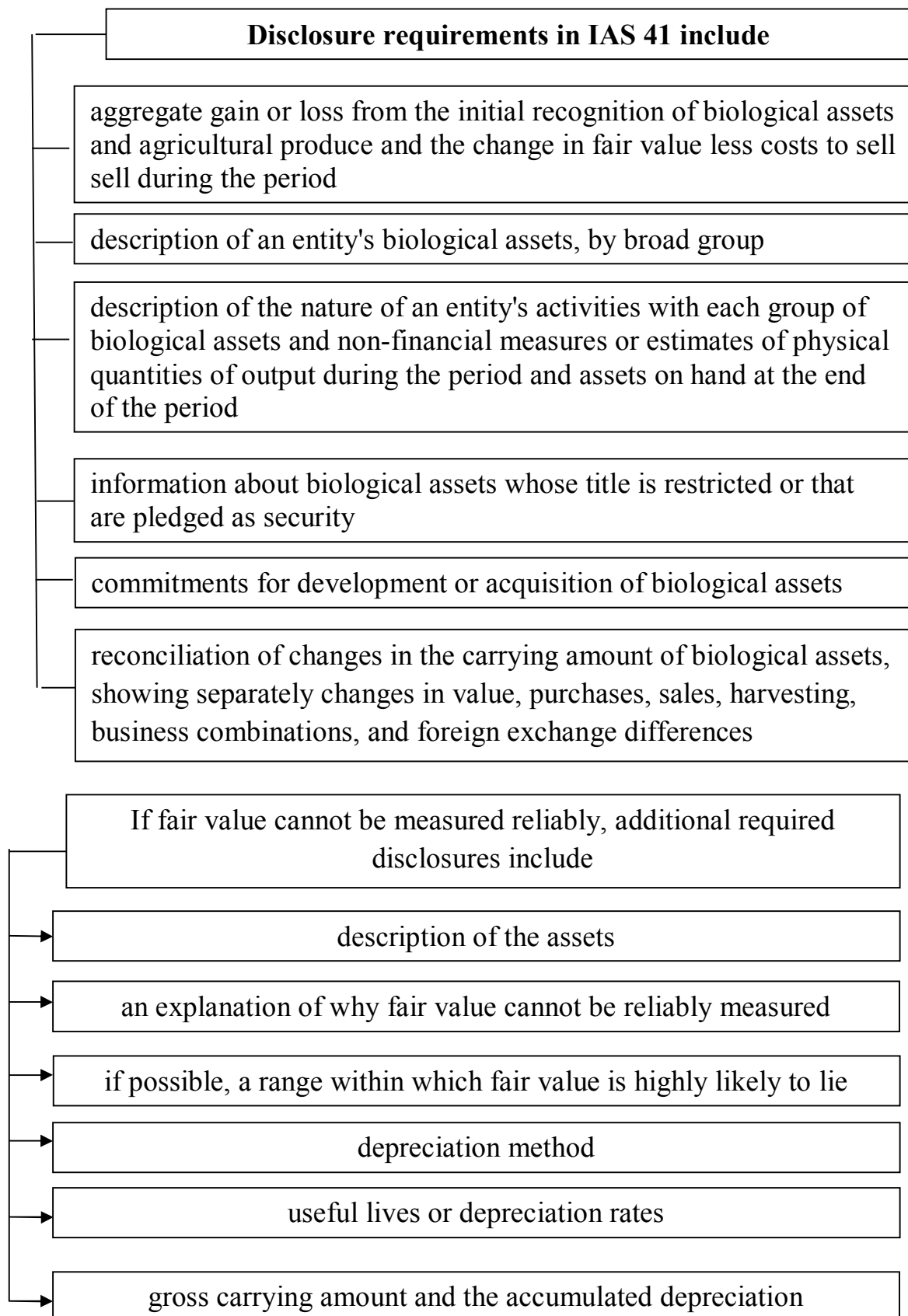


## 6.2. Recognition and measurement of biological assets





### 6.3. Disclosure of biological assets in the financial statements



## **THEME 7. CASH AND CASH EQUIVALENTS**

7.1. The definition and recognition of cash and cash equivalents

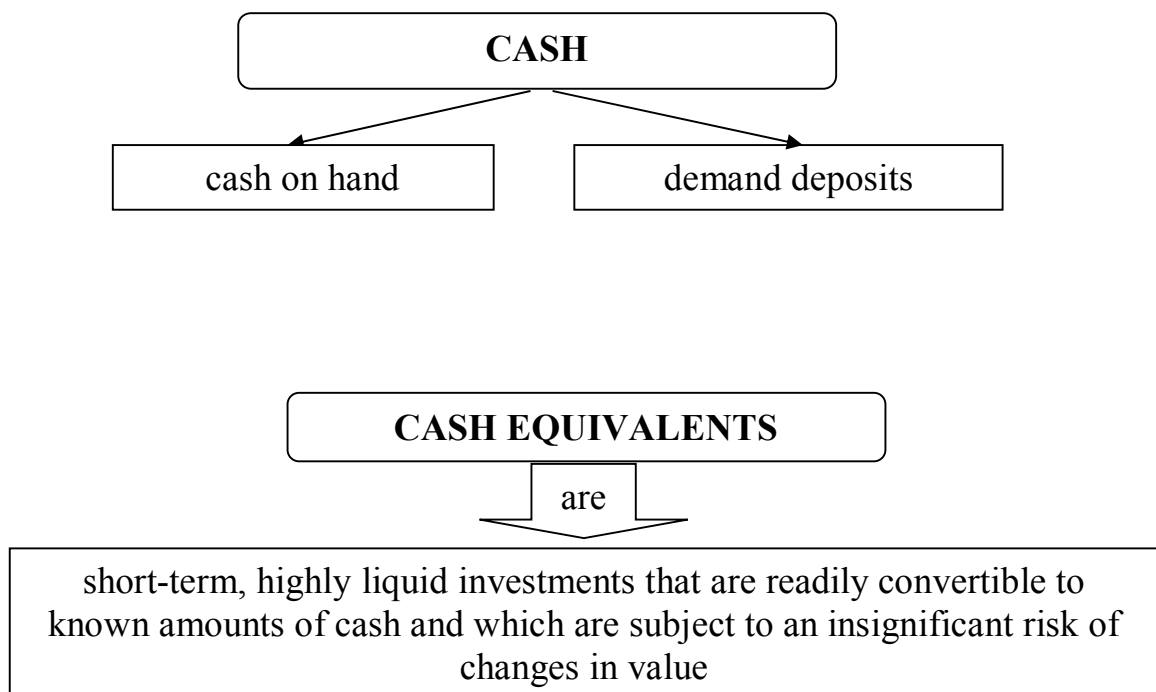
7.2. Accounting for the movement of cash and cash equivalents

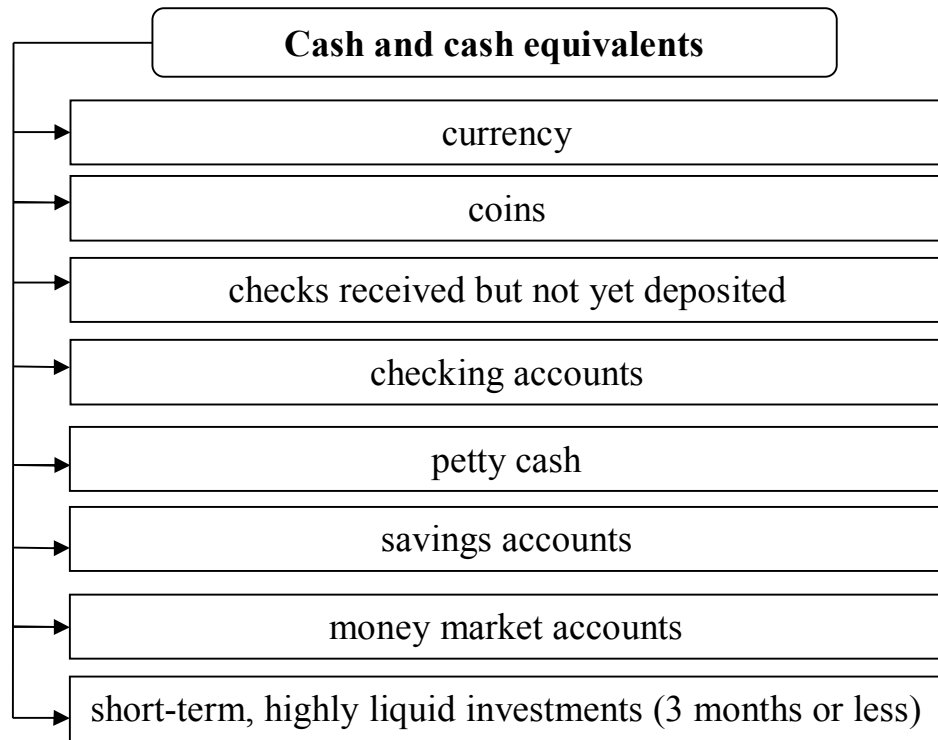
**Key words:** cash, cash flows, operating activities, investing activities, financing activities, statement of cash flows

**Must-read:**

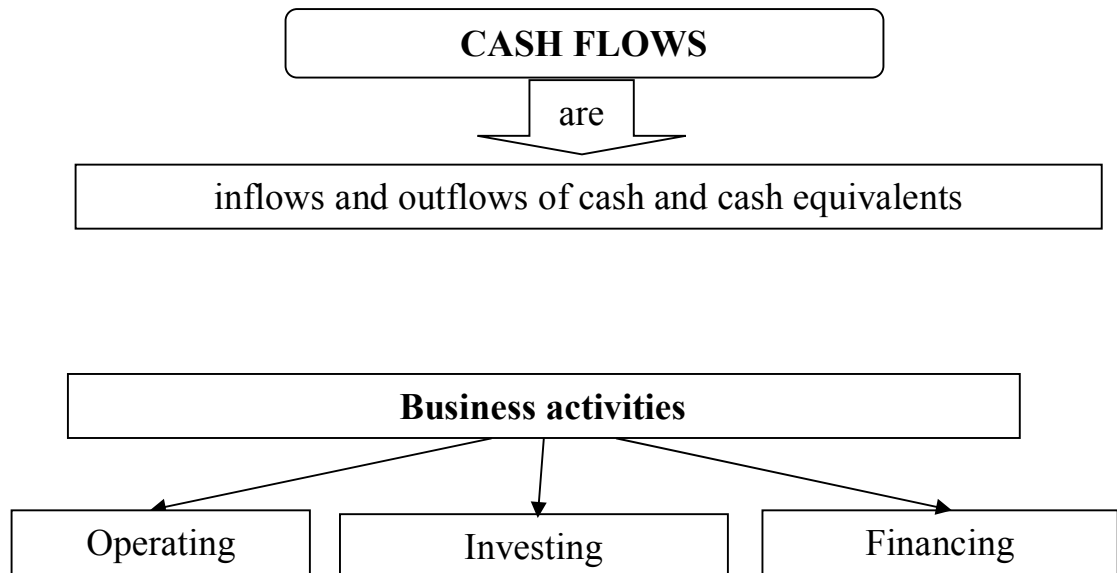
IAS 7 Statement of Cash Flows

### **7.1. The definition and recognition of cash and cash equivalents**

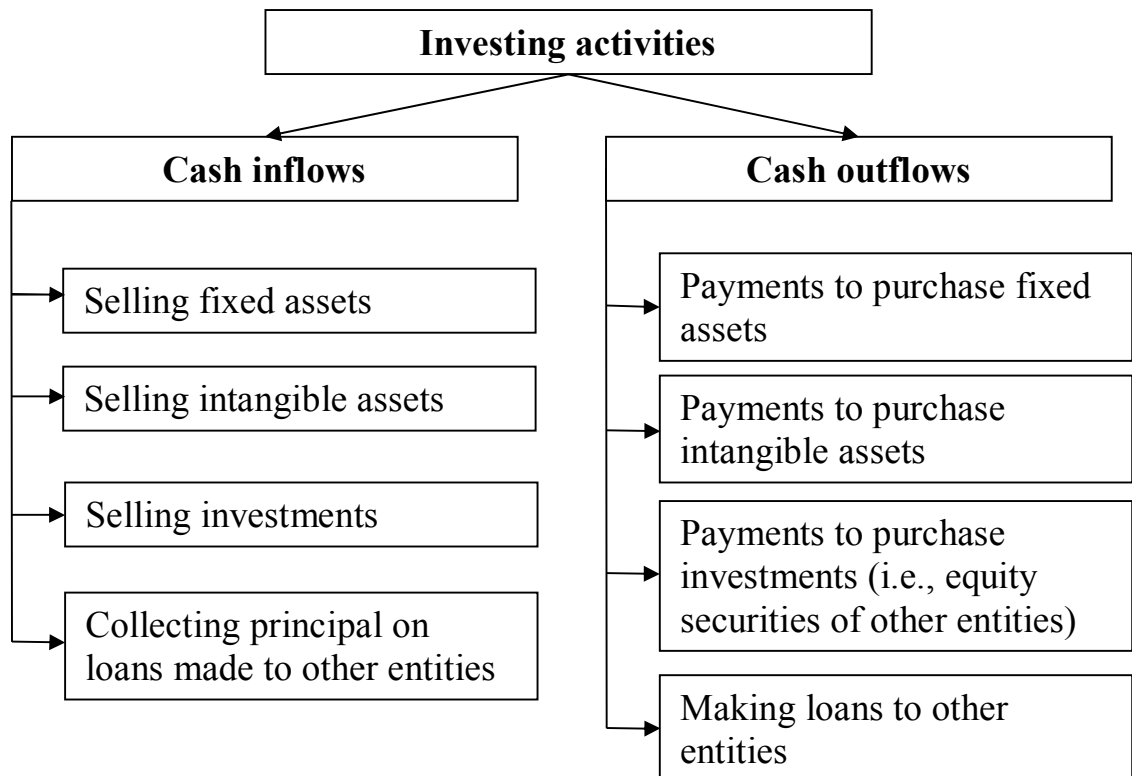
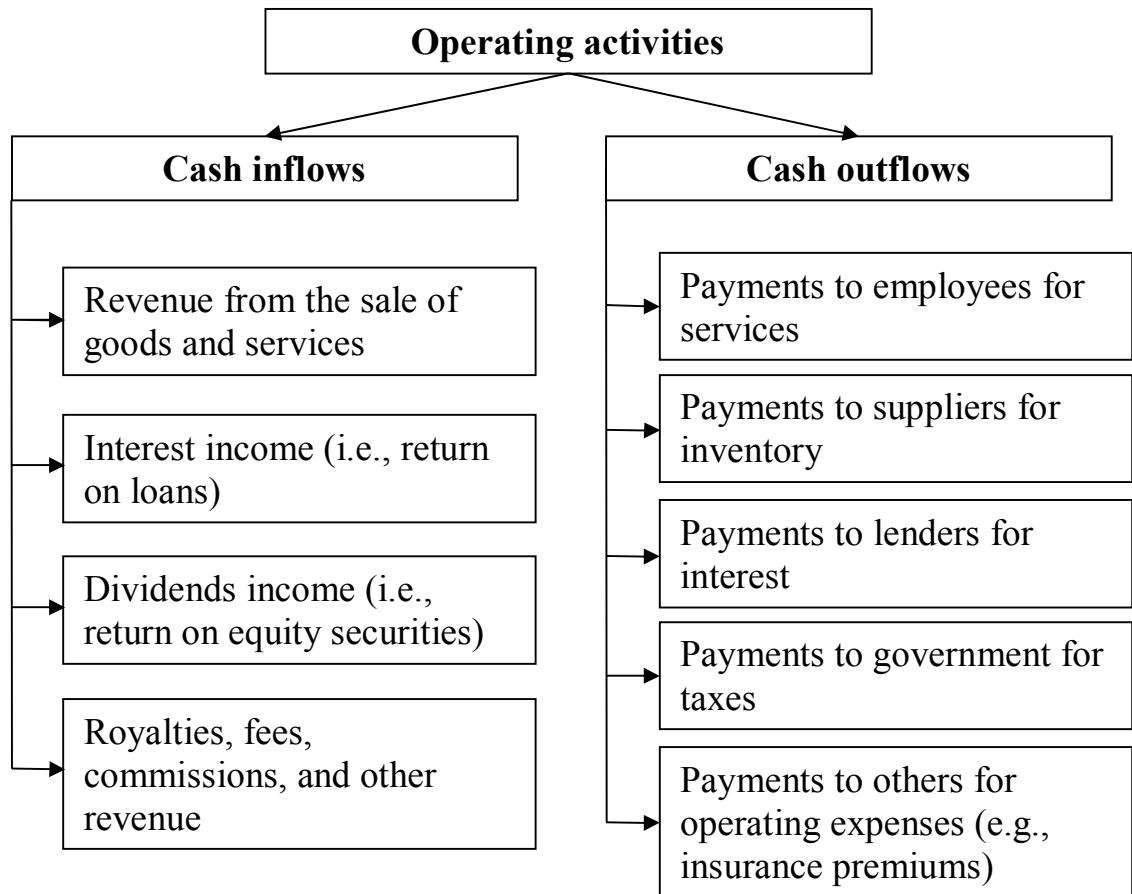


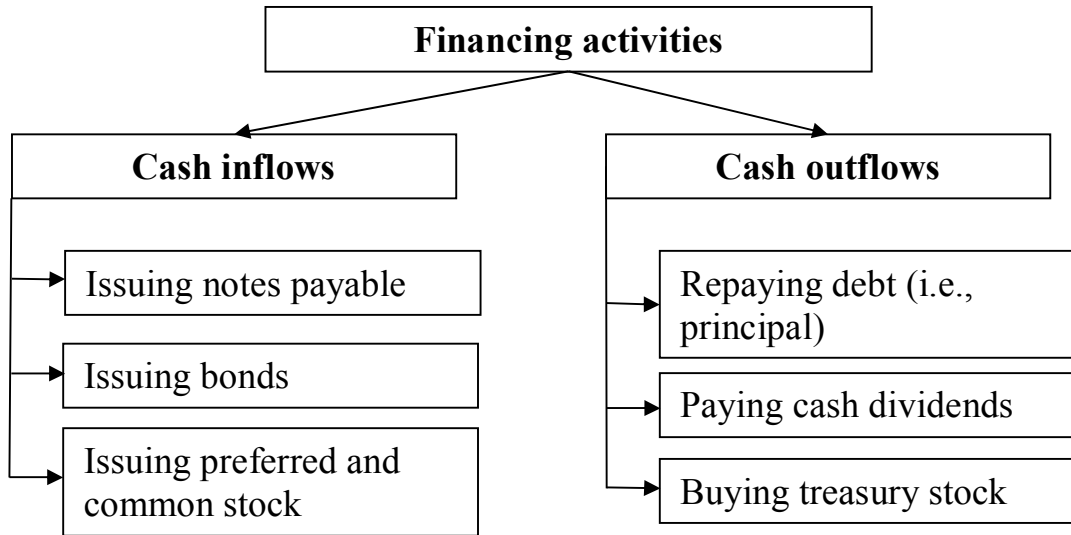


**7.2. Accounting for the movement of cash and cash equivalents**

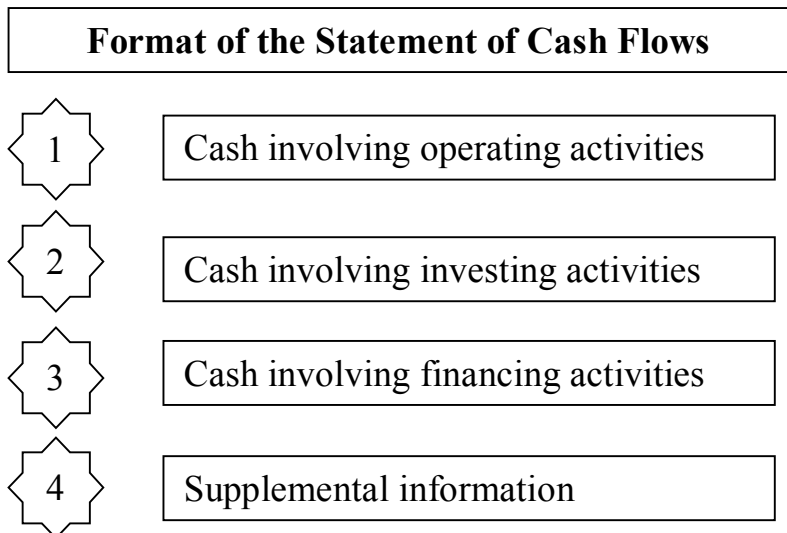


<b>Business</b>	<b>Operating Activities</b>
Manufacturing	Manufacturing and selling goods
Retail	Buying and re-selling goods
Service	Selling and providing services





A change in this balance sheet category	...is reported in this section of the cash flow statement
Current Assets (other than Cash)	Operating Activities
Current Liabilities	Operating Activities
Long-term Assets	Investing Activities
Long-term Liabilities	Financing Activities
Stockholders' Equity	Financing Activities



**Statement of Cash Flows**

Cash provided from or used by

**Operating Activities**

**Investing Activities**

**Financing Activities**

Changes in the balances of

**Current asset and  
current liability  
accounts**

**Long-term asset  
accounts**

**Long-term liability  
and stockholders'  
equity accounts**

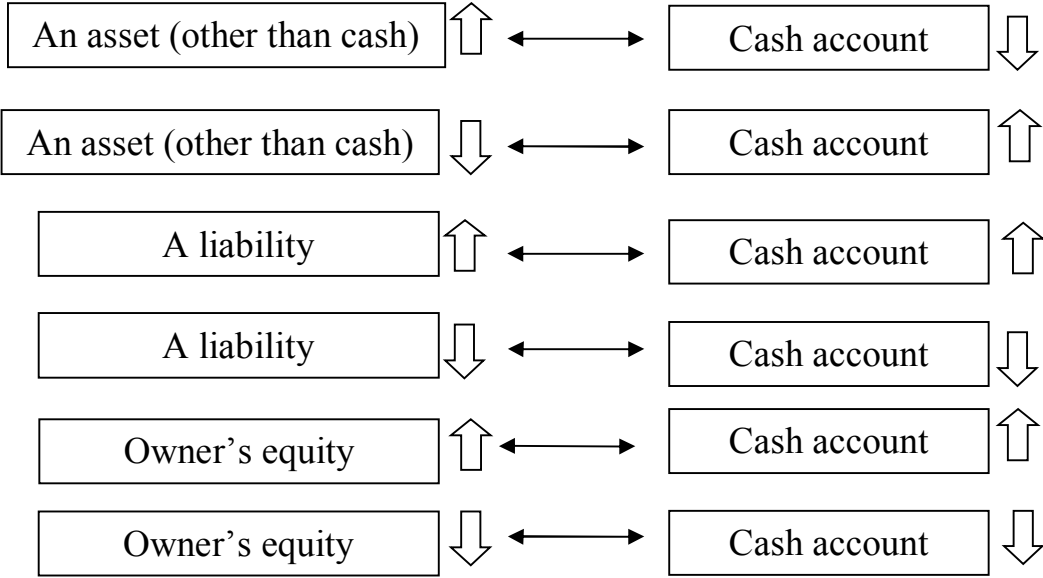
Accounts Receivable  
Inventory  
Supplies  
Prepaid Insurance  
Other Current Assets  
Notes Payable  
(generally due within  
one year)  
Accounts Payable  
Wages Payable  
Payroll Taxes  
Payable  
Interest Payable  
Income Taxes  
Payable  
Unearned Revenues  
Other Current  
Liabilities

Long-term  
Investments  
Land  
Buildings  
Equipment  
Furniture & Fixtures  
Vehicles

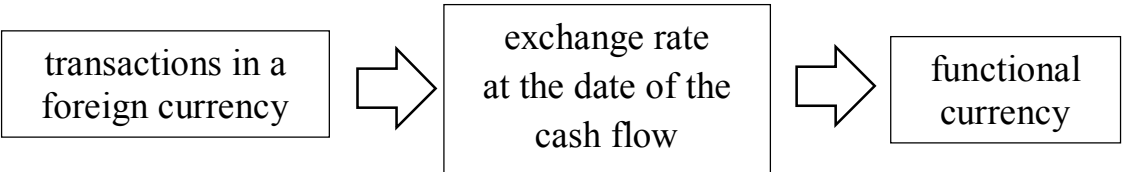
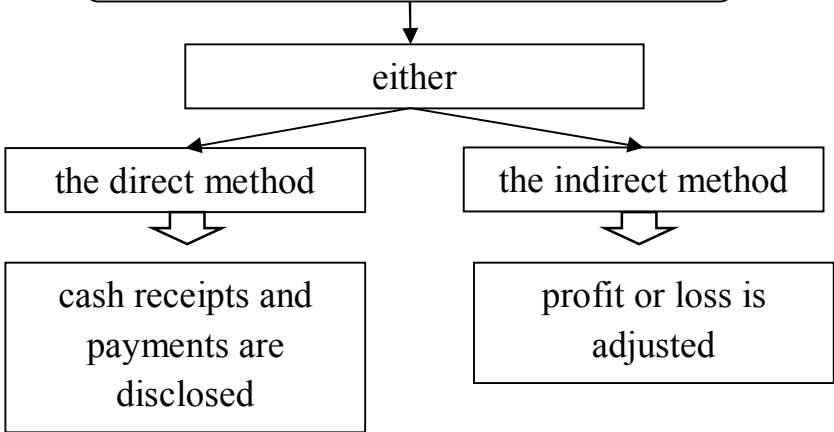
Notes Payable (generally  
due after one year)  
Bonds Payable  
Deferred Income Taxes  
Preferred Stock  
Paid-in Capital in Excess  
of Par-Preferred Stock  
Common Stock  
Paid-in Capital in Excess  
of Par-Common Stock  
Paid-in Capital from  
Treasury Stock  
Retained Earnings  
Treasury Stock



**The general assumptions**



**Cash flows from operating activities**



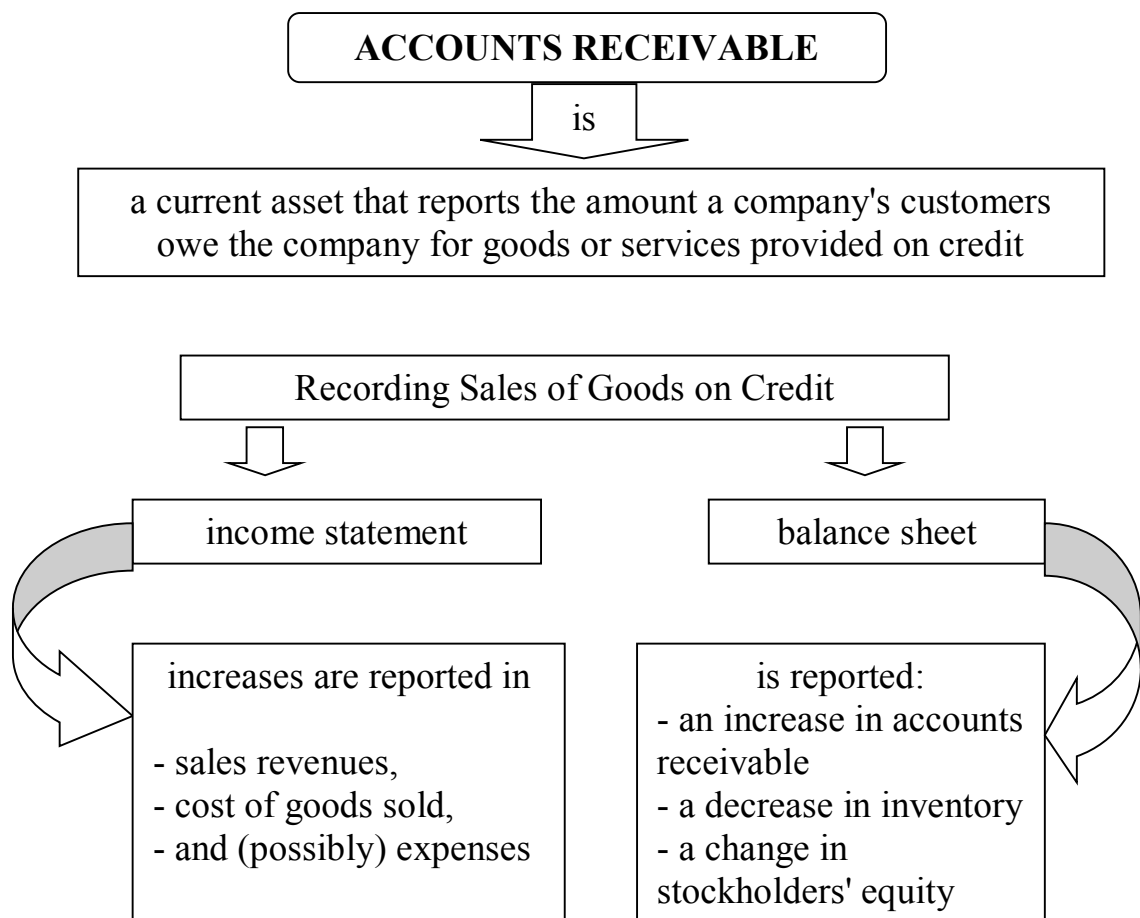
## THEME 8. ACCOUNTS RECEIVABLE AND BAD DEBTS EXPENSE

### 8.1. Accounts Receivable

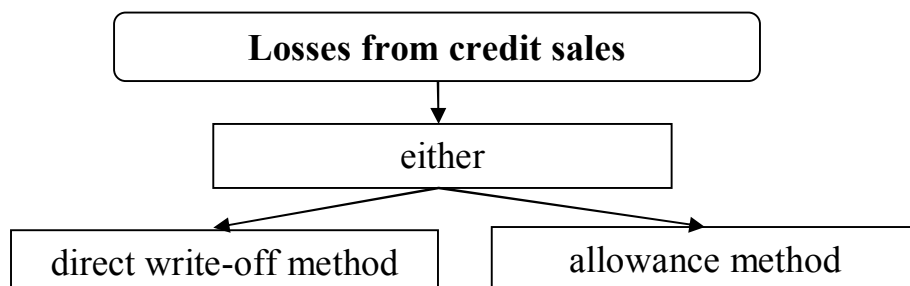
### 8.2. Bad Debts Expense

**Key words:** accounts receivable, bad debts expense, direct write-off method, allowance method, accrual basis of accounting

### 8.1. Accounts Receivable



### 8.2. Bad Debts Expense



## CONTENT MODULE 3. ACCOUNTING FOR EQUITY AND LIABILITIES

### THEME 9. REVENUE

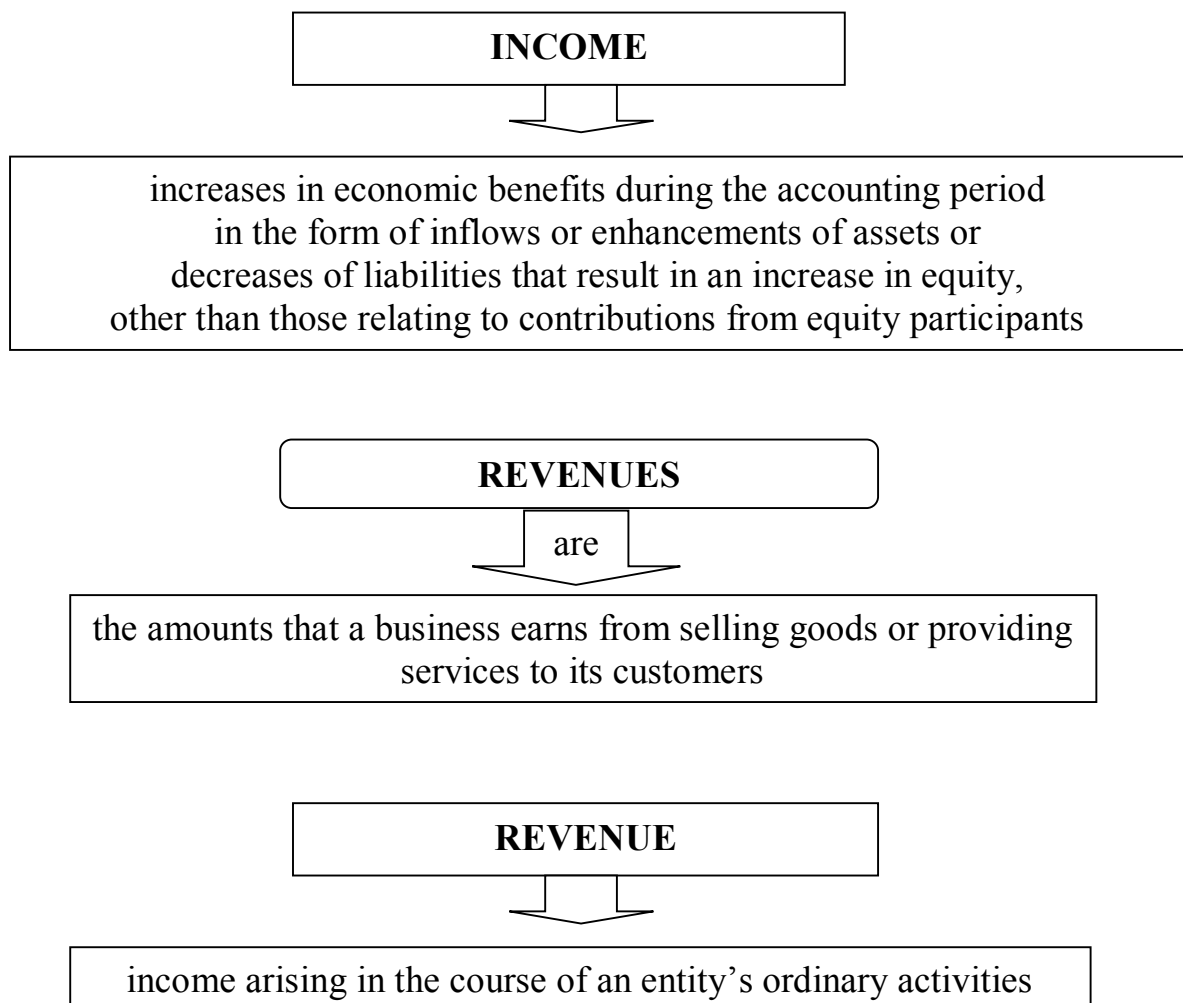
- 9.1. Measurement of revenue
- 9.2. Recognition of revenue
- 9.3. Disclosure

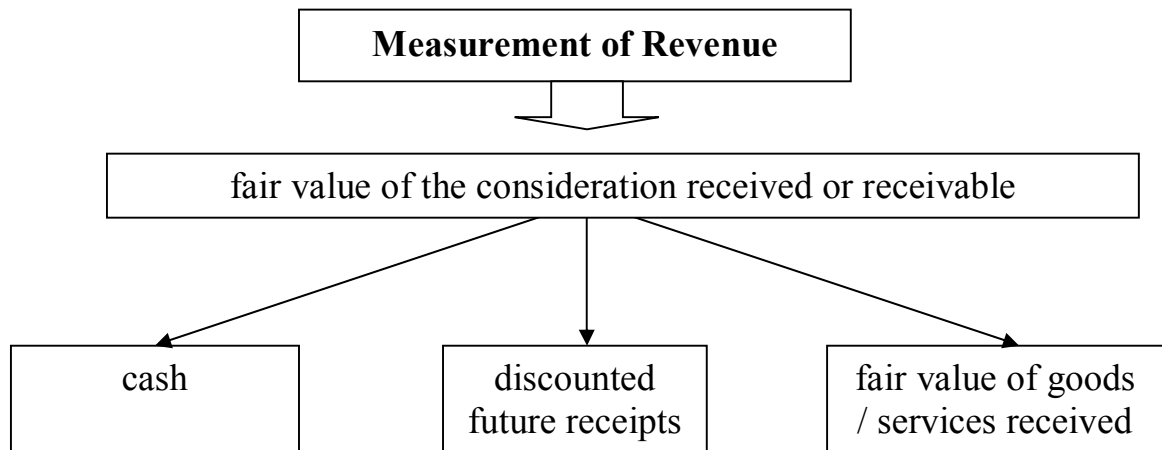
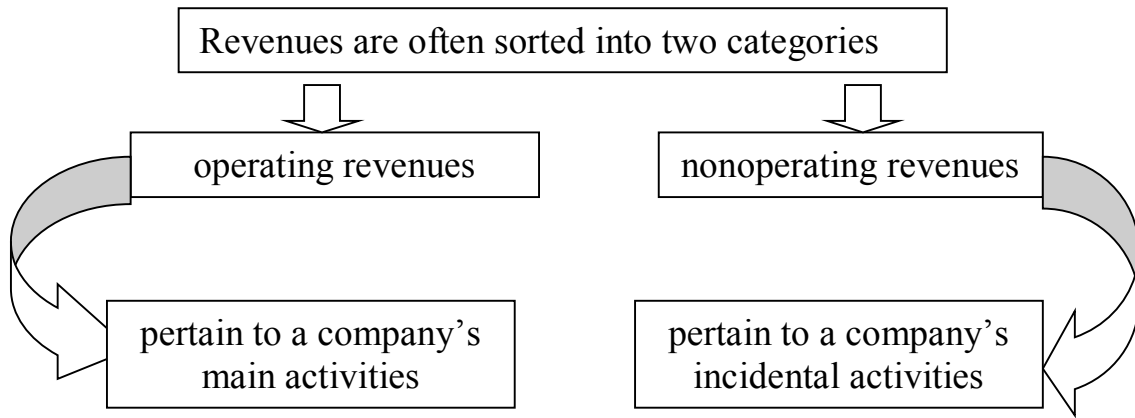
**Key words:** revenues, operating revenues, nonoperating revenues, sale of goods, rendering of services, gains

**Must-read:**

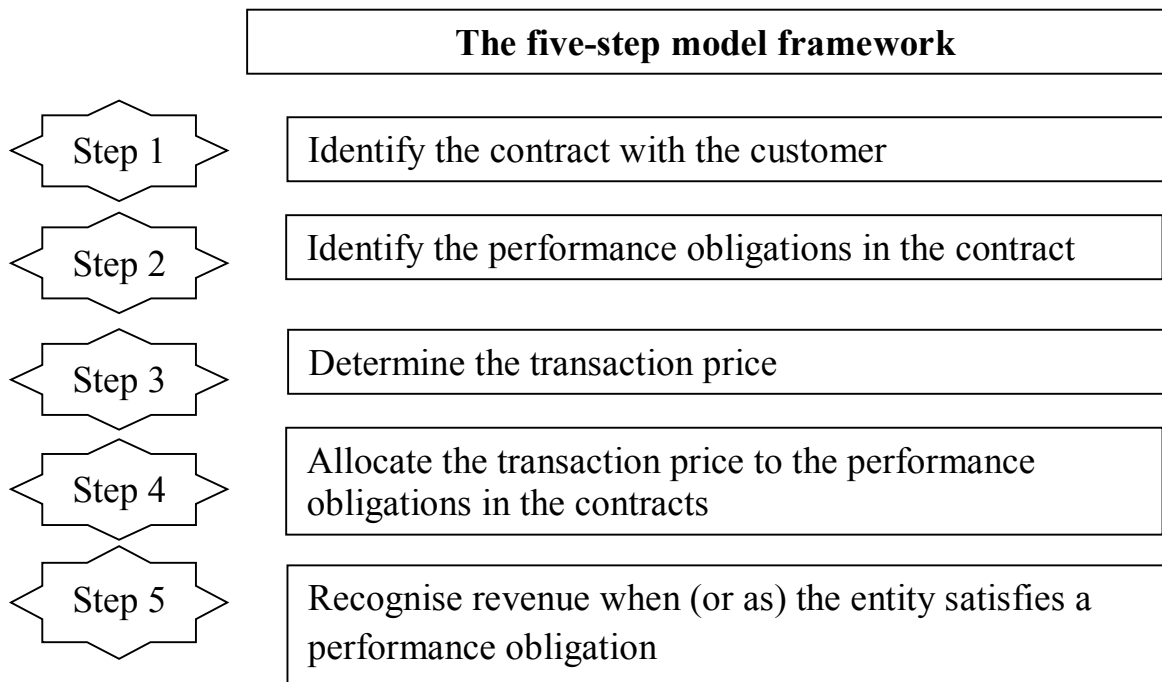
IFRS 15 Revenue from Contracts with Customers

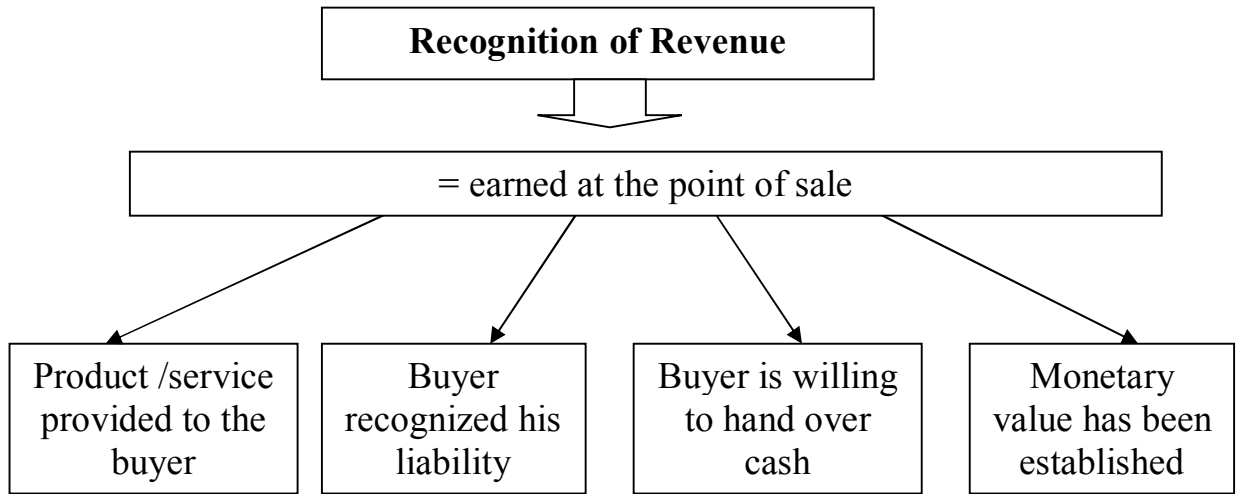
#### 9.1. Measurement of revenue



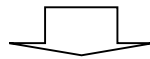


**9.2. Recognition of revenue**

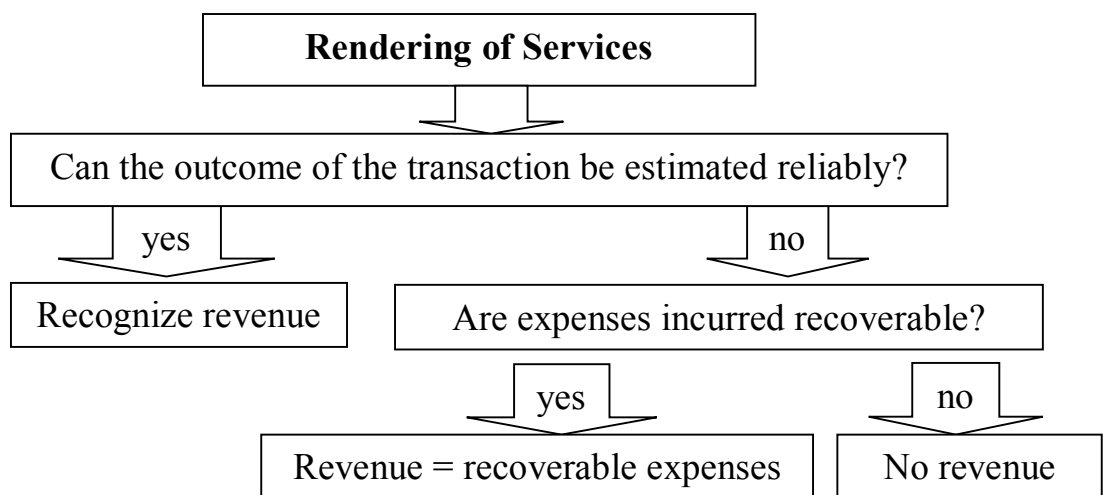


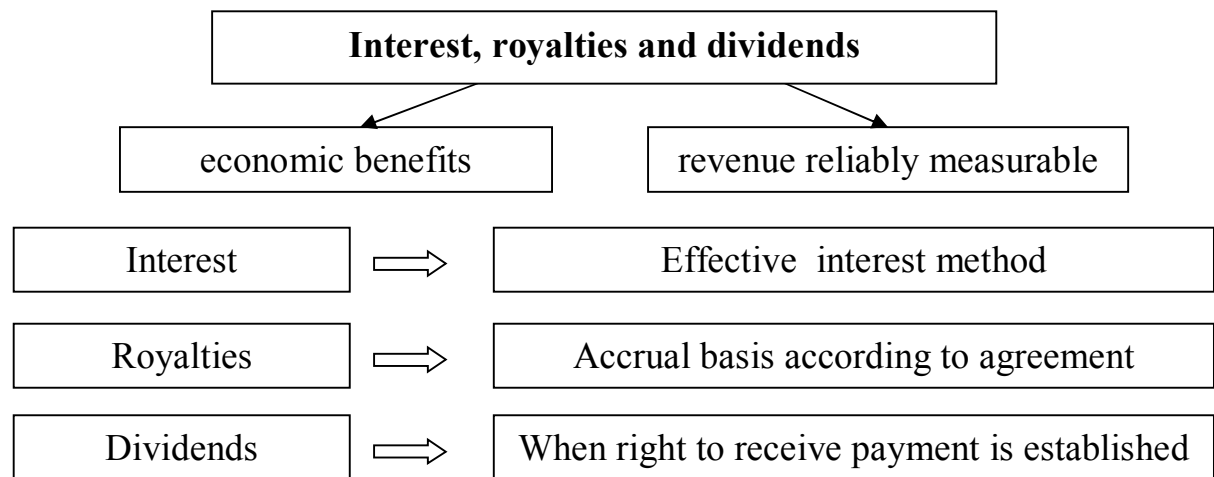


**Revenue from the sale of goods** shall be recognised when all the following conditions have been satisfied

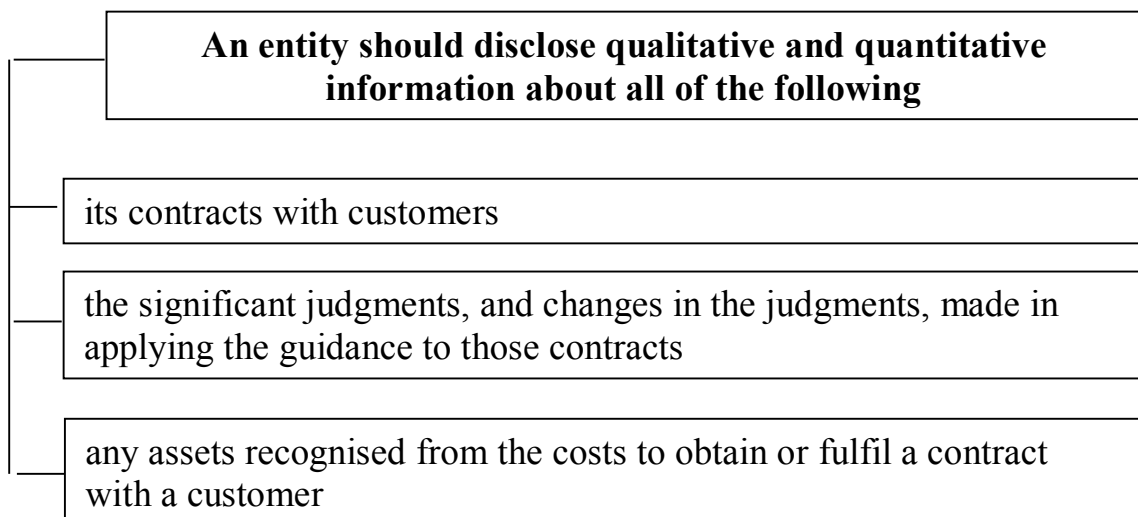
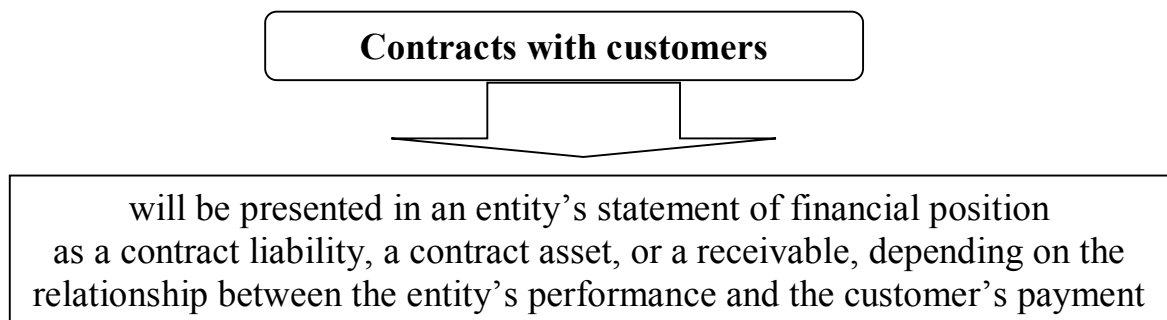


- significant risks and rewards transferred to the buyer
- no effective control over the goods sold is retained
- revenue reliably measurable
- economic benefits from transaction flow to the entity
- cost in respect of the transaction reliably measurable





### 9.3. Disclosure

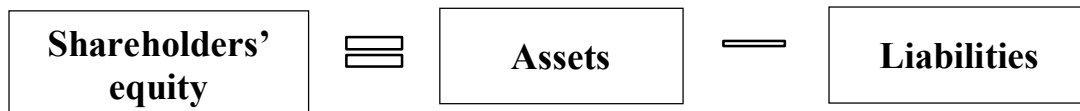
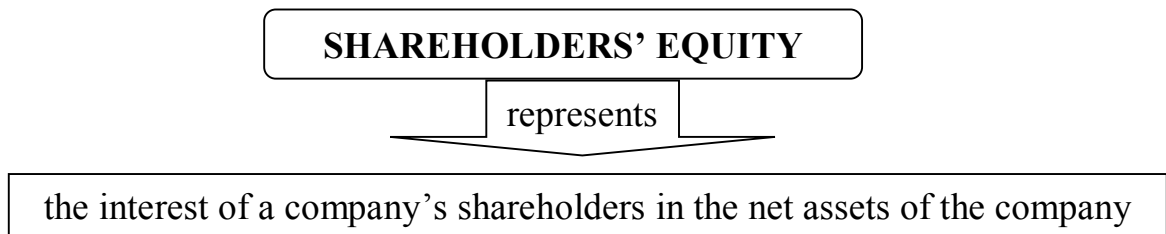


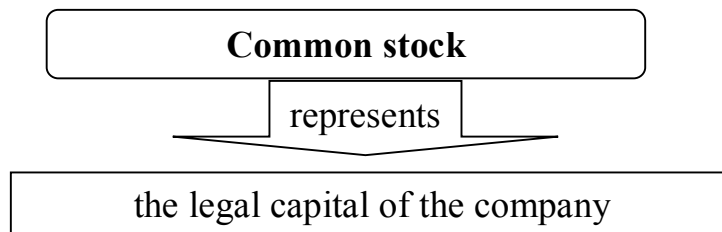
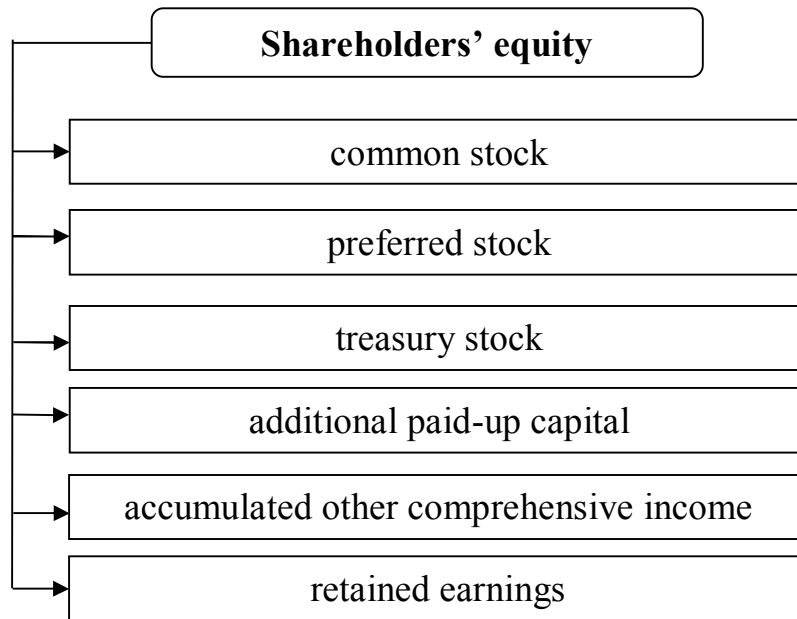
## THEME 10. SHAREHOLDERS' EQUITY

- 10.1. Common stock
- 10.2. Preferred stock
- 10.3. Treasury stock
- 10.4. Additional paid-up capital
- 10.5. Accumulated other comprehensive income
- 10.6. Retained earnings

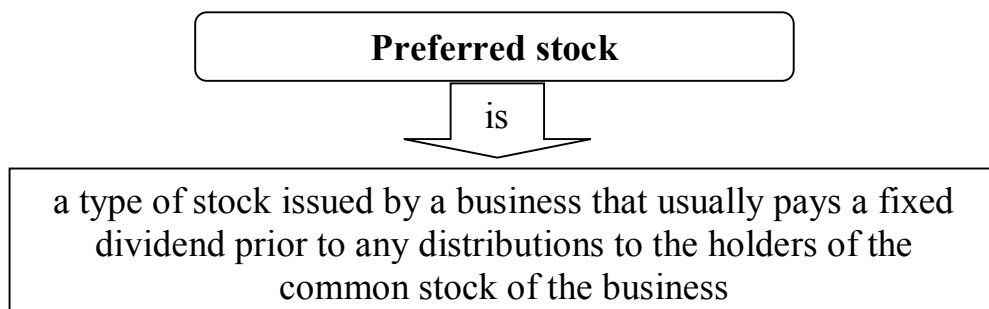
**Key words:** shareholders' equity, common stock, preferred stock, treasury stock, additional paid-up capital, accumulated other comprehensive income, retained earnings

### 10.1. Common stock

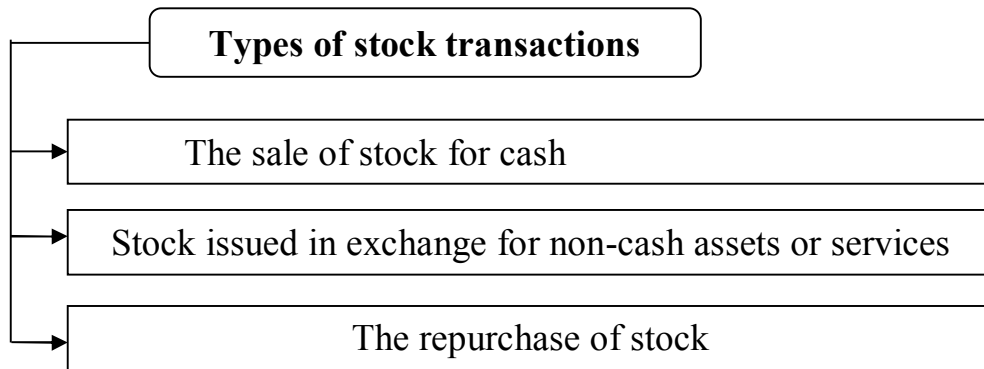




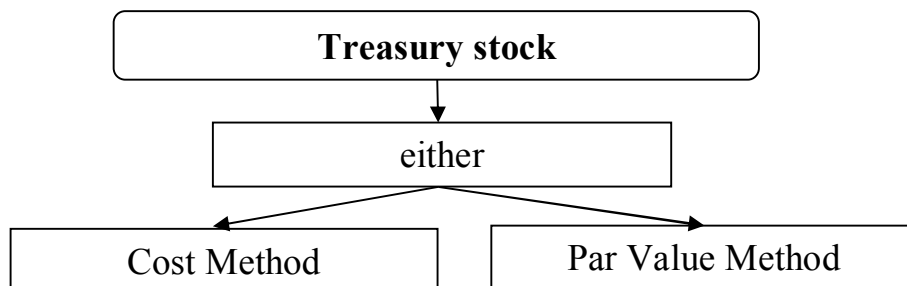
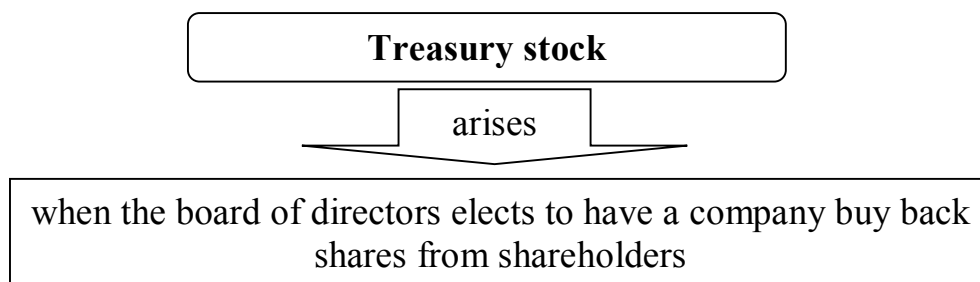
## 10.2. Preferred stock



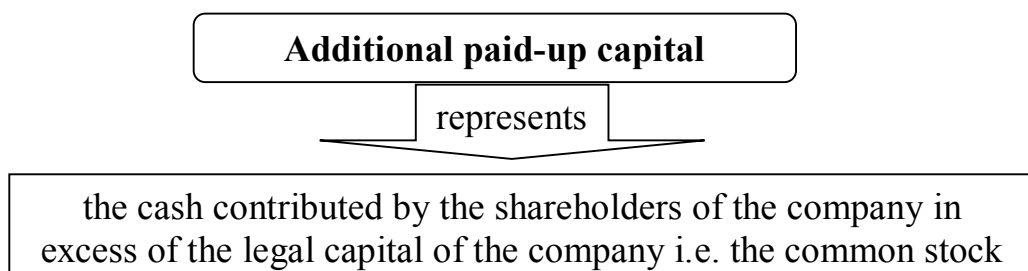




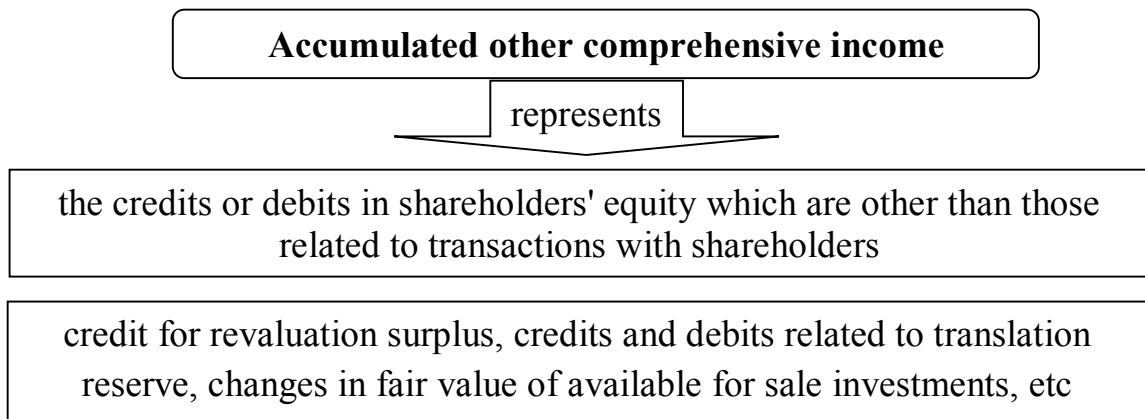
### 10.3. Treasury stock



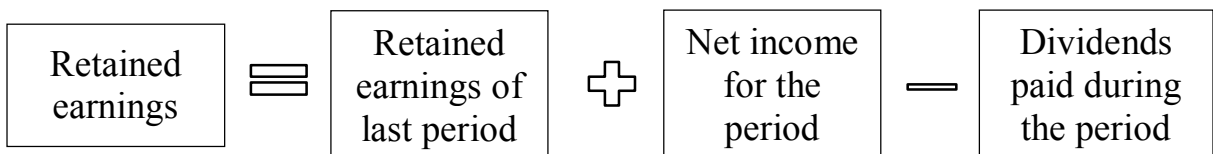
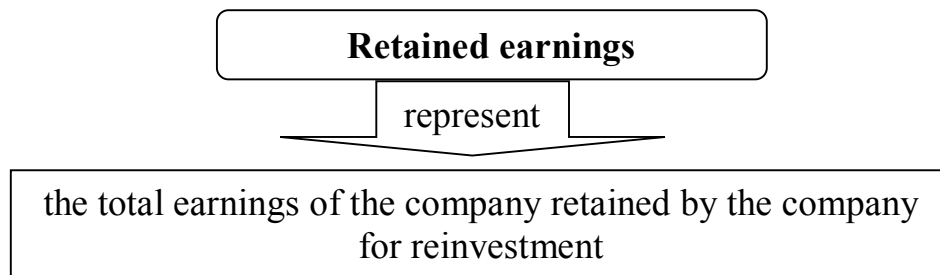
### 10.4. Additional paid-up capital



### 10.5. Accumulated other comprehensive income



### 10.6. Retained earnings



## THEME 11. LIABILITIES AND EMPLOYEE BENEFITS

11.1. Liabilities

11.2. Employee benefits

**Key words:** liability, current liability, non-current liability, employee benefits, short-term employee benefits, post-employment benefits, other long-term benefits, termination benefits

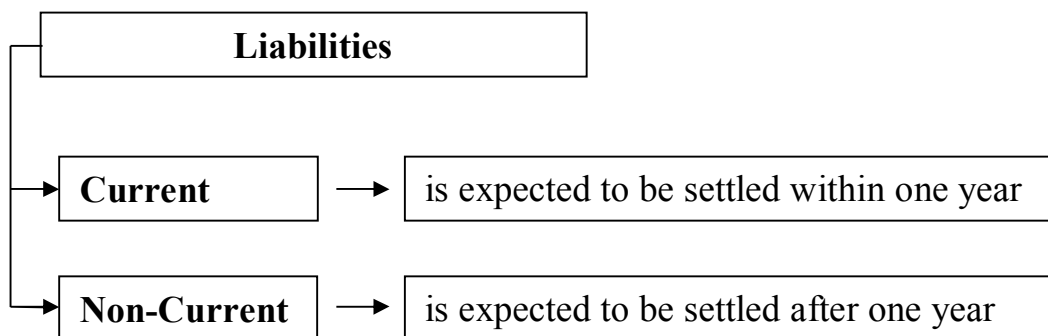
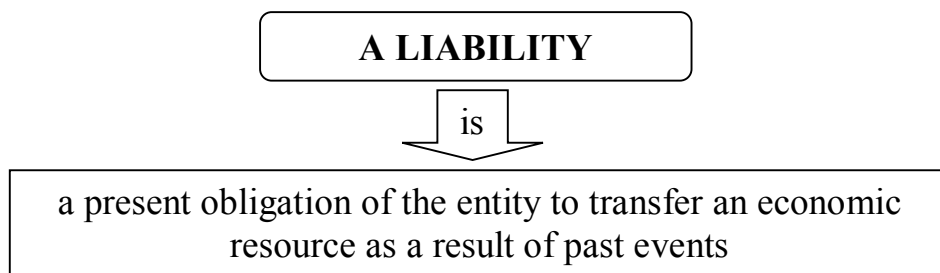
**Must-read:**

IAS 19 Employee Benefits (2011)

Related Interpretations

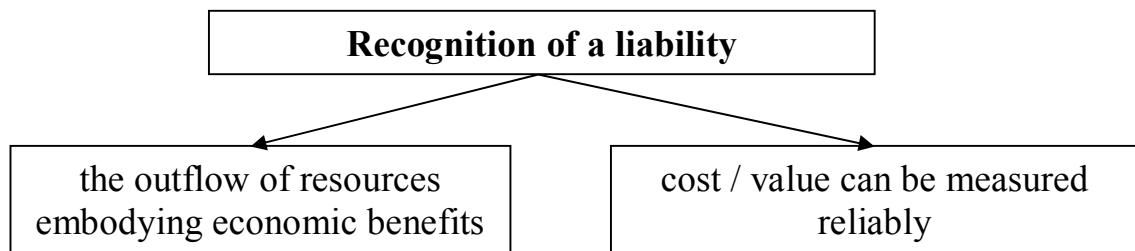
IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

### 11.1. Liabilities

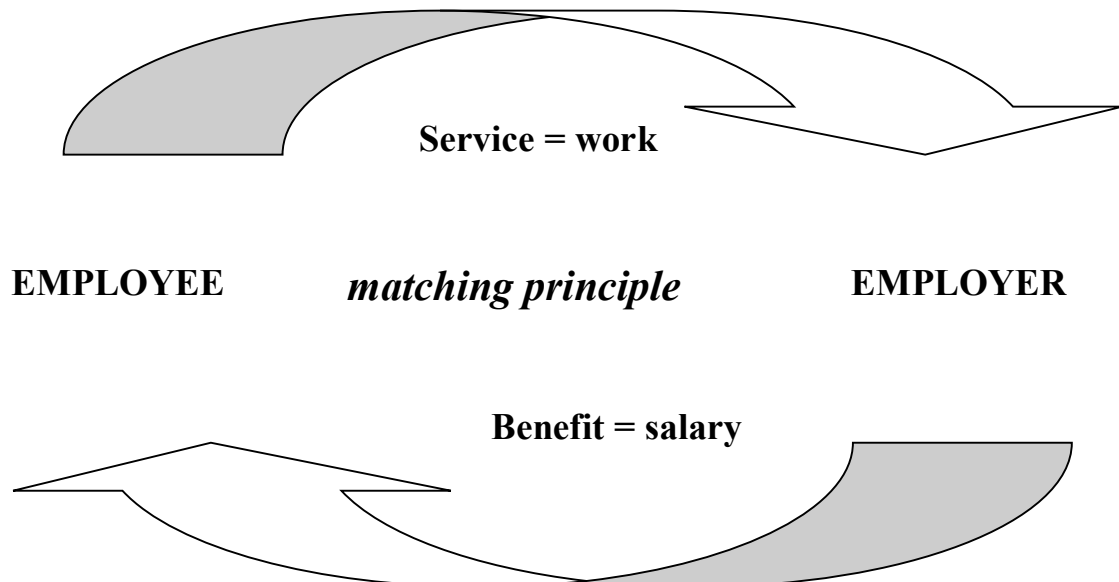


## Liability Classification

Long Term Bank Loan	non-current
Bank Overdraft	current
Short Term Bank Loan	current
Trade Payables	current
Debenture	non-current
Tax Payable	current



### 11.2. Employee benefits



**EMPLOYEE BENEFITS**

are

all forms of consideration given by an entity in exchange for service rendered by employees

**Multi-employer plans**

are

defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

pool the assets contributed by various entities that are not under common control

use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned

**Vested employee benefits**

are

employee benefits that are not conditional on future employment

**The present value of a defined benefit obligation**

is

the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods

**Current service cost**

is

the increase in the present value of a defined benefit obligation resulting from employee service in the current period

**Interest cost**

is

the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement

**Plan assets**

comprise

assets held by a long-term employee benefit fund

qualifying insurance policies

**Assets held by a long-term employee benefit fund**

are

assets that:

are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits

are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in bankruptcy), and cannot be returned to the reporting entity

**A qualifying insurance policy**

is

an insurance policy issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policy:

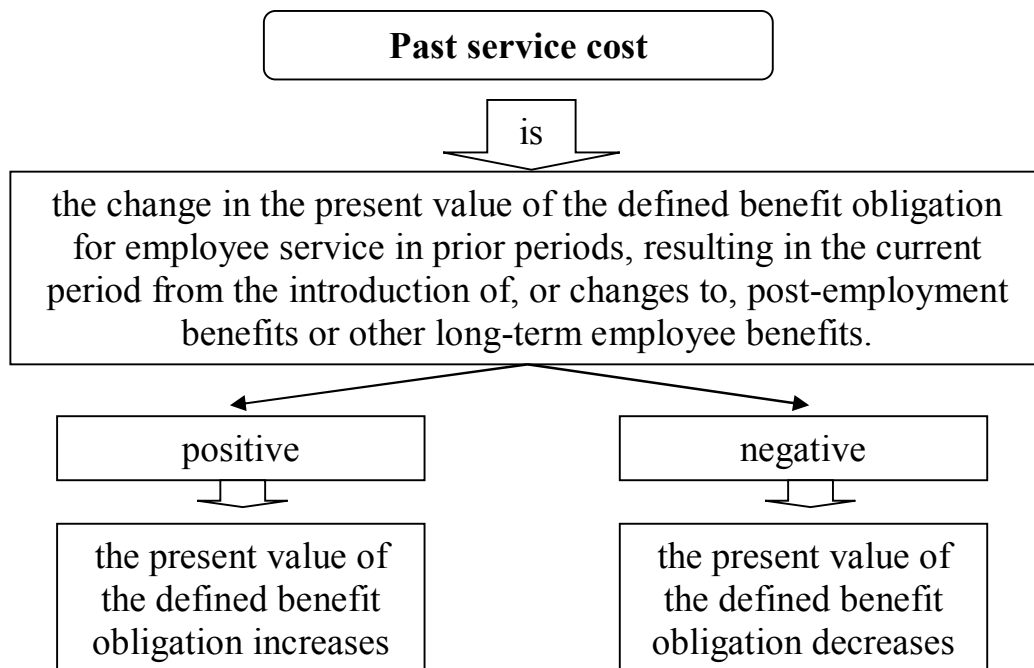
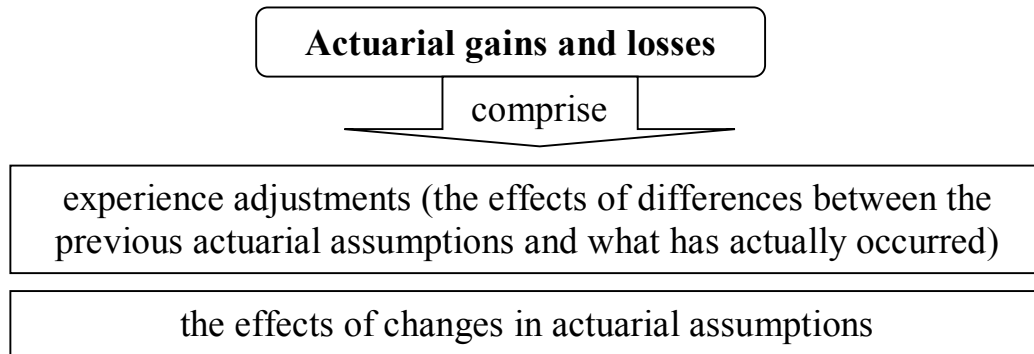
can be used only to pay or fund employee benefits under a defined benefit plan

are not available to the reporting entity's own creditors (even in bankruptcy) and cannot be paid to the reporting entity

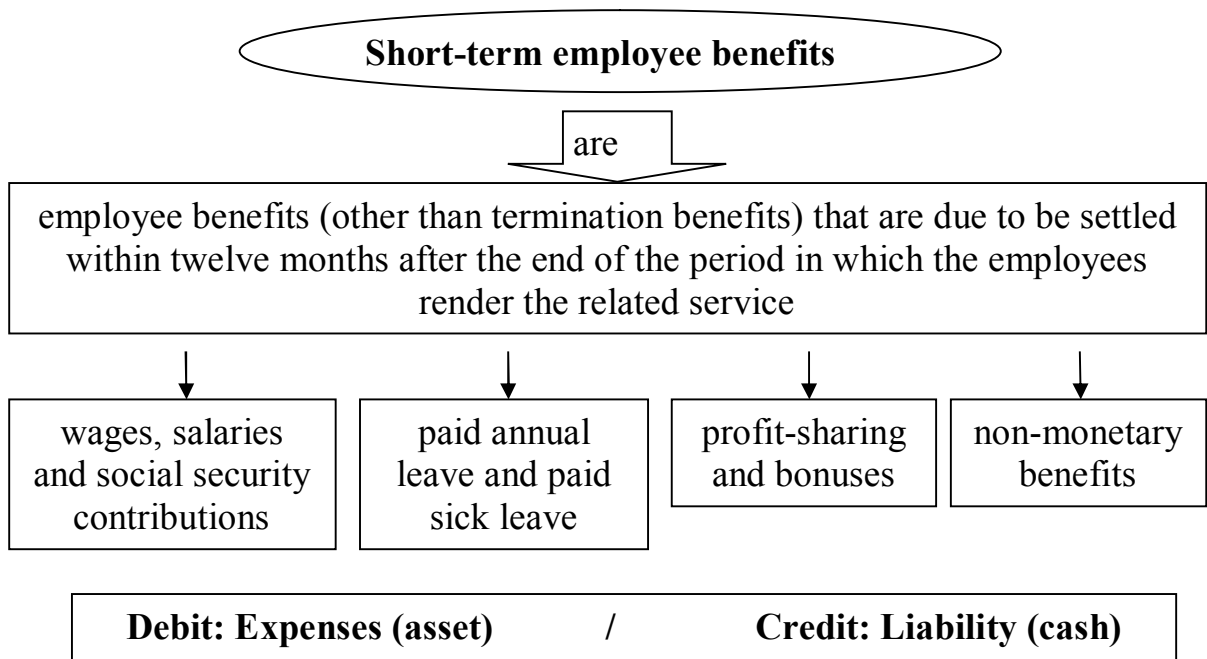
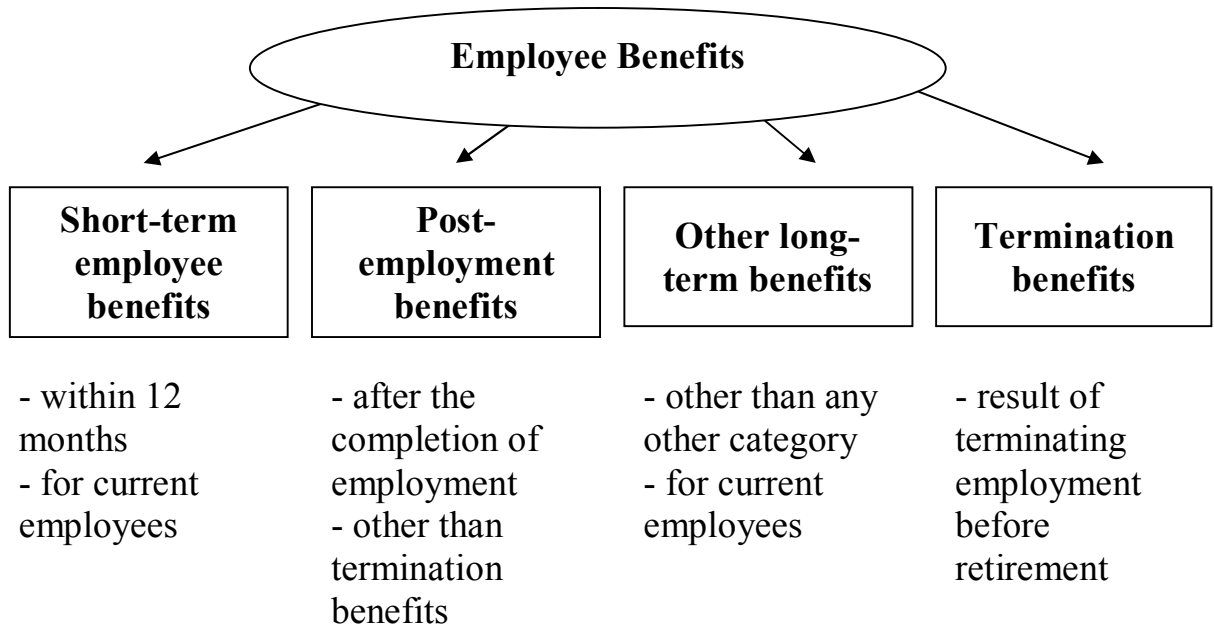
**The return on plan assets**

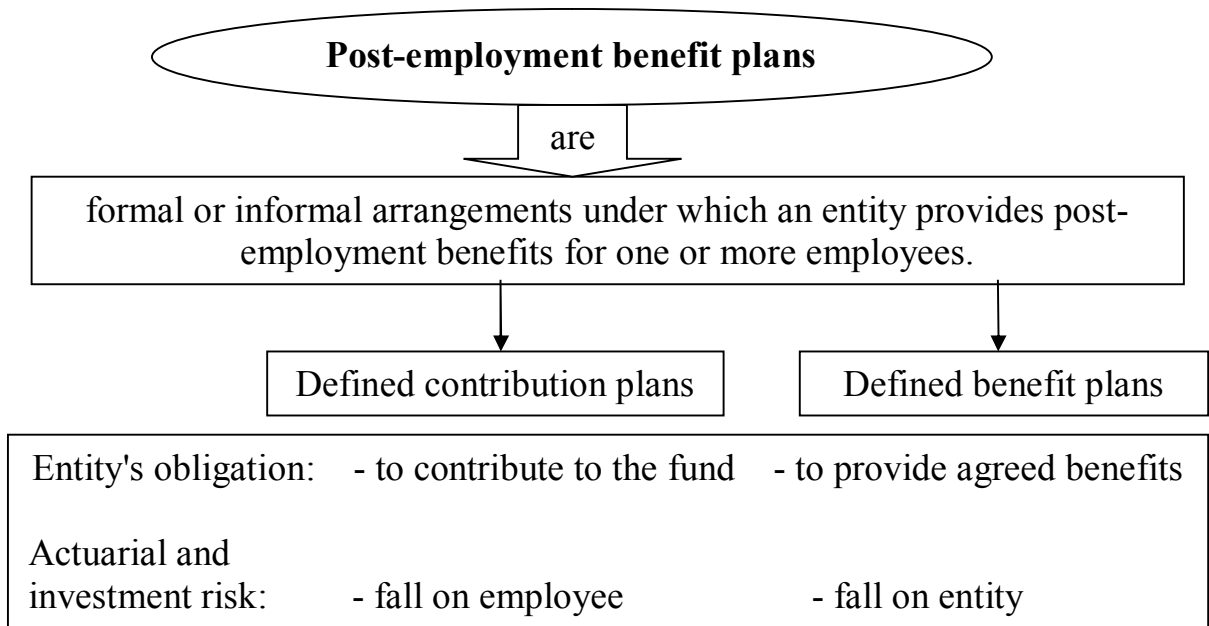
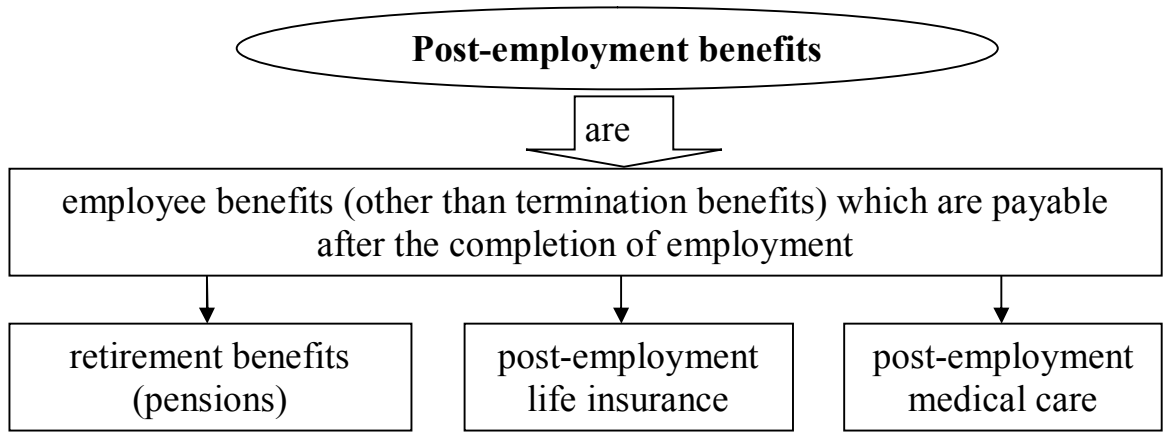
is

interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself









**Defined contribution plans**

are

post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods

**Defined contribution plans**

**Debit: Expenses (asset) / Credit: Liability (cash)**

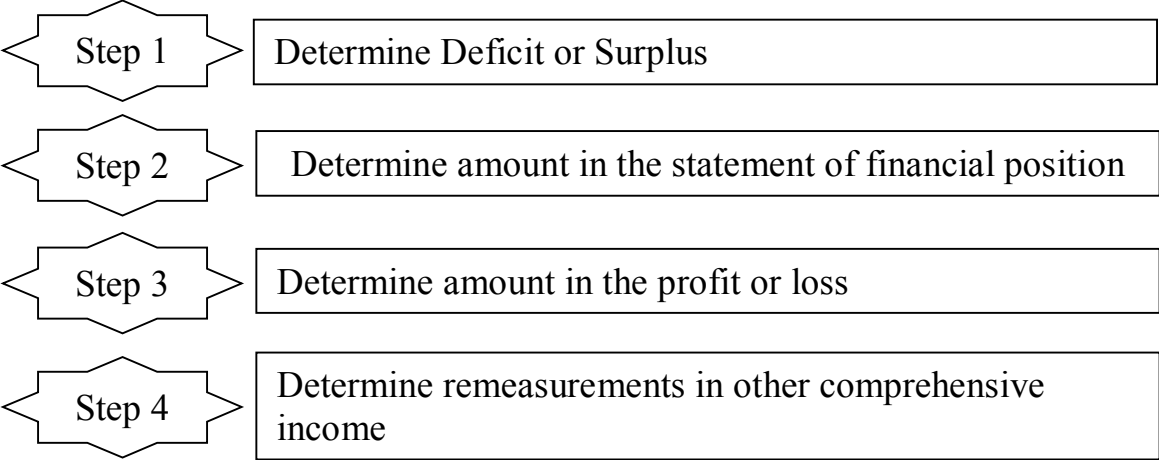
**If payable beyond 12 months → discount %**

**Defined benefit plans**

are

post-employment benefit plans other than defined contribution plans

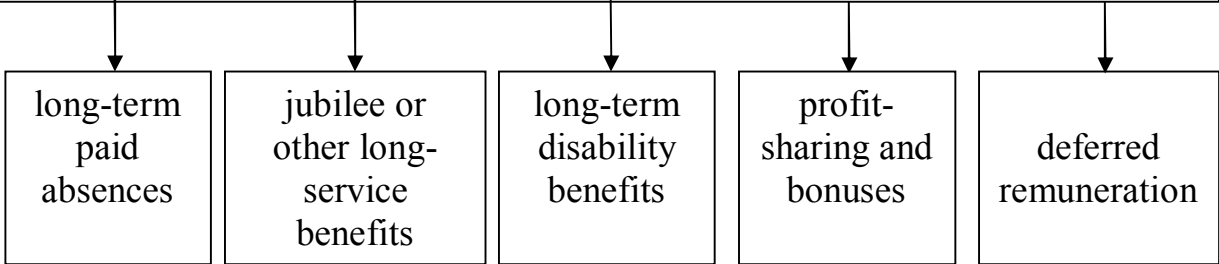
**Steps to account for the defined benefit plan**



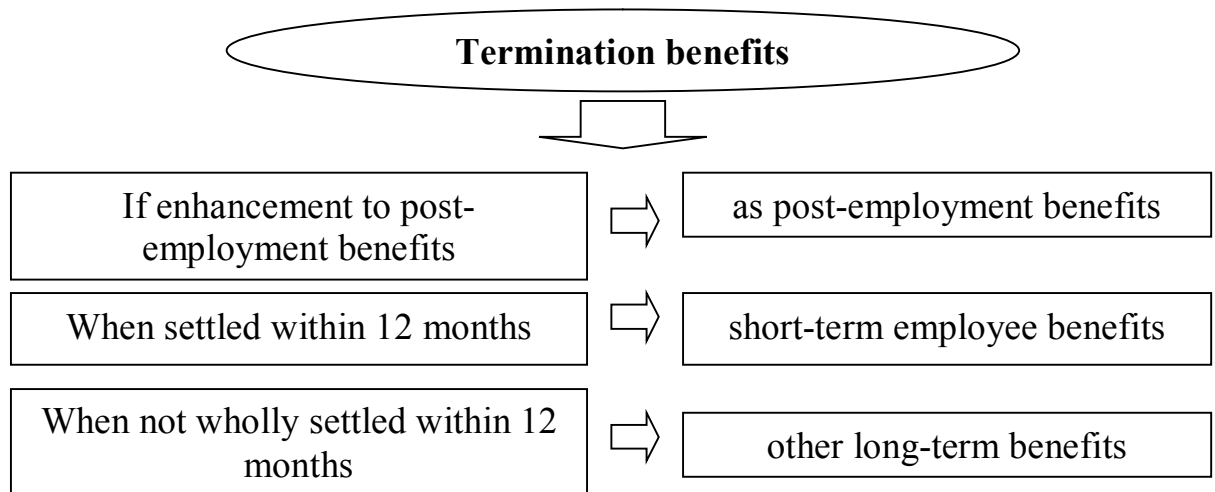
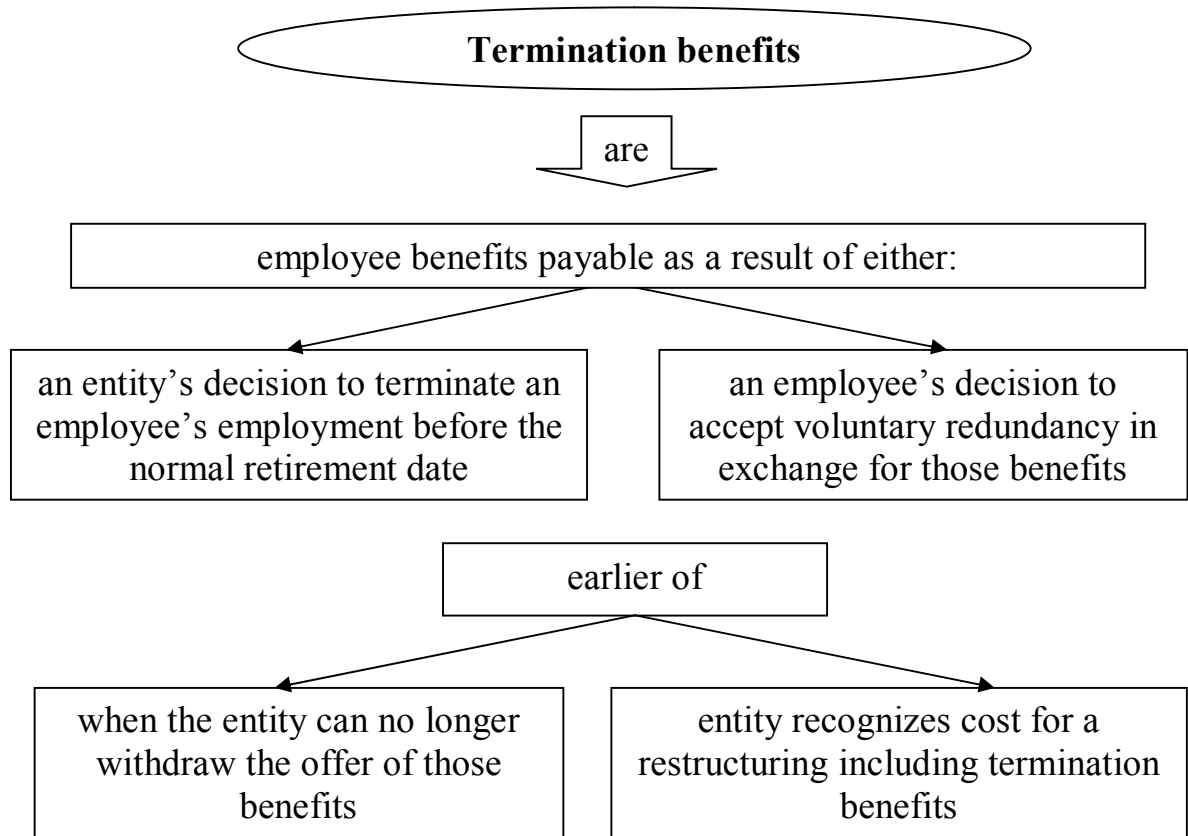
**Other long -term employee benefits**

are

employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service



service cost + net interest + remeasurements = recognize *to profit or loss*



**CONTENT MODULE 4.**  
**PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

**THEME 12. CONCEPTS THAT UNDERLIE THE PREPARATION  
AND PRESENTATION OF FINANCIAL STATEMENTS**

- 12.1. Qualitative characteristics of useful financial information
- 12.2. Underlying Assumption
- 12.3. The Elements of Financial Statements
- 12.4. Recognition and derecognition of the elements of financial statements
- 12.5. Measurement of the elements of financial statements
- 12.6. Concepts of capital and capital maintenance

**Key words:** fundamental qualitative characteristics, enhancing qualitative characteristics, assets, liabilities, equity, income, expense, financial concept of capital, physical concept of capital

**Must-read:**

Conceptual Framework for Financial Reporting 2018

**12.1. Qualitative characteristics of useful financial information**

**Status  
of the Conceptual Framework**



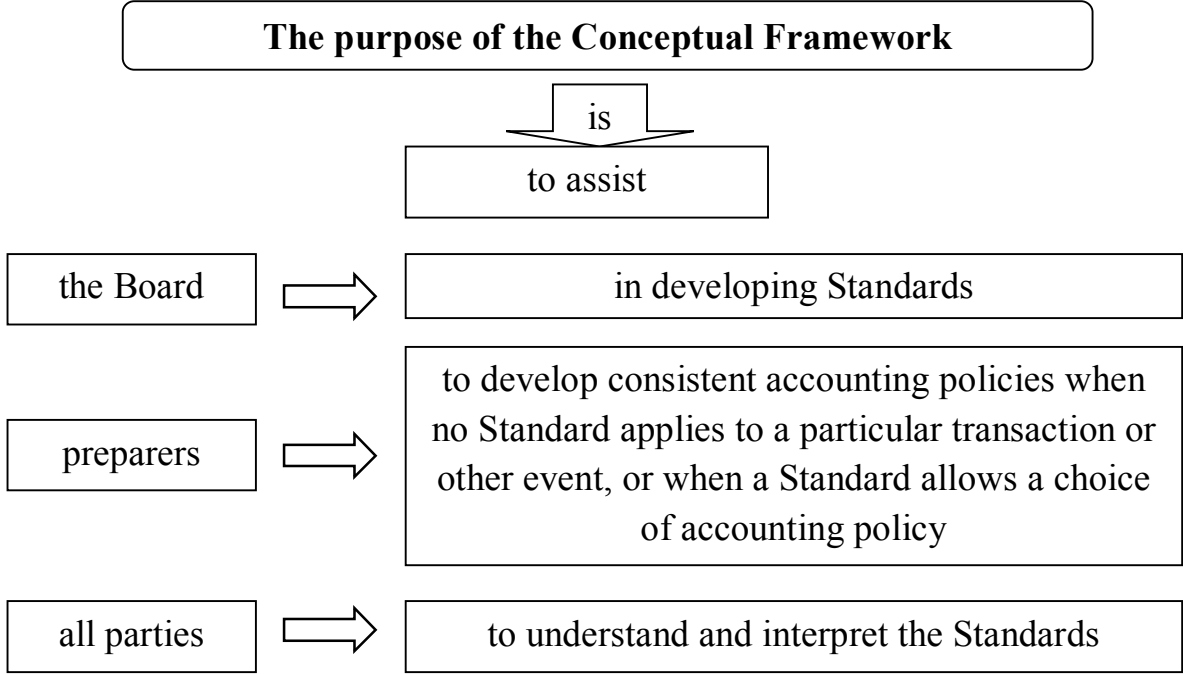
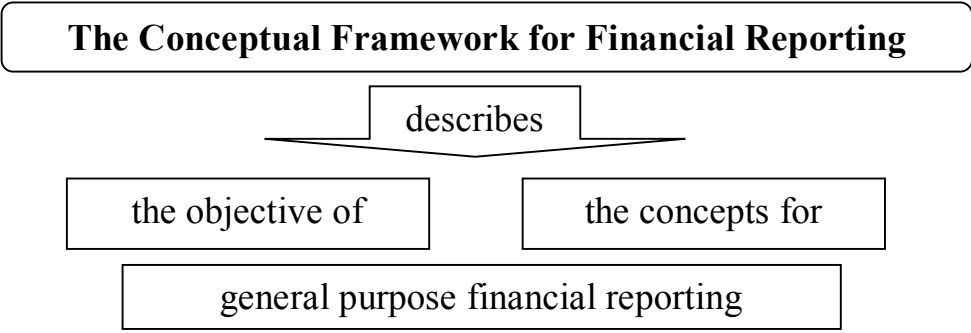
provides concepts and guidance that underpin the decisions the Board makes when developing Standards

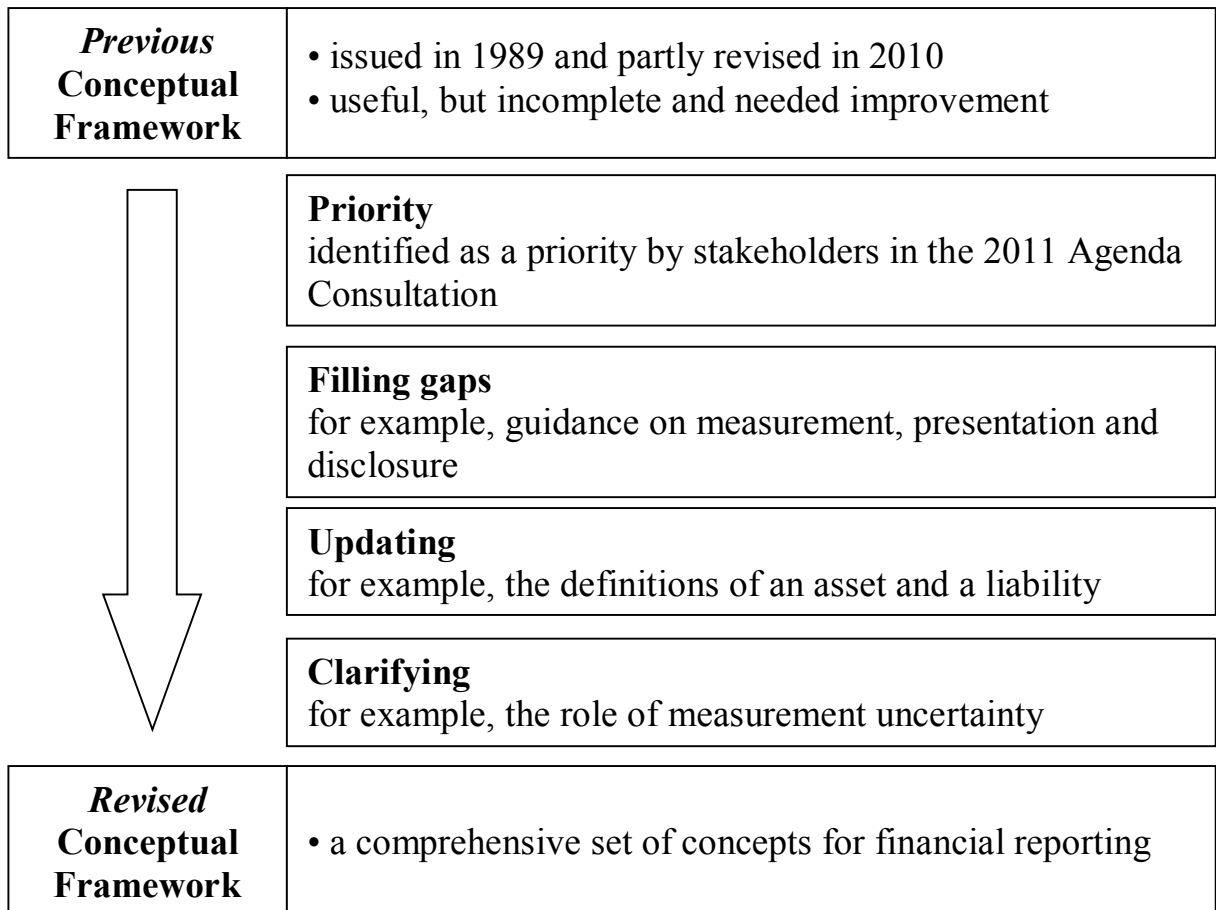


not a Standard



does not override any Standard or any requirement in a Standard







<b>The revised <i>Conceptual Framework</i></b>
--

<b>New</b>
------------

<b>Measurement</b>	concepts on measurement, including factors to be considered when selecting a measurement basis
<b>Presentation and disclosure</b>	concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income
<b>Derecognition</b>	guidance on when assets and liabilities are removed from financial statements

<b>Updated</b>
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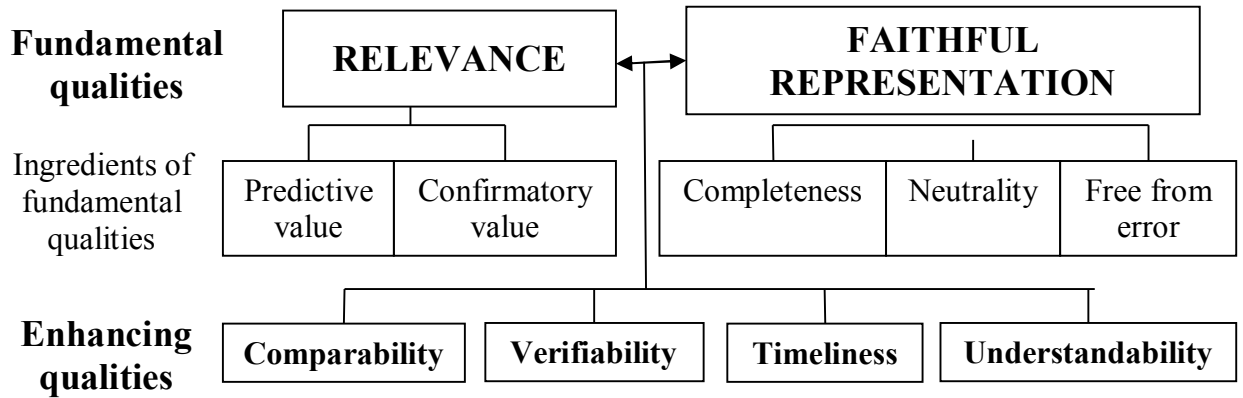
<b>Definitions</b>	definitions of an asset and a liability
<b>Recognition</b>	criteria for including assets and liabilities in financial statements

<b>Clarified</b>
------------------

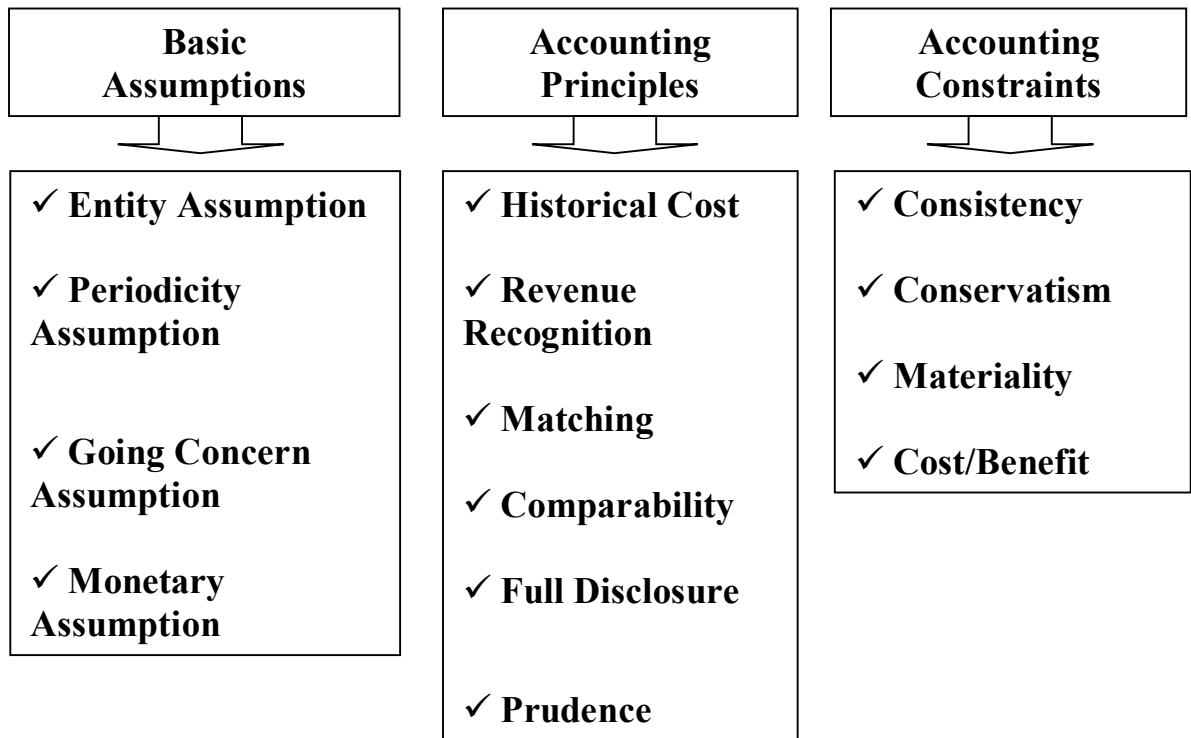
Prudence	Stewardship	Measurement uncertainty	Substance over form
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## The Conceptual Framework

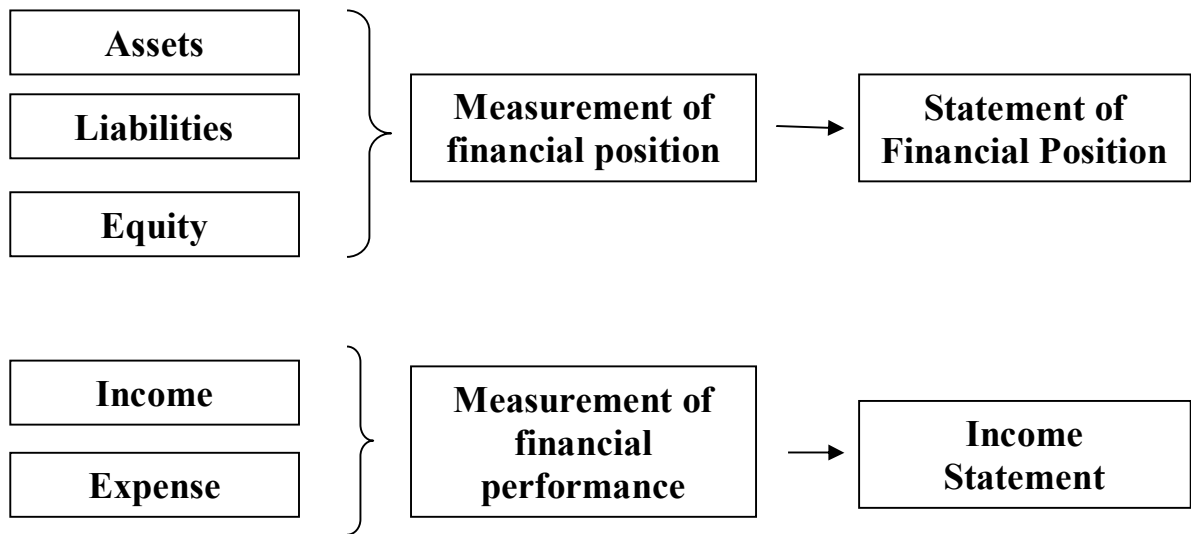
Chapter 1	The objective of financial reporting
Chapter 2	Qualitative characteristics of useful financial information
Chapter 3	Financial statements and the reporting entity
Chapter 4	The elements of financial statements
Chapter 5	Recognition and derecognition
Chapter 6	Measurement
Chapter 7	Presentation and disclosure
Chapter 8	Concepts of capital and capital maintenance



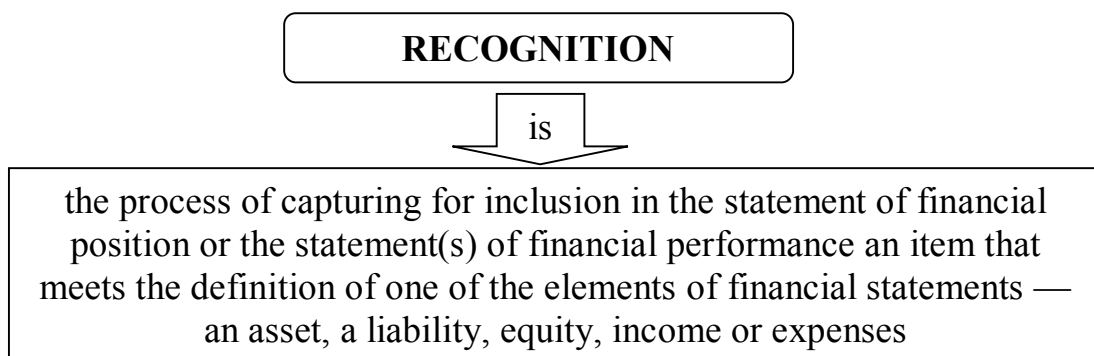
## 12.2. Underlying Assumption

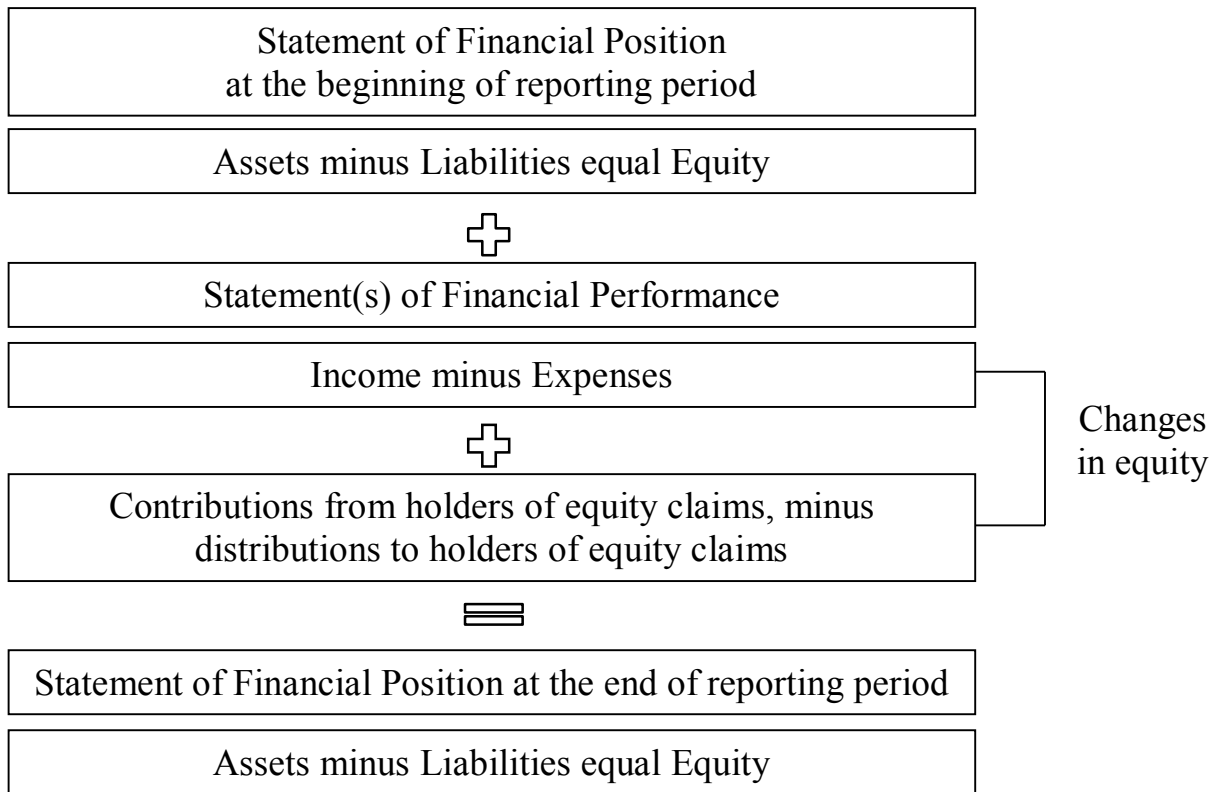


### 12.3. The Elements of Financial Statements



### 12.4 Recognition and Derecognition of the Elements of Financial Statements





**DERECOGNITION**

is

the removal of all or part of a recognised asset or liability from an  
entity's statement of financial position

**Derecognition**

item no longer meets the definition

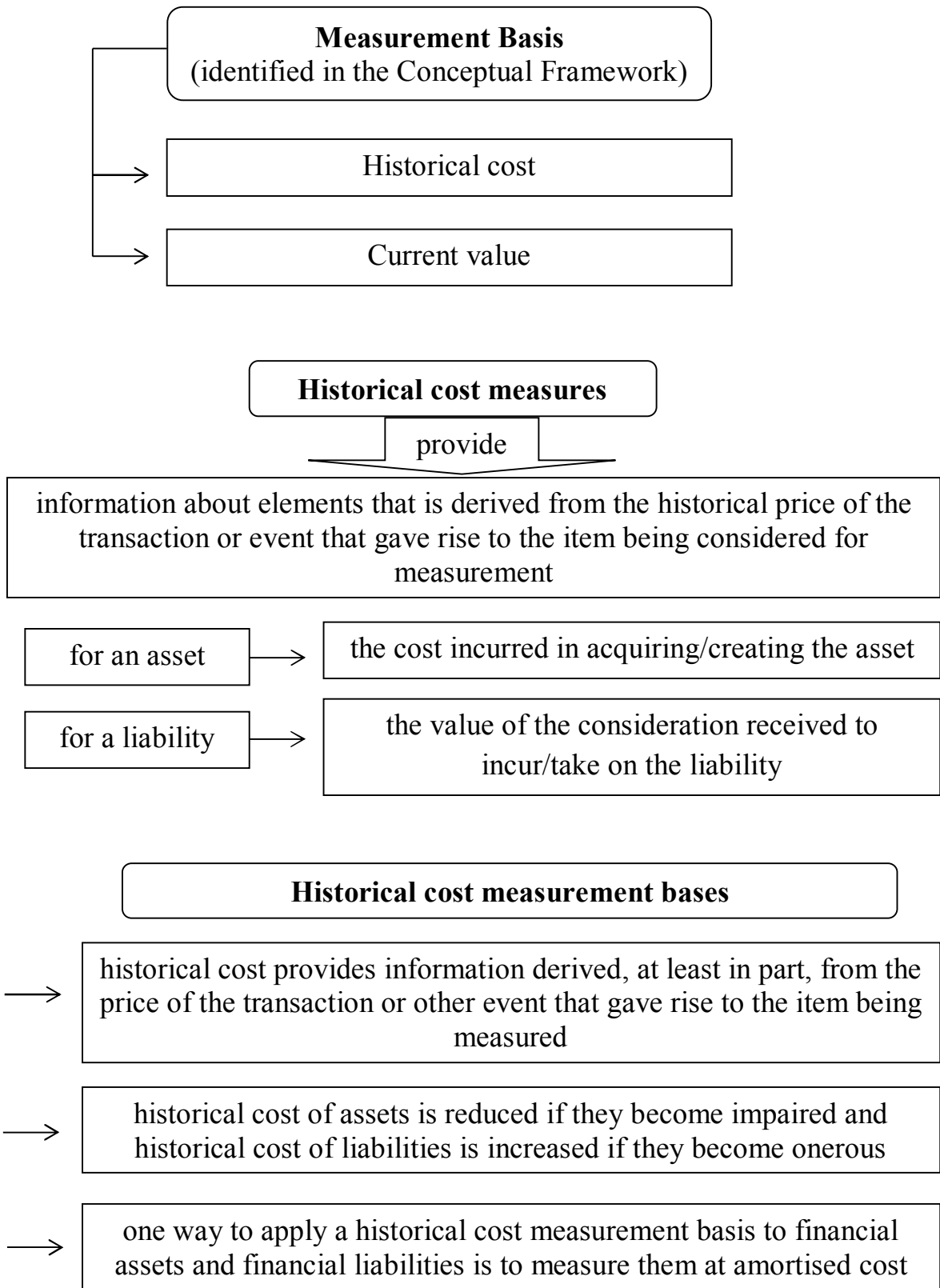
an asset

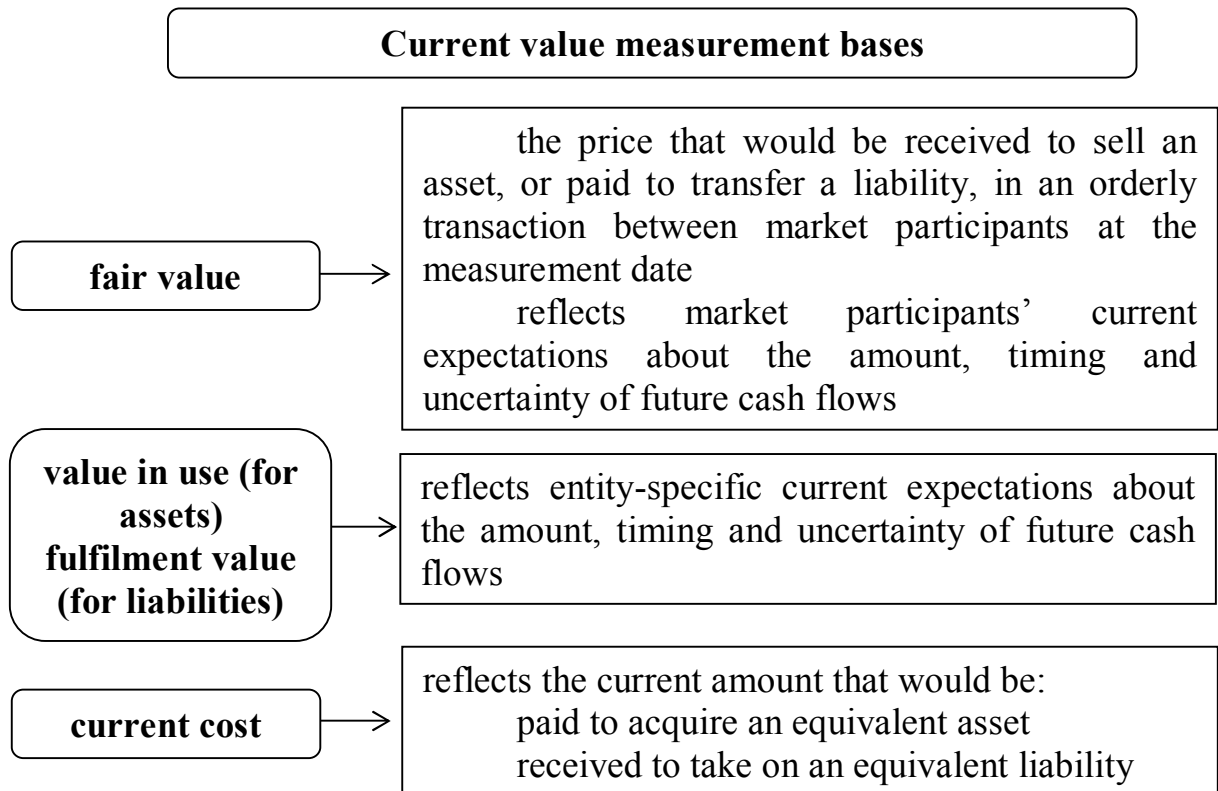
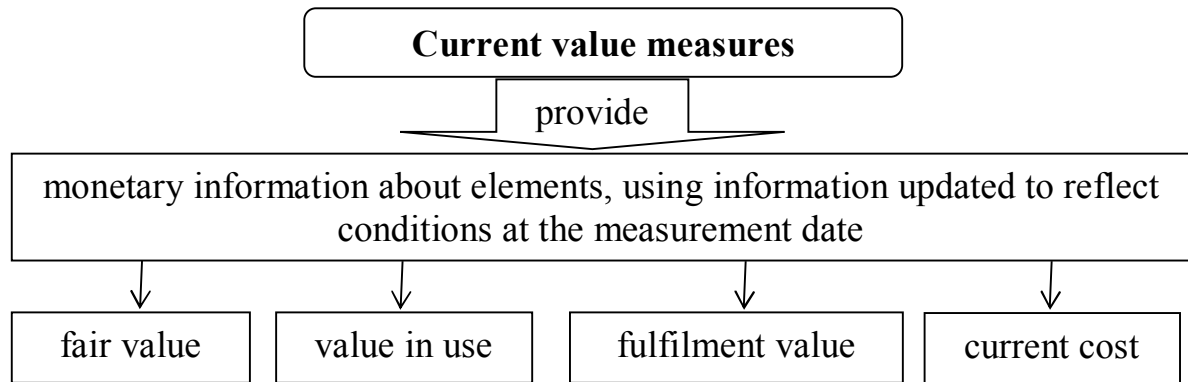
the entity loses control

a liability

the entity no longer has a present obligation

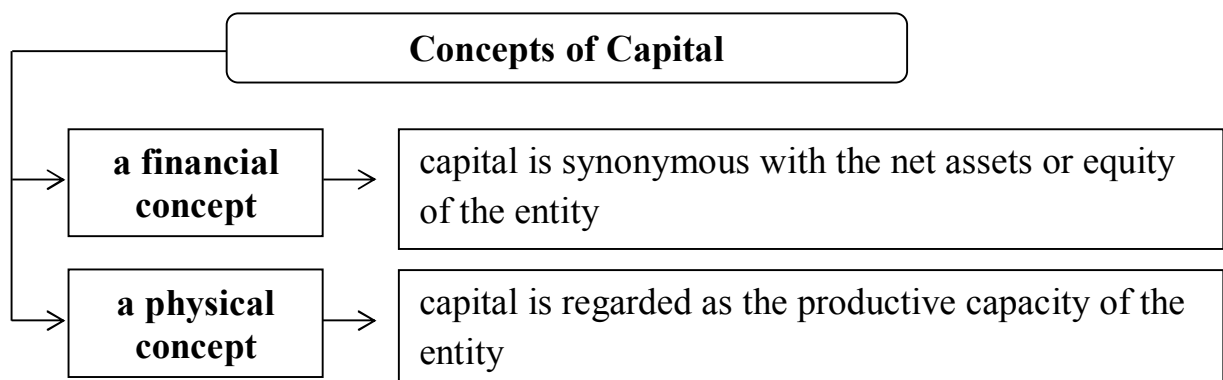
### 12.5. Measurement of the elements of financial statements



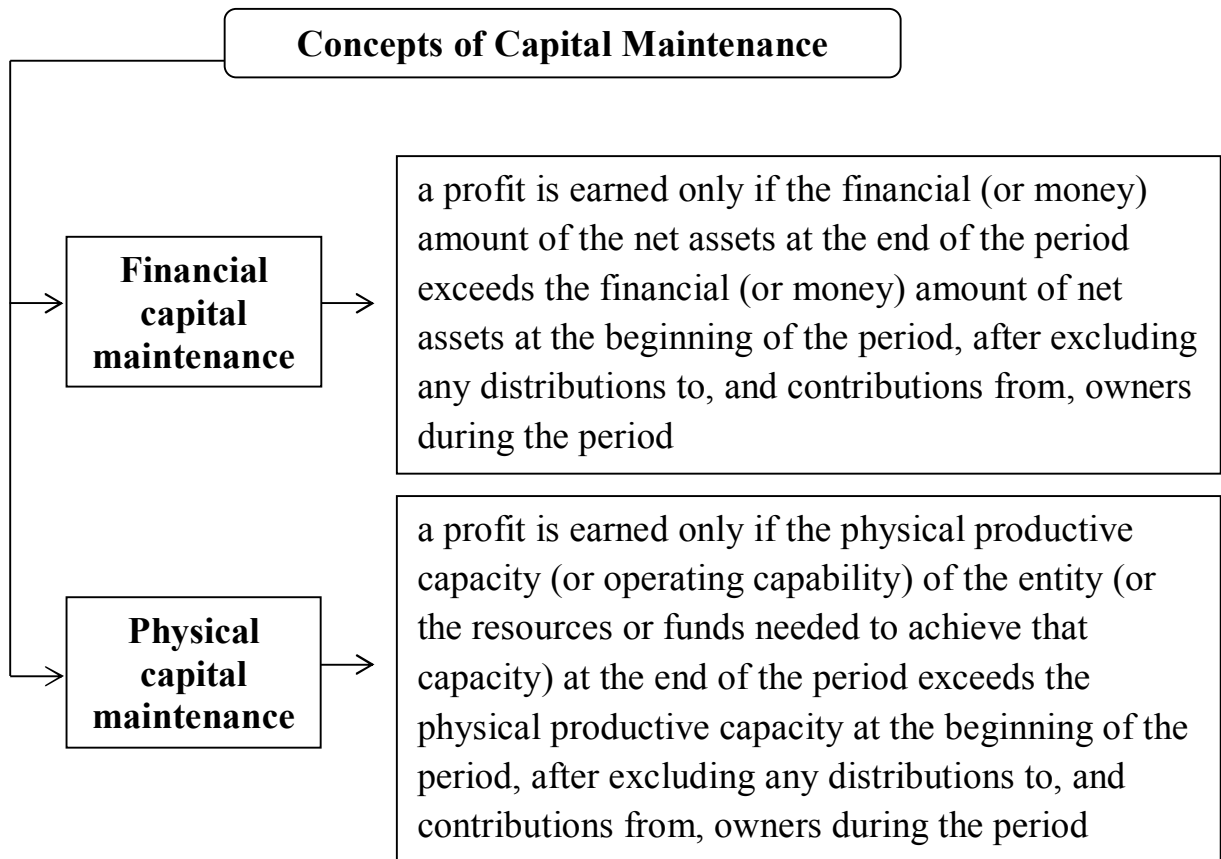


<b>Factors to consider in selecting a measurement basis</b>	
<b>Relevance</b>	
<b>Relevance</b> of information provided by a measurement basis is affected by:	
characteristics of the asset or liability the variability of cash flows sensitivity of the value to market factors or other risks for example, amortised cost cannot provide relevant information about a derivative	contribution to future cash flows whether cash flows are produced directly or indirectly in combination with other economic resources the nature of the entity's business activities for example, if assets are used in combination to produce goods or services, historical cost can provide relevant information about margins achieved in a period
<b>Faithful representation</b>	
Whether a measurement basis can provide a <b>faithful representation</b> is affected by:	
measurement inconsistency if financial statements contain measurement inconsistencies (accounting mismatch), those financial statements may not faithfully represent some aspects of the entity's financial position and financial performance	measurement uncertainty does not necessarily prevent the use of a measurement basis that provides relevant information but if too high might make it necessary to consider selecting a different measurement basis
<b>Cost constraint</b>	
Cost constrains the selection of a measurement basis, just as it constrains other financial reporting decisions	

## 12.6. Concepts of capital and capital maintenance







## THEME 13. PRESENTATION OF FINANCIAL STATEMENTS

13.1. Purpose and Complete set of financial statements

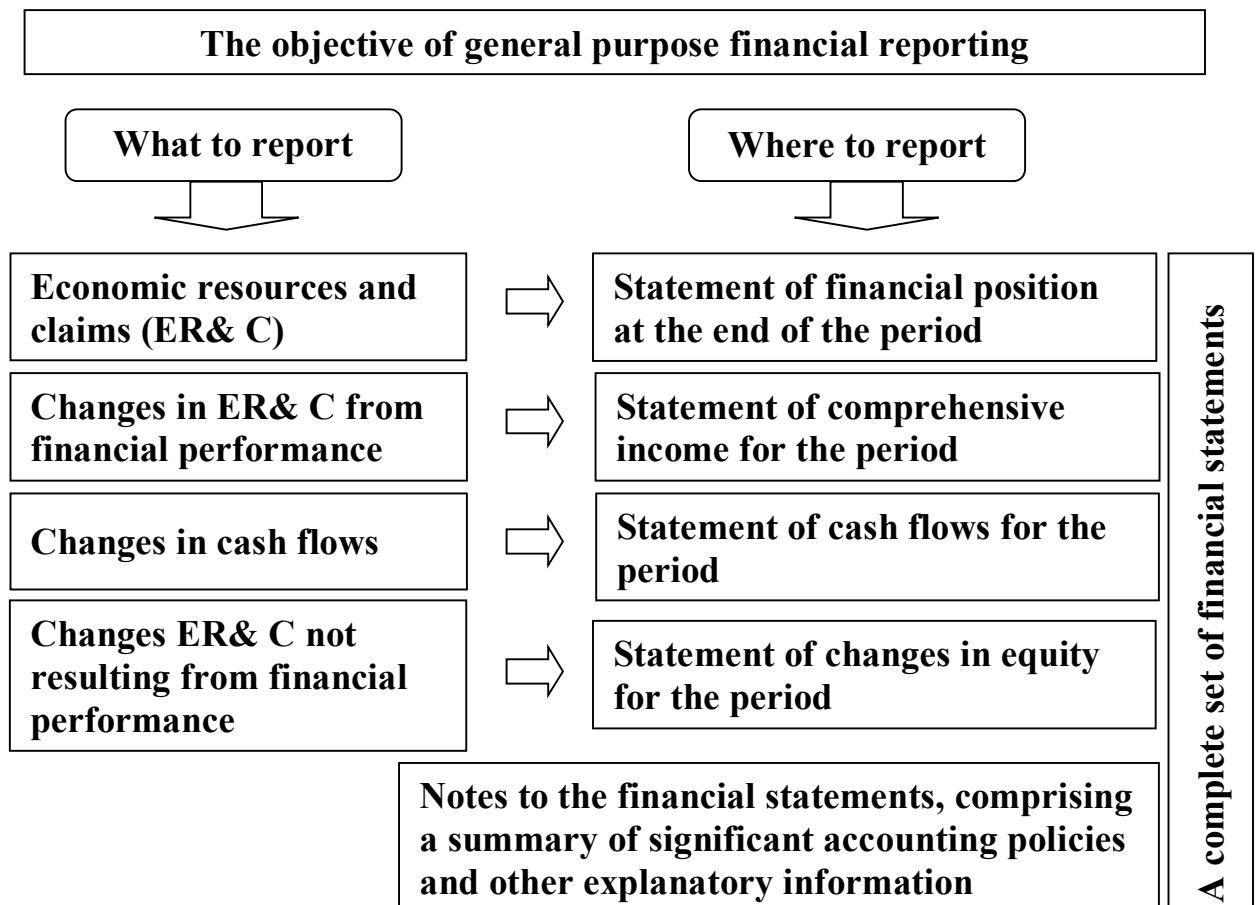
13.2. General features of financial statements

**Key words:** objective of general purpose financial statements, fundamental principles, underlying assumption, going concern, accrual basis of accounting

**Must-read:**

IAS 1 Presentation of Financial Statements

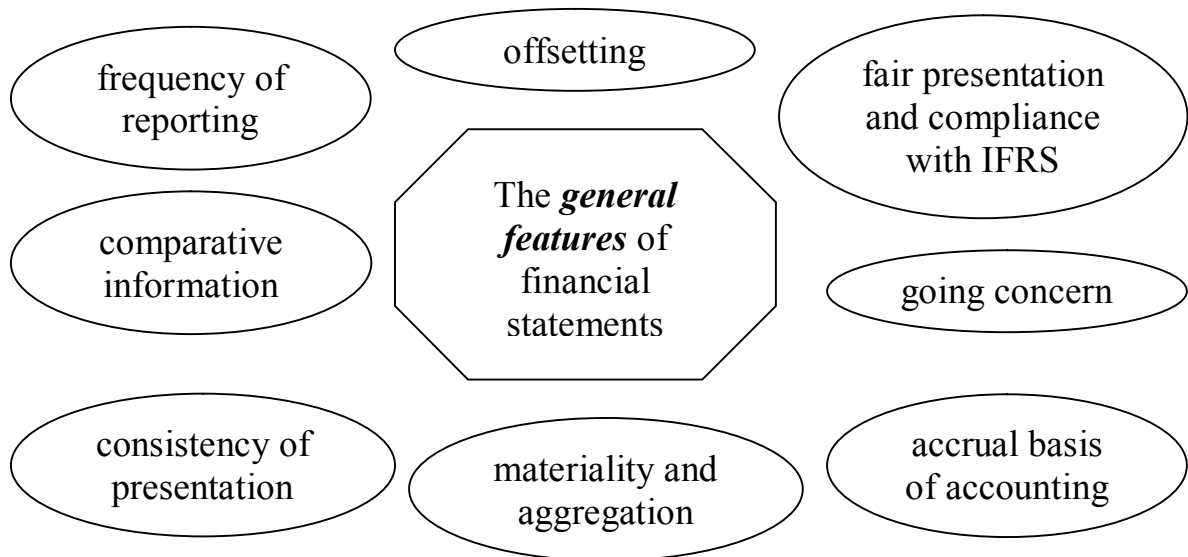
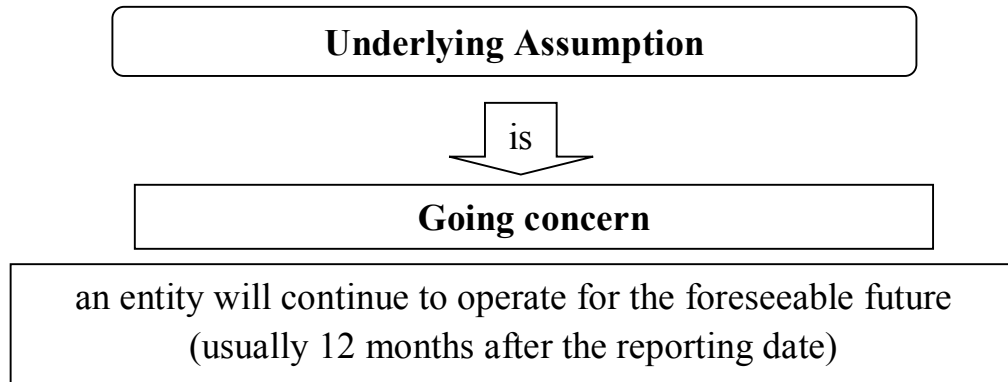
### 13.1. Purpose and Complete set of financial statements



## Users of Financial Statements

<b>Managers</b>	→	to manage the affairs of the company by assessing its financial performance and position and taking important business decisions
<b>Shareholders</b>	→	to assess the risk and return of their investment in the company and take investment decisions
<b>Prospective Investors</b>	→	to assess the viability of investing in a company
<b>Financial Institutions</b>	→	to decide whether to grant a loan or credit to a business
<b>Suppliers</b>	→	to assess the credit worthiness of a business and ascertain whether to supply goods on credit
<b>Customers</b>	→	to assess whether a supplier has the resources to ensure the steady supply of goods in the future
<b>Employees</b>	→	to assess the company's profitability and its consequence on their future remuneration and job security
<b>Competitors</b>	→	to compare their performance with rival companies to learn and develop strategies to improve their competitiveness
<b>General Public</b>	→	interested in the effects of a company on the economy, environment and the local community
<b>Governments</b>	→	to determine the correctness of tax declared in the tax returns; to keep track of economic progress of businesses from different sectors of the economy

## 13.2. General features of financial statements



## THEME 14. STRUCTURE AND CONTENT OF FINANCIAL STATEMENTS

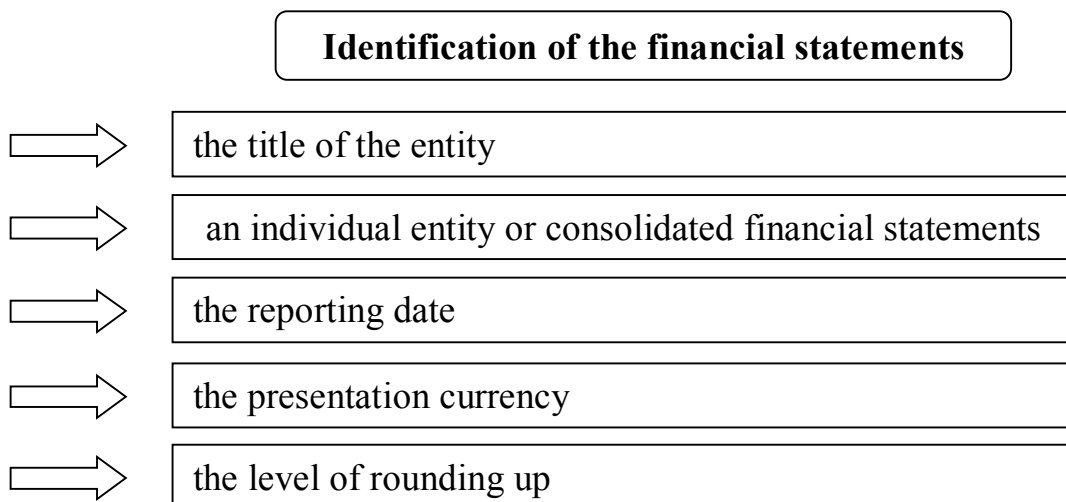
- 14.1. Identification of the financial statements
- 14.2. Statement of financial position
- 14.3. Statement of comprehensive income
- 14.4. Statement of changes in equity
- 14.5. Statement of cash flows
- 14.6. Notes
- 14.7 Interim Financial Reporting

**Key words:** financial statements, statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, notes

**Must-read:**

- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 34 Interim Financial Reporting

### 14.1 Identification of the financial statements



### 14.2. Statement of financial position

**Statement of Financial Position  
(Balance Sheet)**

presents

the financial position of an entity at a given date

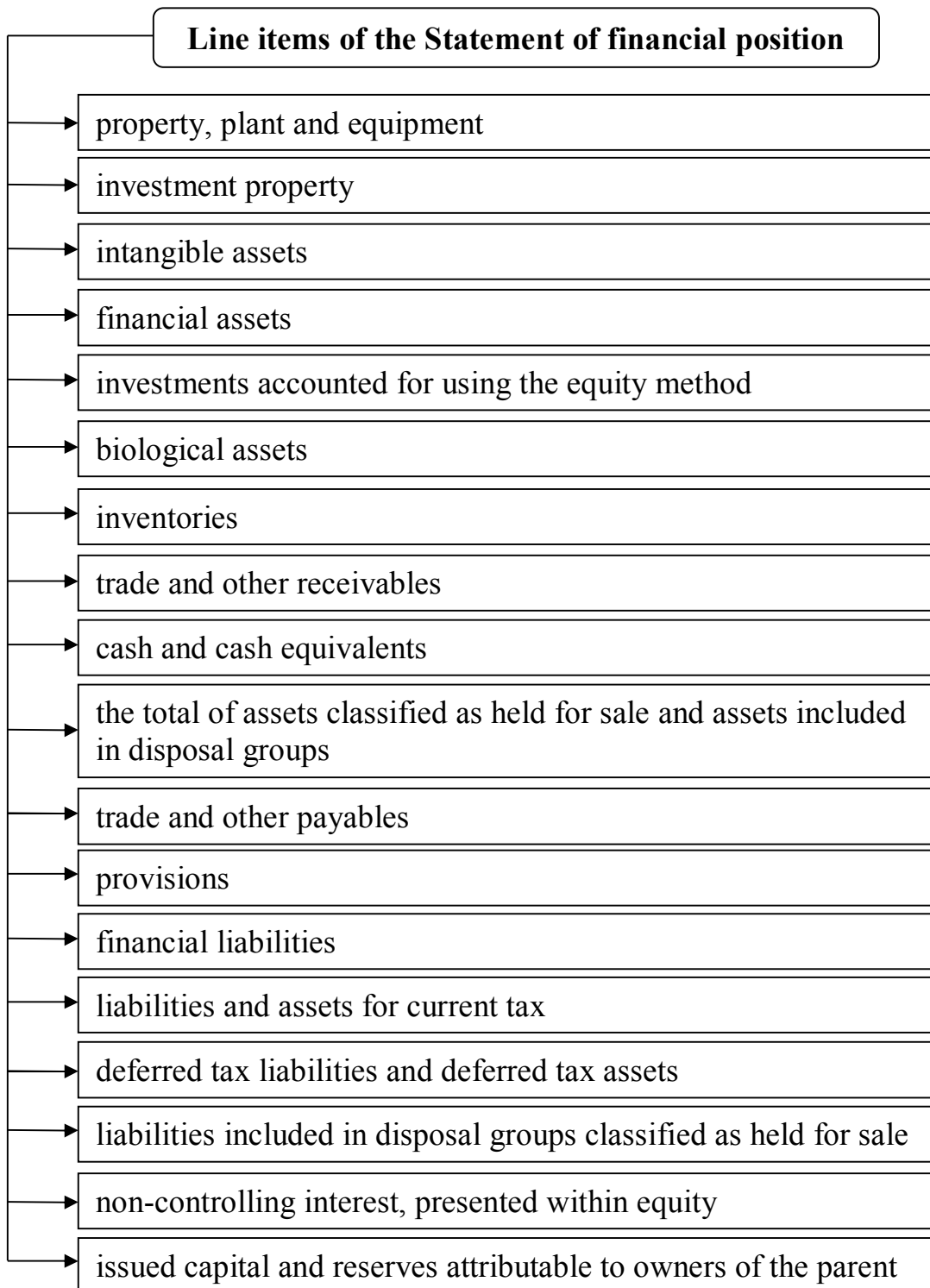
Assets

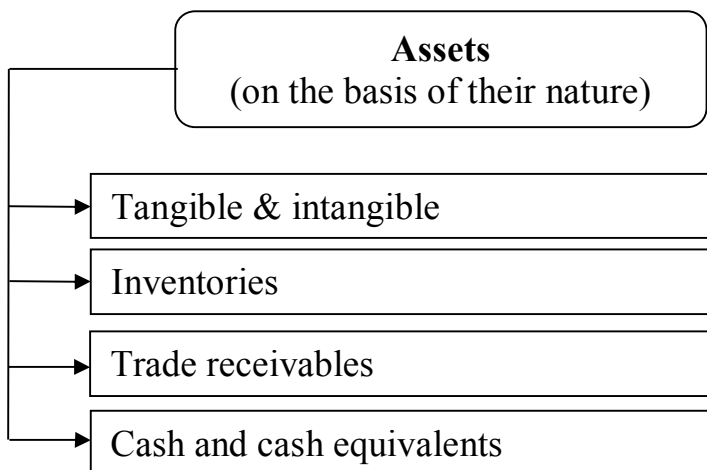
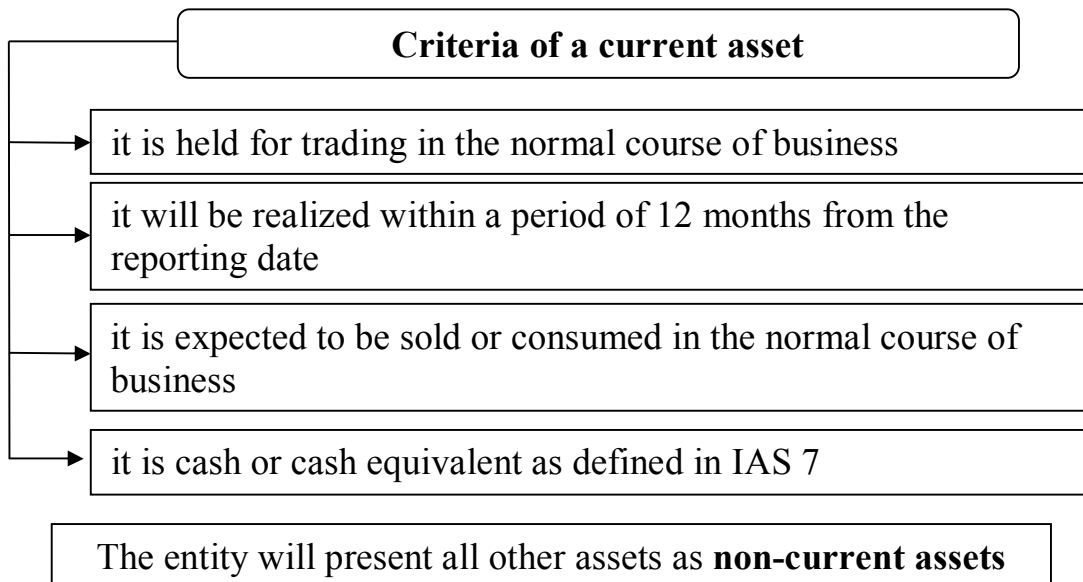
=

Liabilities

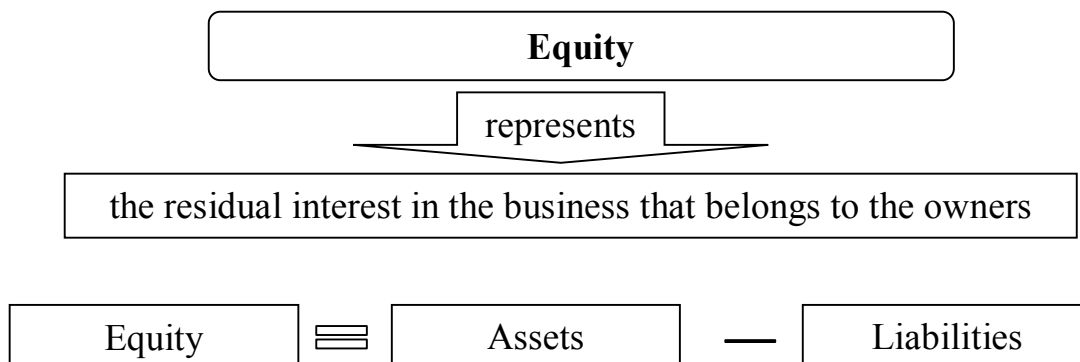
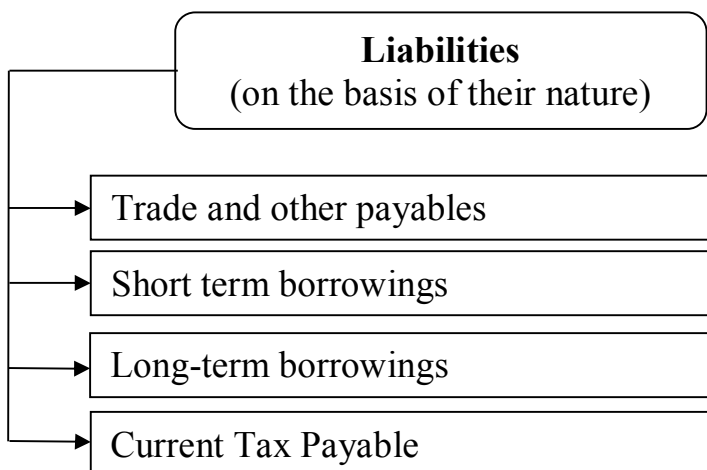
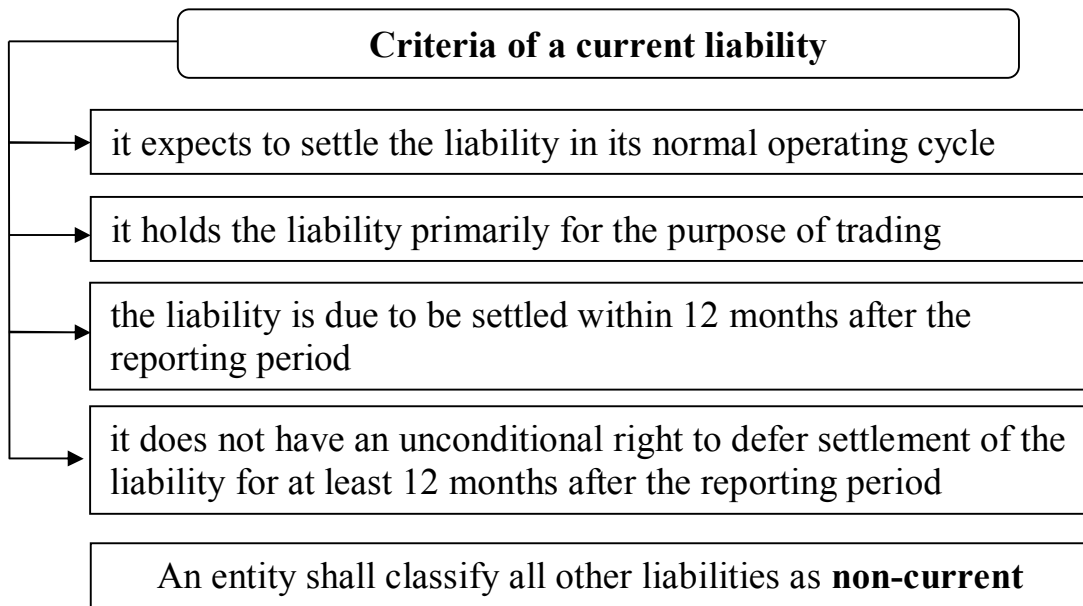
+

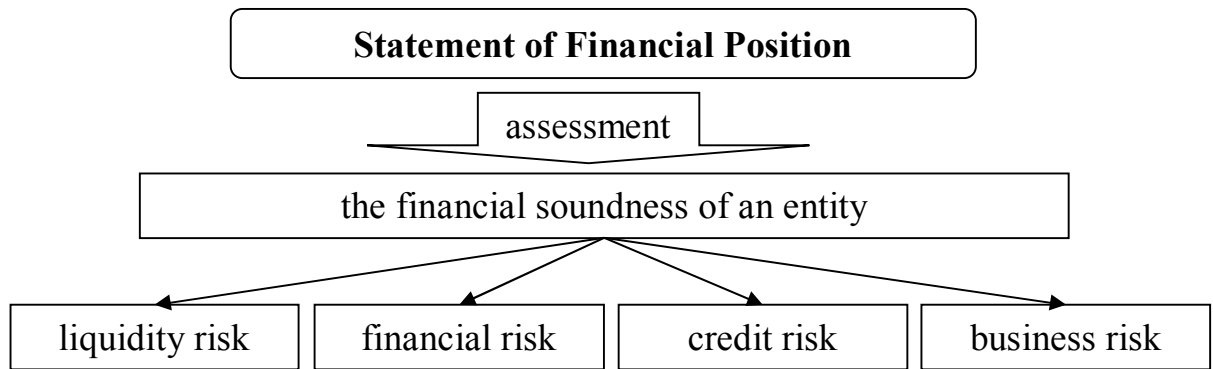
Owners' equity



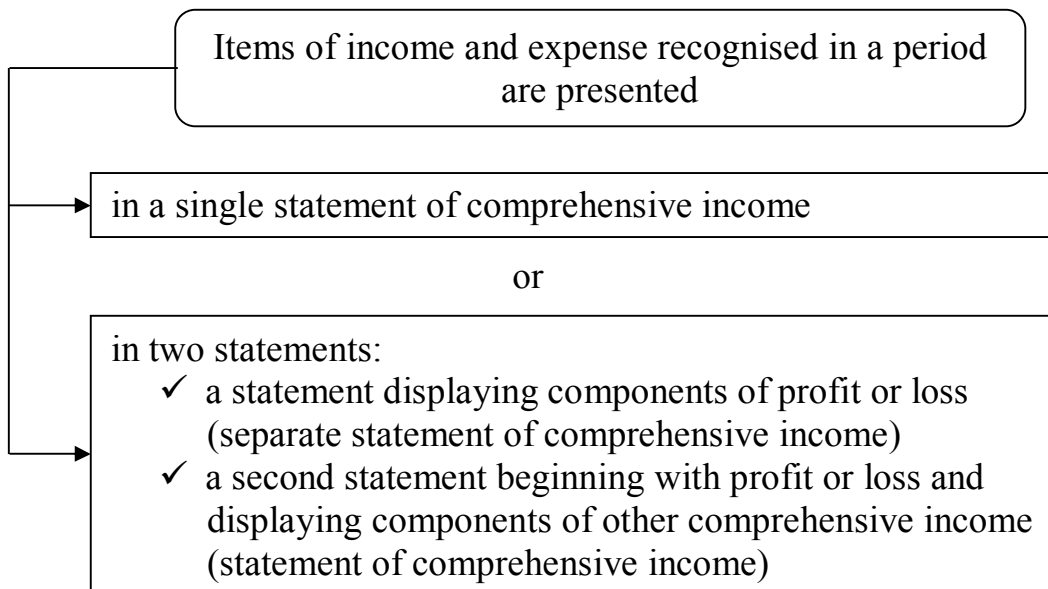


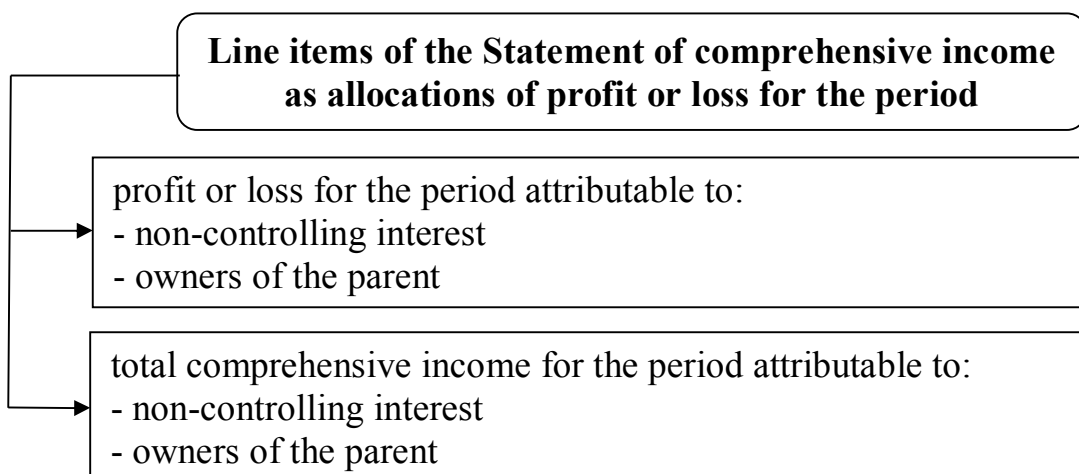
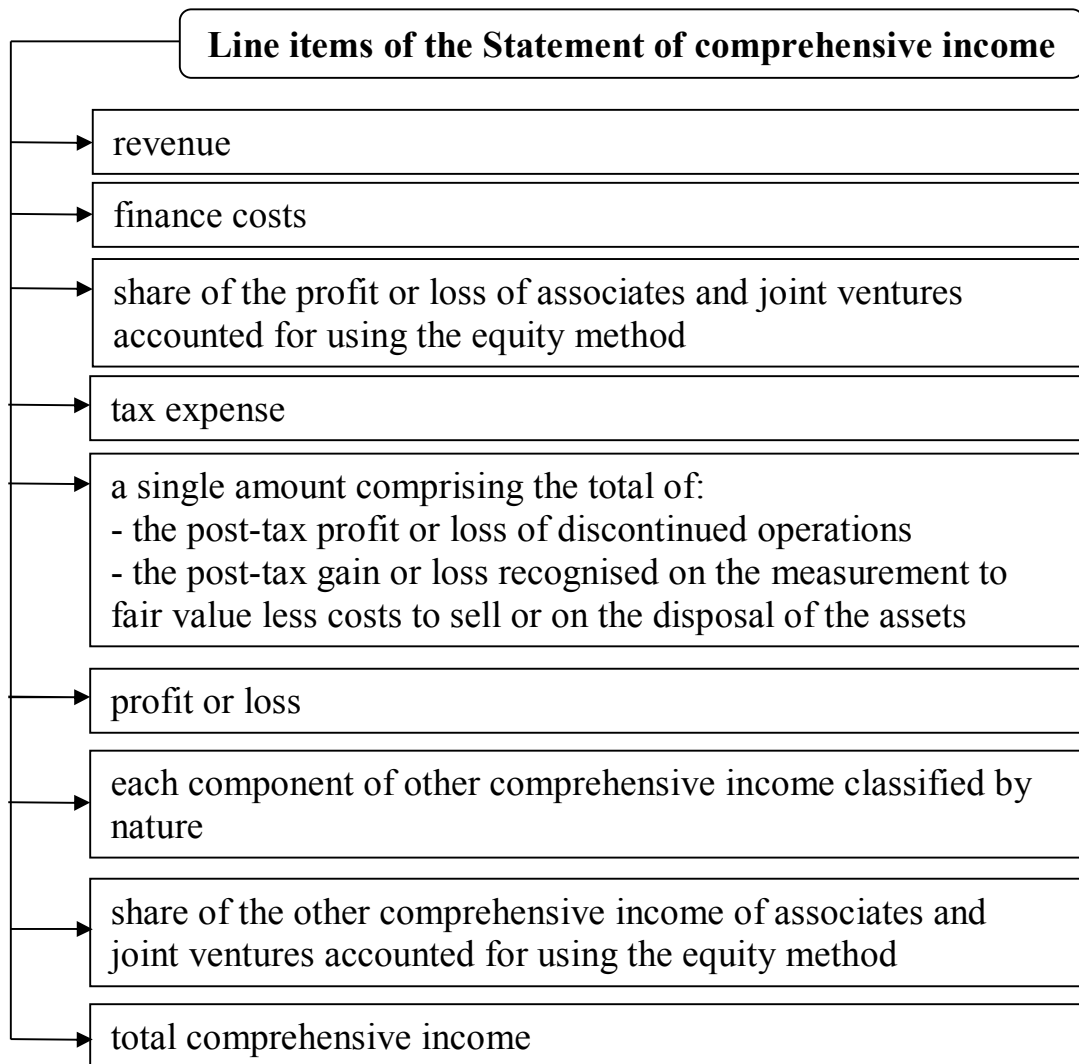


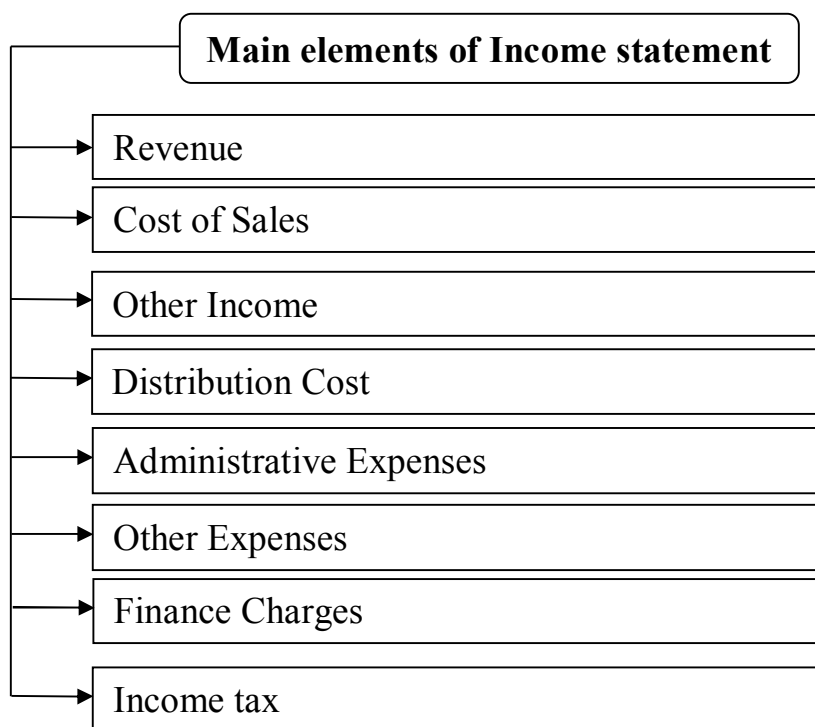
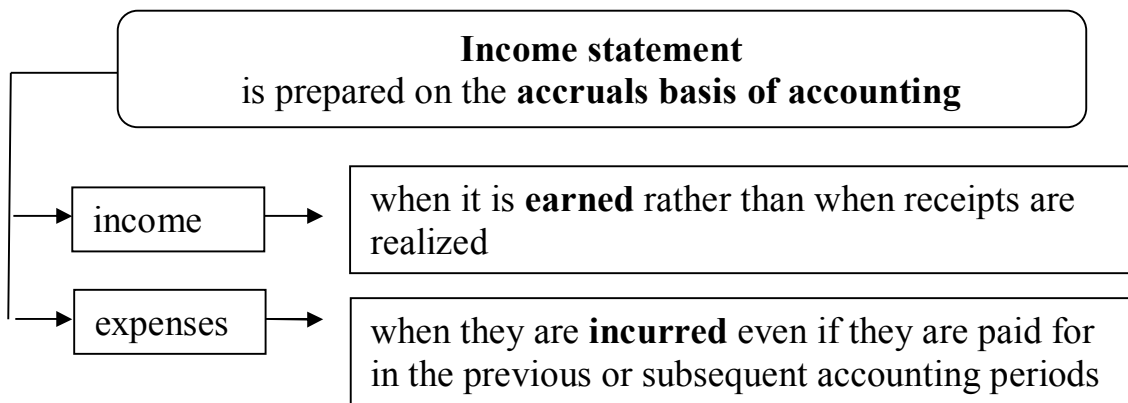


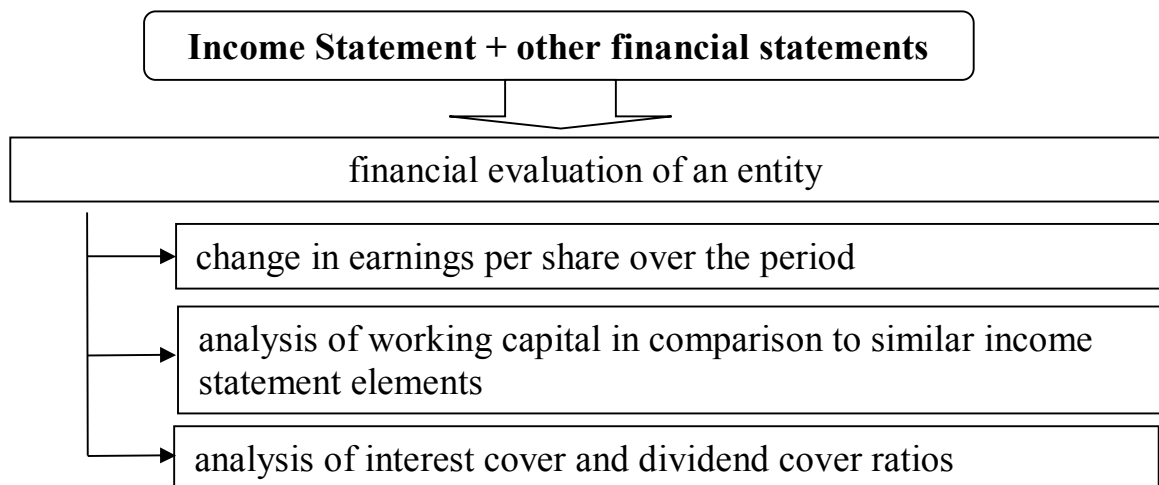
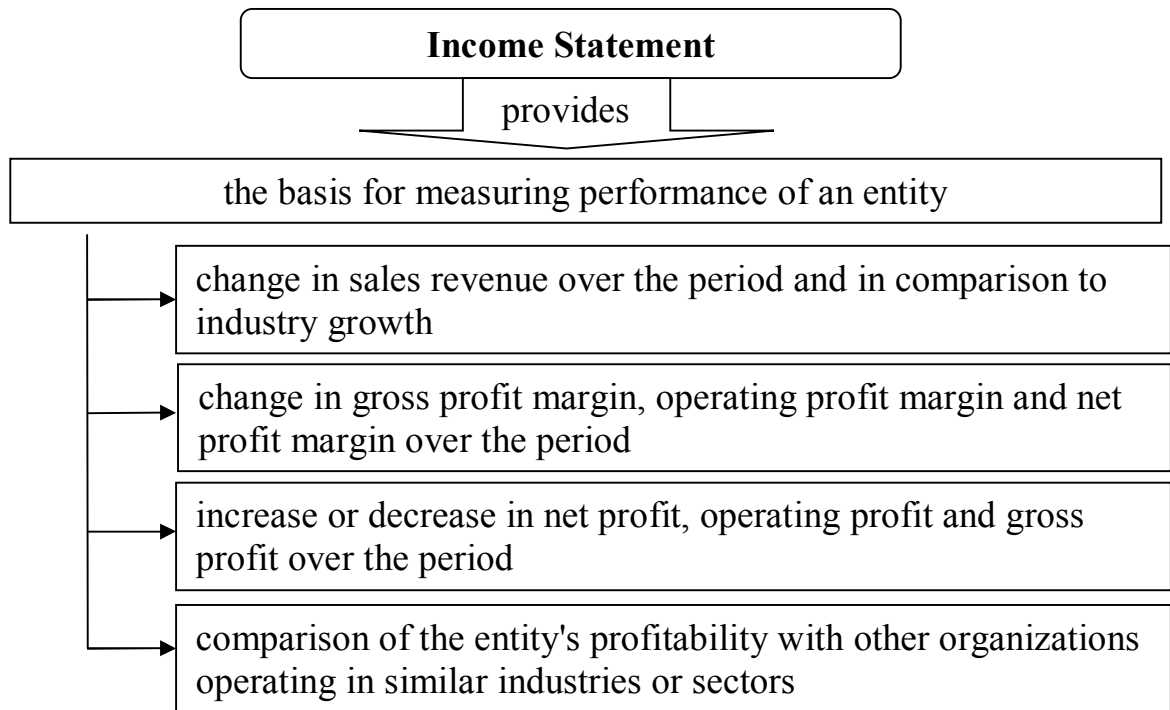


### 14.3. Statement of Comprehensive Income

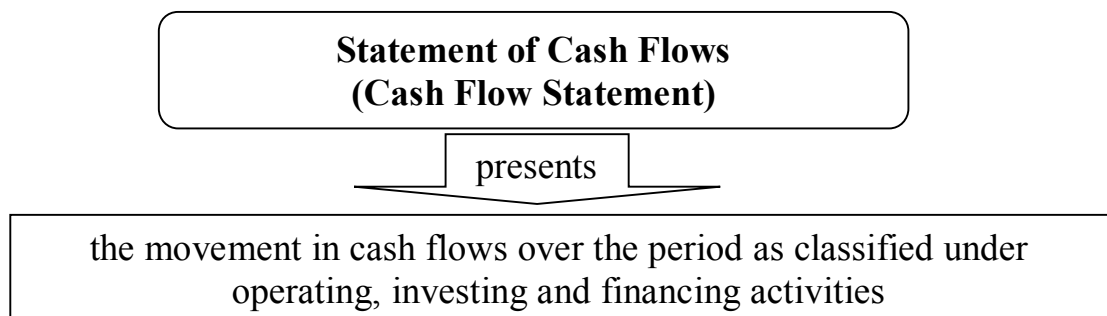








#### 14.4. Statement of Cash Flows



### Cash flow from operating activities

presents

the movement in cash during an accounting period from the **primary revenue generating** activities of the entity

#### Adjustments of the profit before tax

elimination of non cash expenses

removal of expenses to be classified elsewhere in the cash flow statement

elimination of non cash income

removal of income to be presented elsewhere in the cash flow statement

working capital changes

### Cash flow from investing activities

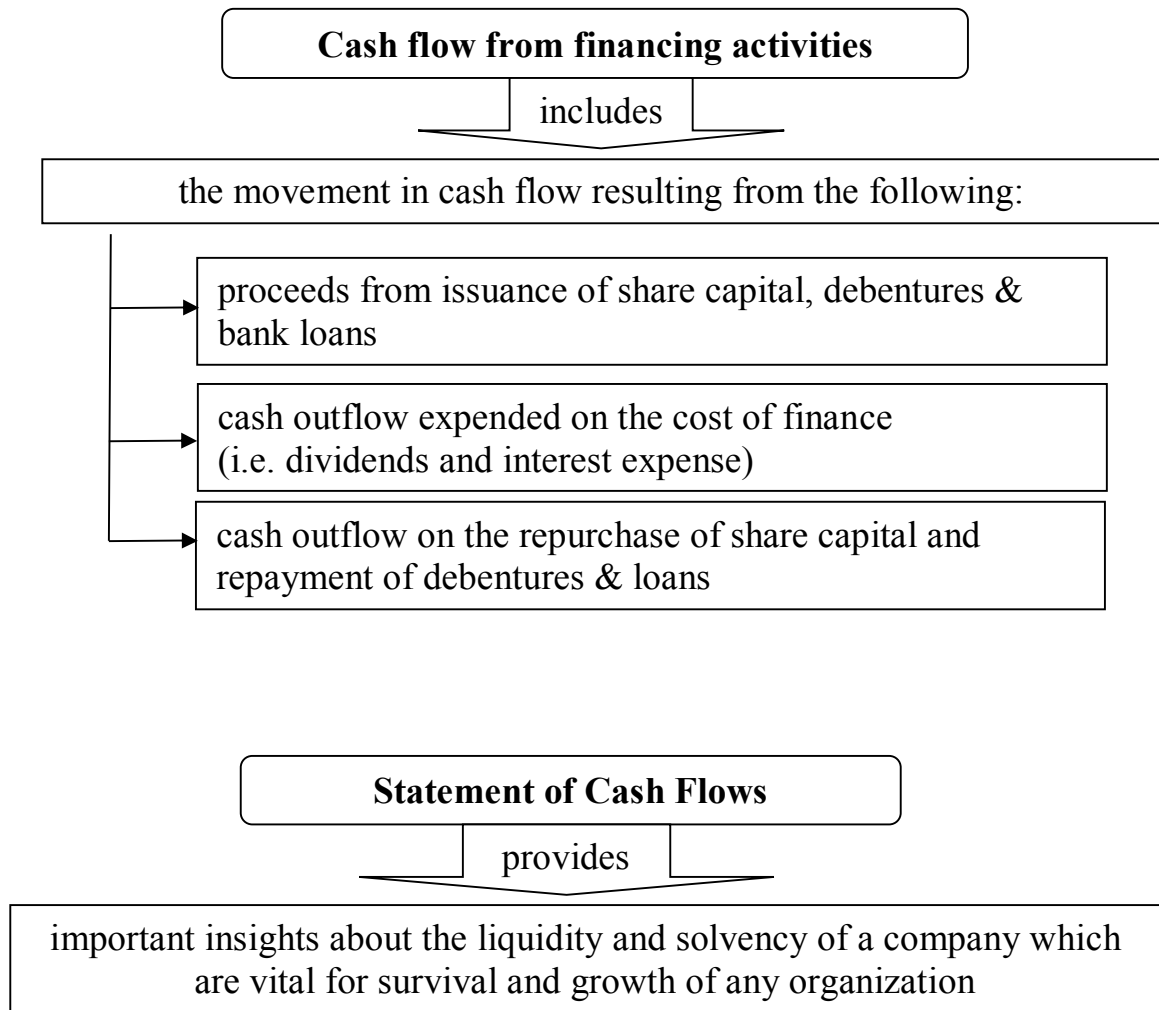
includes

the movement in cash flow as a result of the purchase and sale of assets other than those which the entity primarily trades in

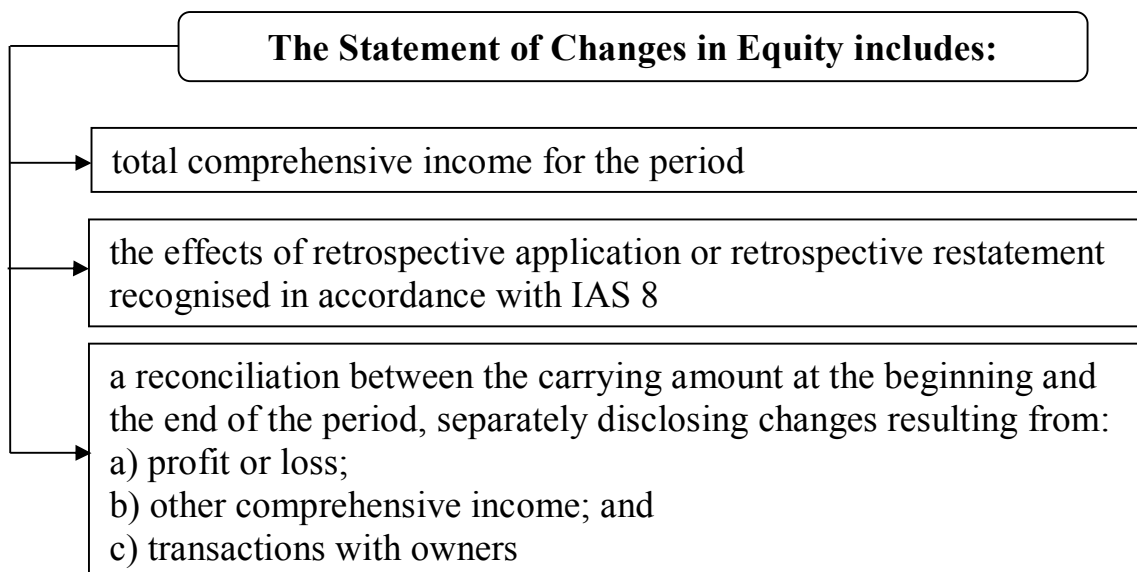
Cash outflow expended on the purchase of investments and fixed assets

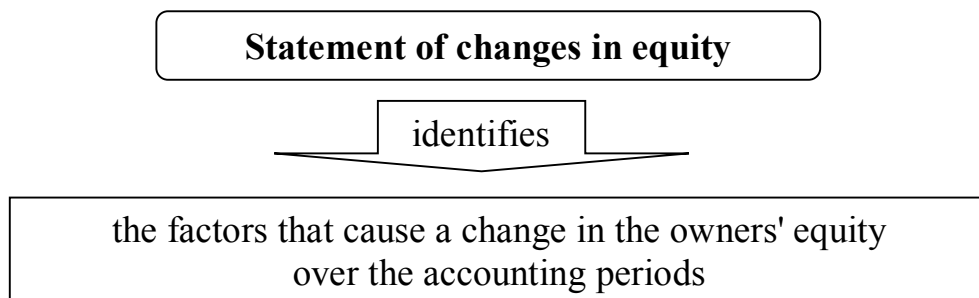
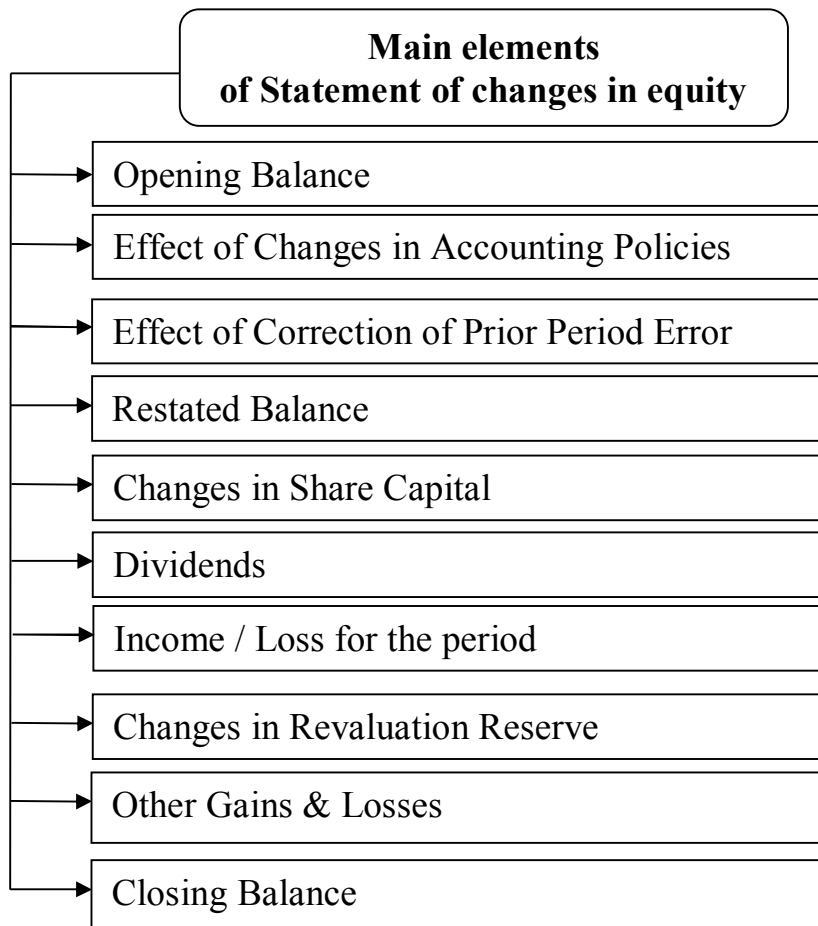
Cash inflow from income from investments

Cash inflow from disposal of investments and fixed assets



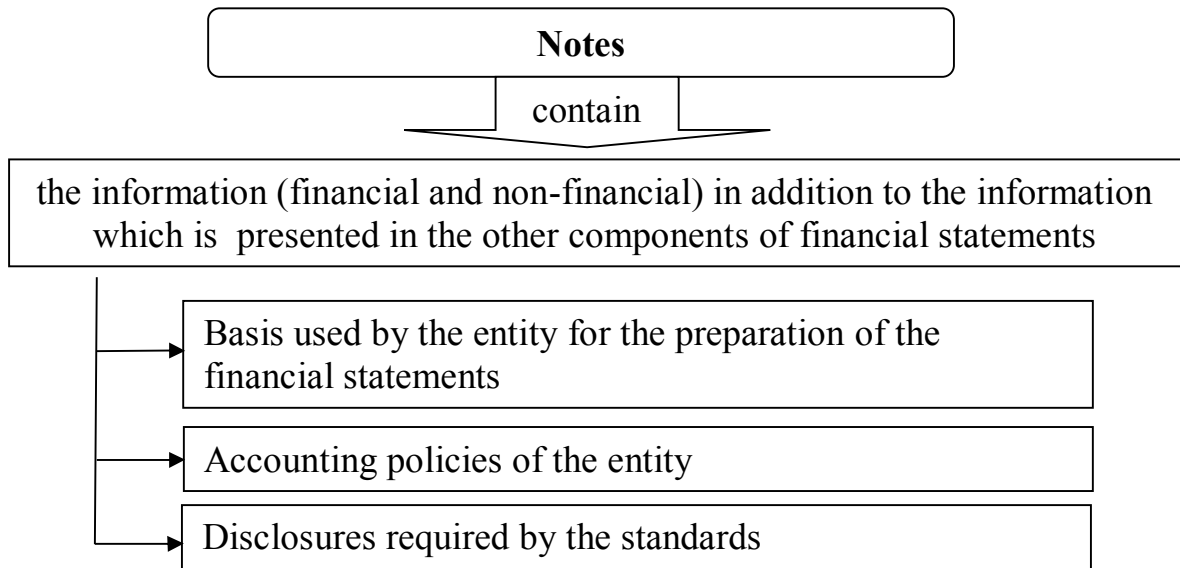
#### 14.5. Statement of Changes in Equity



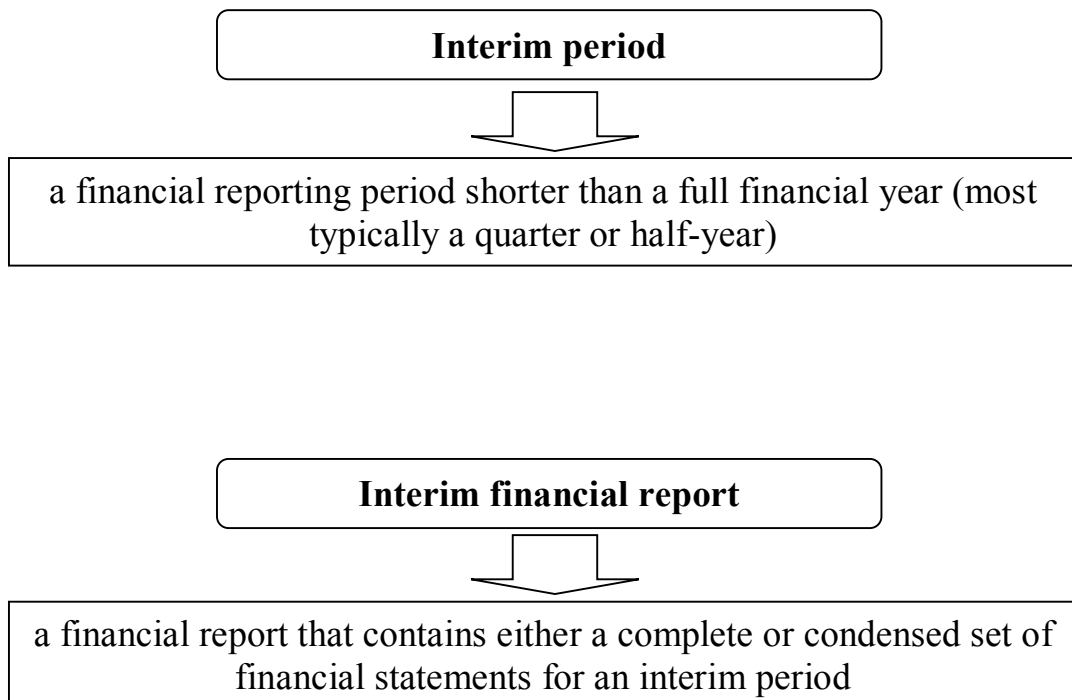


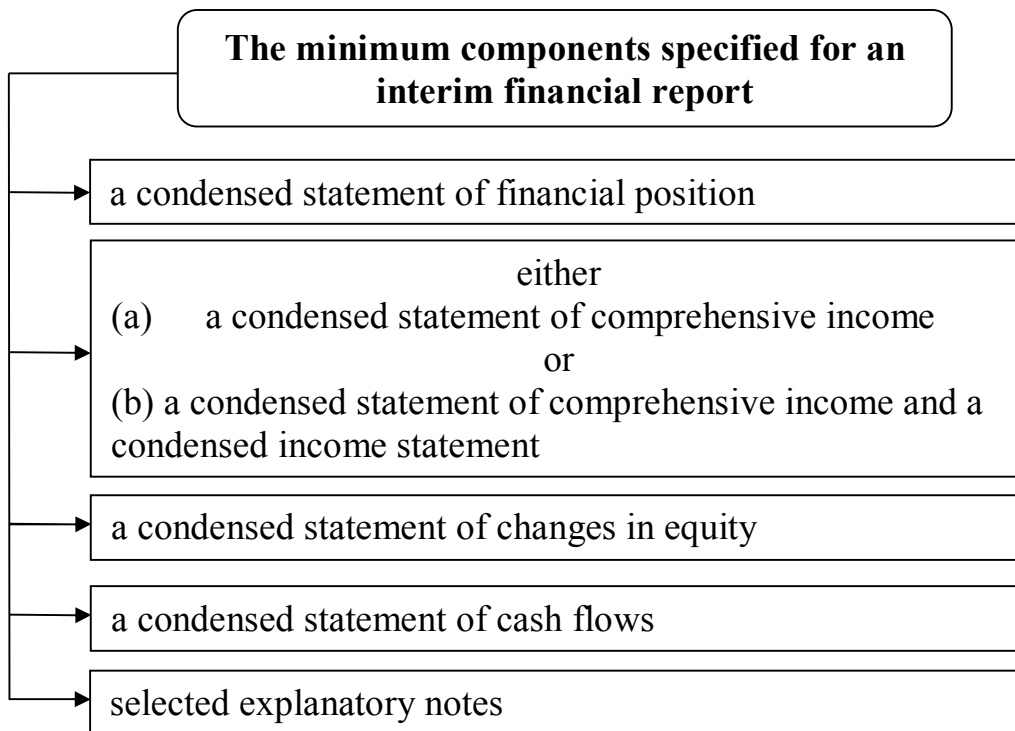


## 14.6. Notes



## 14.7 Interim Financial Reporting





## THEME 15. CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

15.1. Consolidated Financial Statements

15.2. Separate Financial Statements

**Key words:** consolidated financial statements, accounting requirements, investment entities, separate financial statements, subsidiaries, consolidation procedures

**Must-read:**

IFRS 3 Business Combinations

IFRS 10 Consolidated Financial Statements

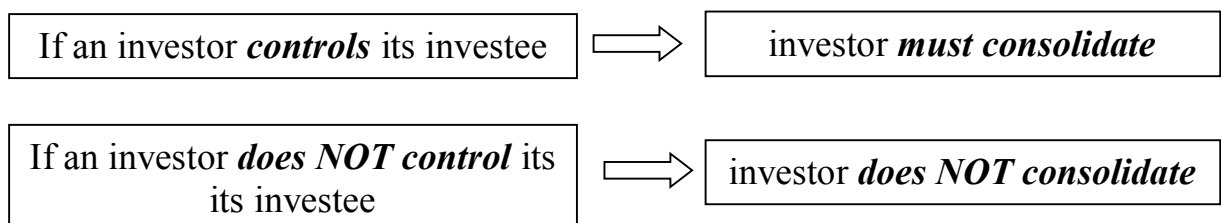
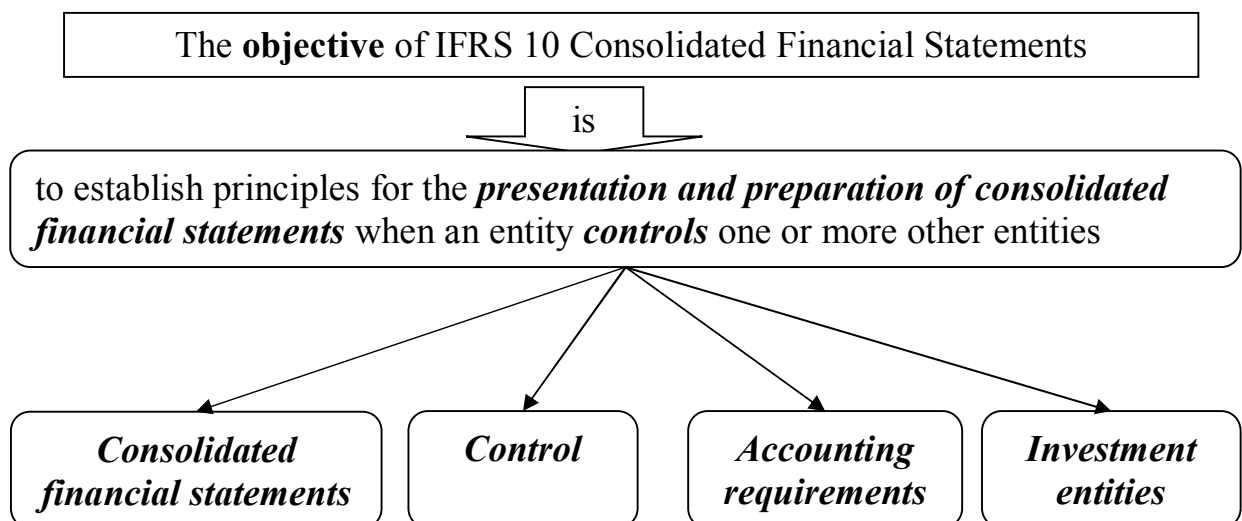
IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements (2011)

IAS 28 Investments in Associates and Joint Ventures (2011)

### 15.1. Consolidated Financial Statements



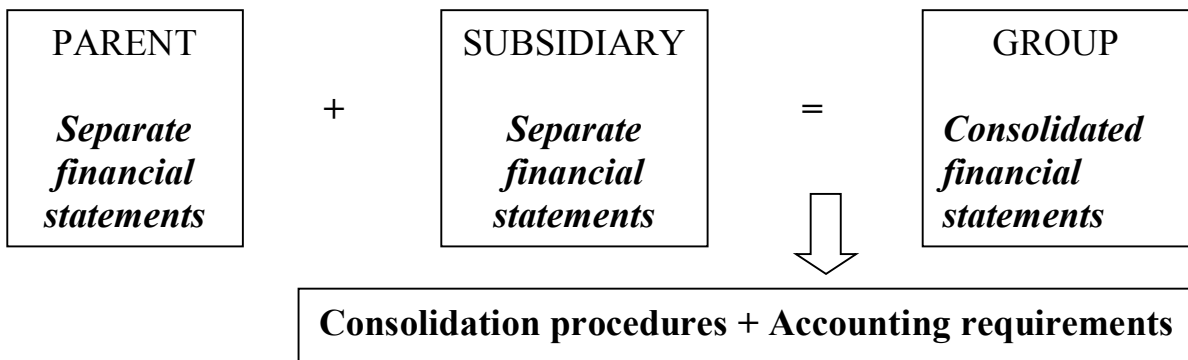
An investor **controls** an investee when the investor:

- ✓ is exposed to, or has right to **variable returns** from its involvement with the investee (= subsidiary)
- ✓ has the **ability to affect** those returns
- ✓ through its **power** over the investee

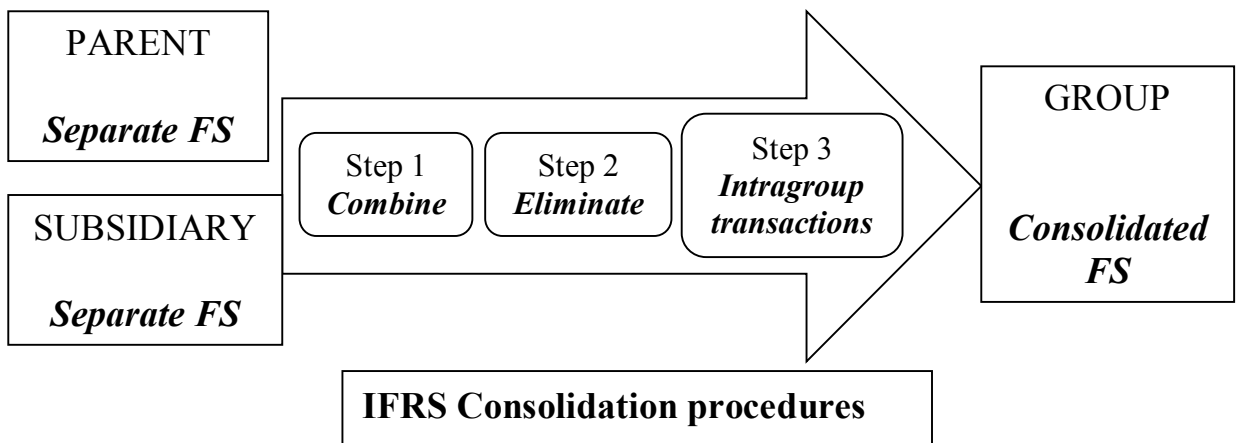
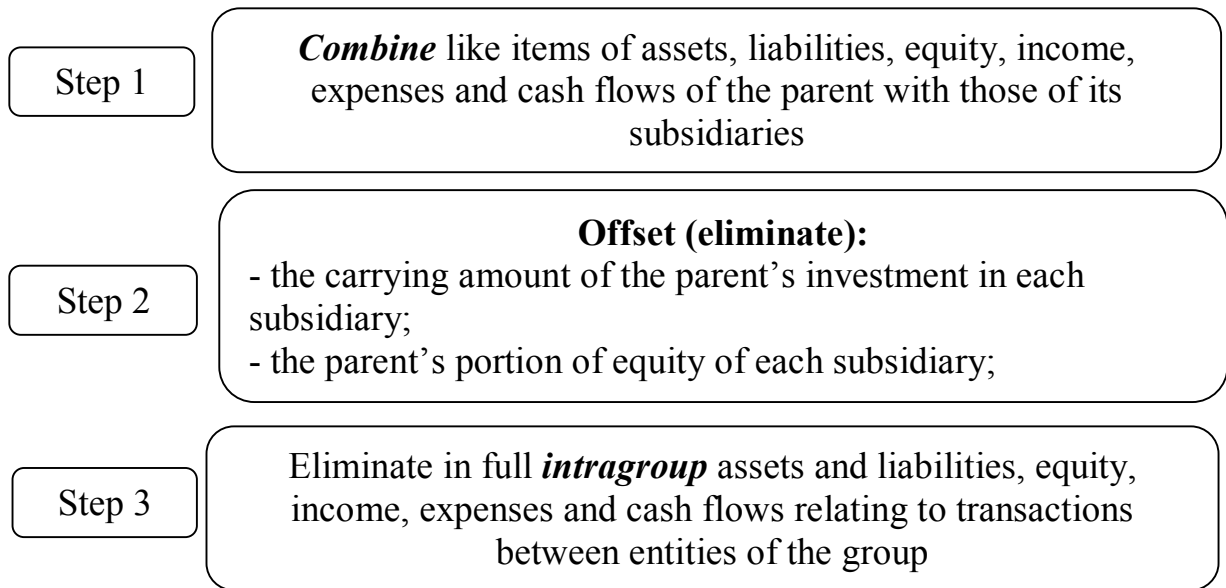
**Power** is the existing rights that give the current ability to affect the relevant activities of investee.

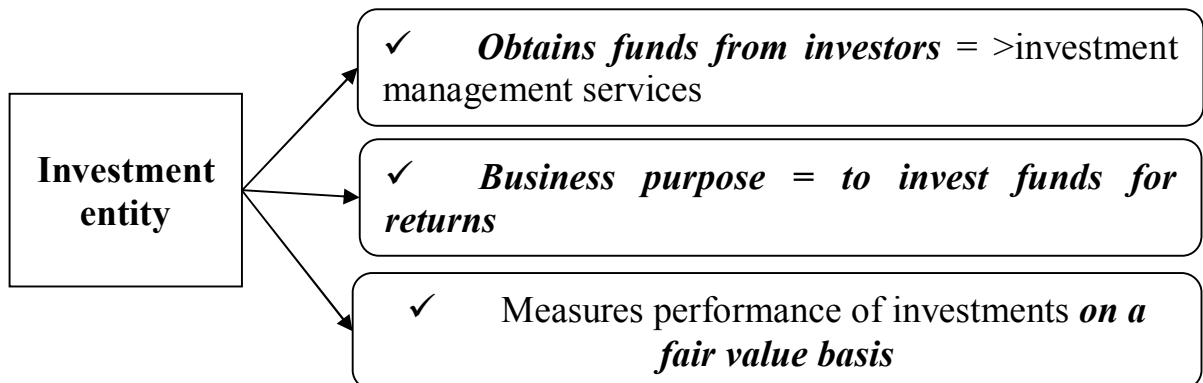
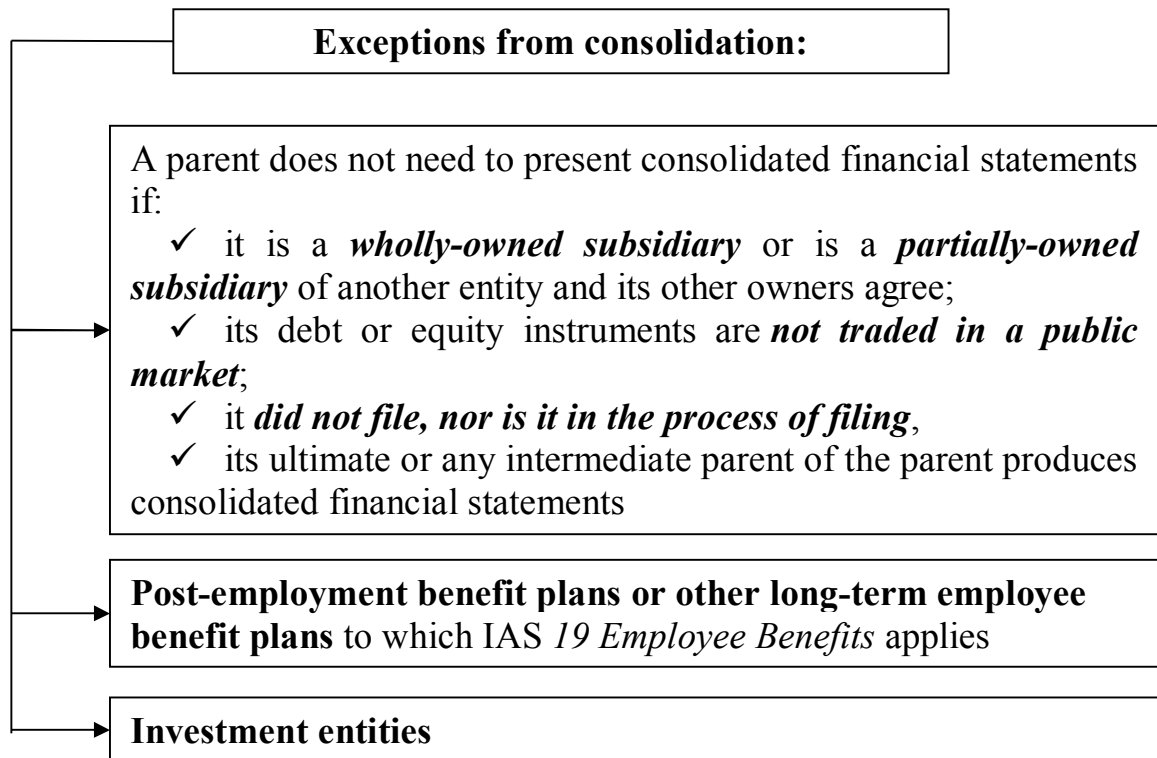
**Consolidated  
financial statements**

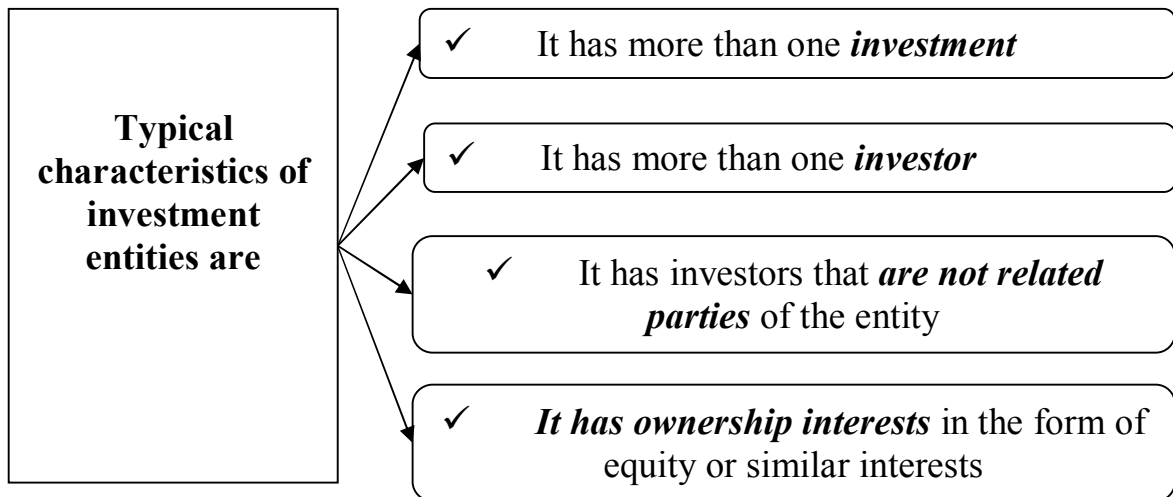
= the financial statements of a group presented as those of a single economic entity



**Consolidation procedures:**







## 15.2. Separate Financial Statements

### Consolidated financial statements

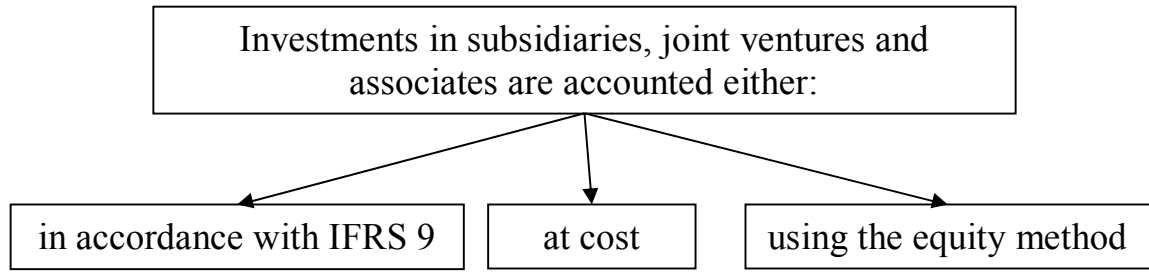
are

the financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity

### Separate financial statements

are

those presented by an entity in which the entity could elect, subject to the requirements in this Standard, to account for its investments in subsidiaries, joint ventures and associates either at cost or using the equity method



The entity shall apply the same accounting for each category of investments



## THEME 16. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

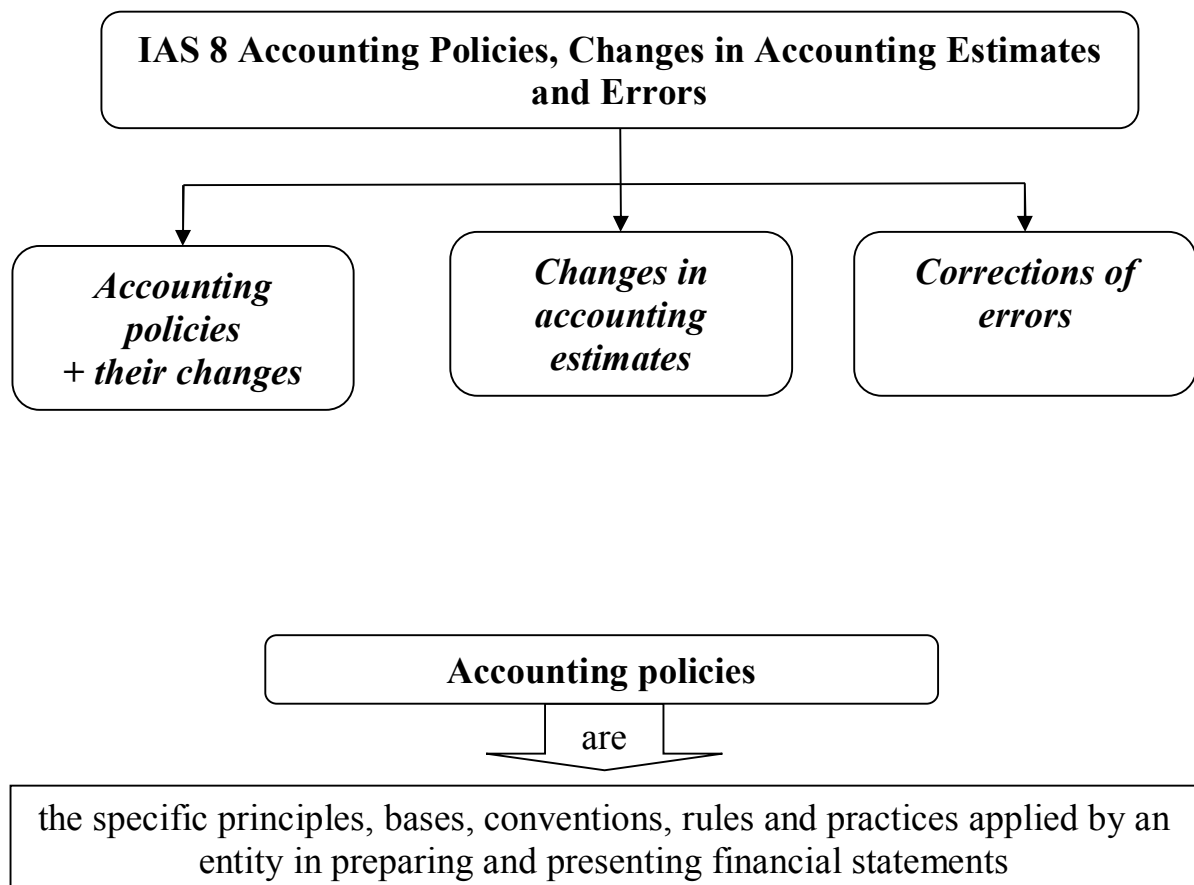
- 16.1. Accounting Policies
- 16.2. Accounting Estimates
- 16.3. Errors

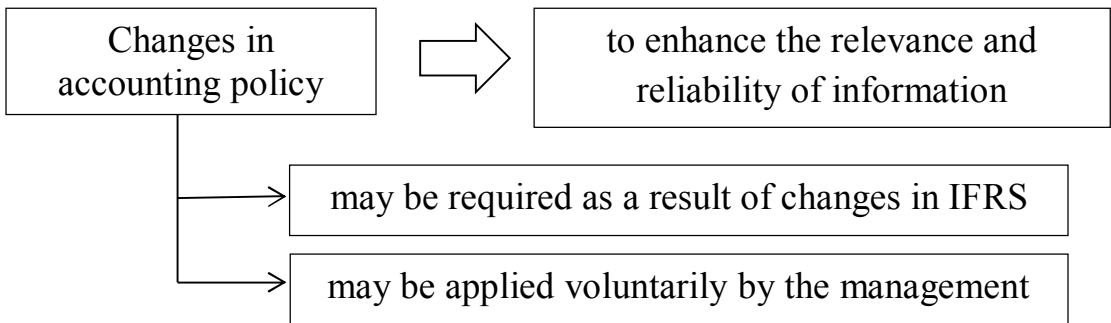
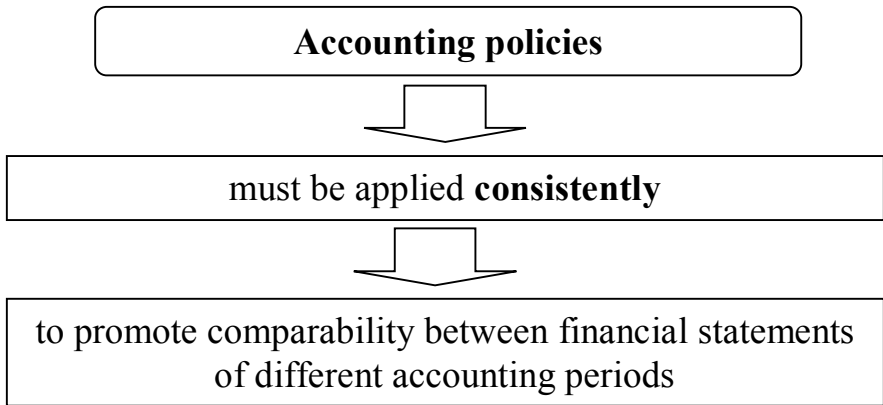
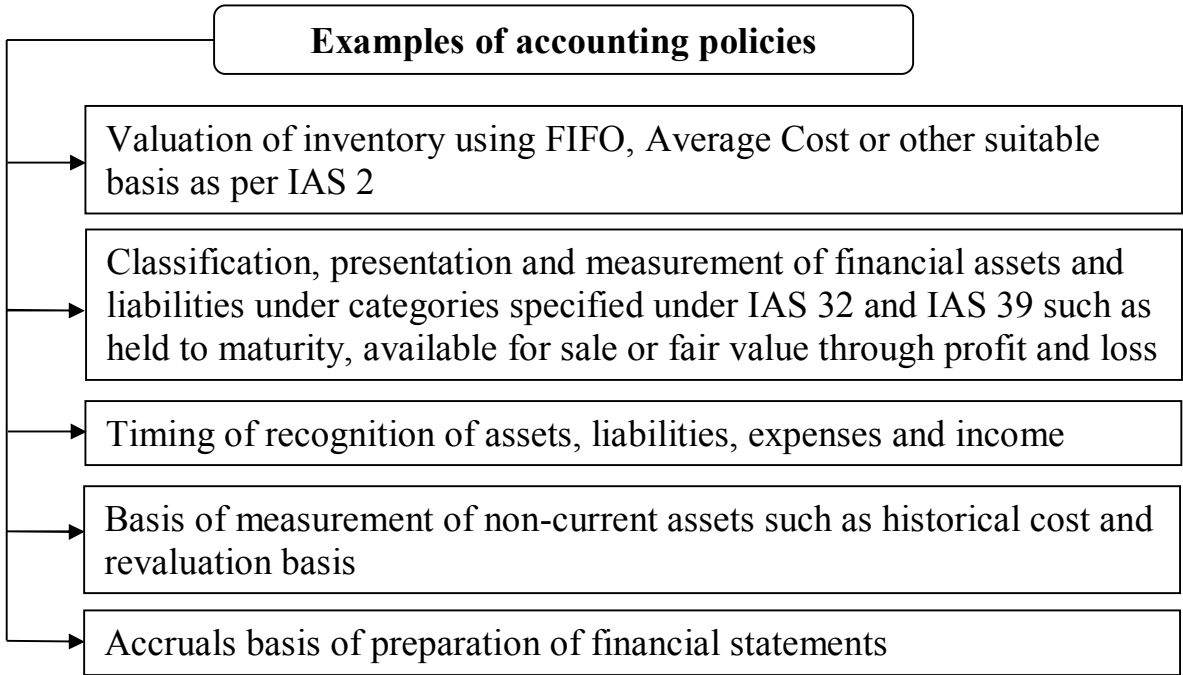
**Key words:** accounting policies, changes in accounting policies, accounting estimates, changes in accounting estimates, accounting errors

**Must-read:**

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

### 16.1. Accounting Policies





**Changes in accounting policies**

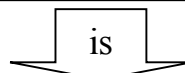


must be applied **retrospectively** in the financial statements



entity shall adjust all comparative amounts presented in the financial statements affected by the change in accounting policy for each prior period presented.

**RETROSPECTIVE APPLICATION**



applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied

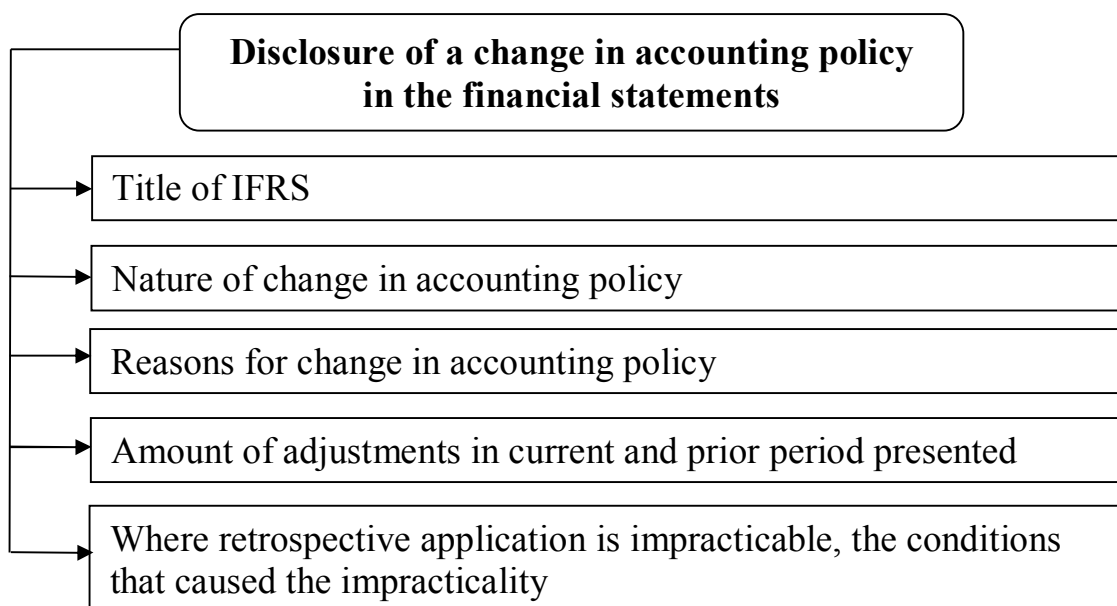
**Exemption from retrospective application of accounting policies**

A change is required by a new IFRS or a change to an existing IFRS / IAS and the transitional provisions of those standards **allow or require prospective application** of a new accounting policy

The application of a new accounting policy is in respect of transactions, events and circumstances that are **substantially different** from those that transpired in the past

**The effect** of retrospective application is **immaterial**

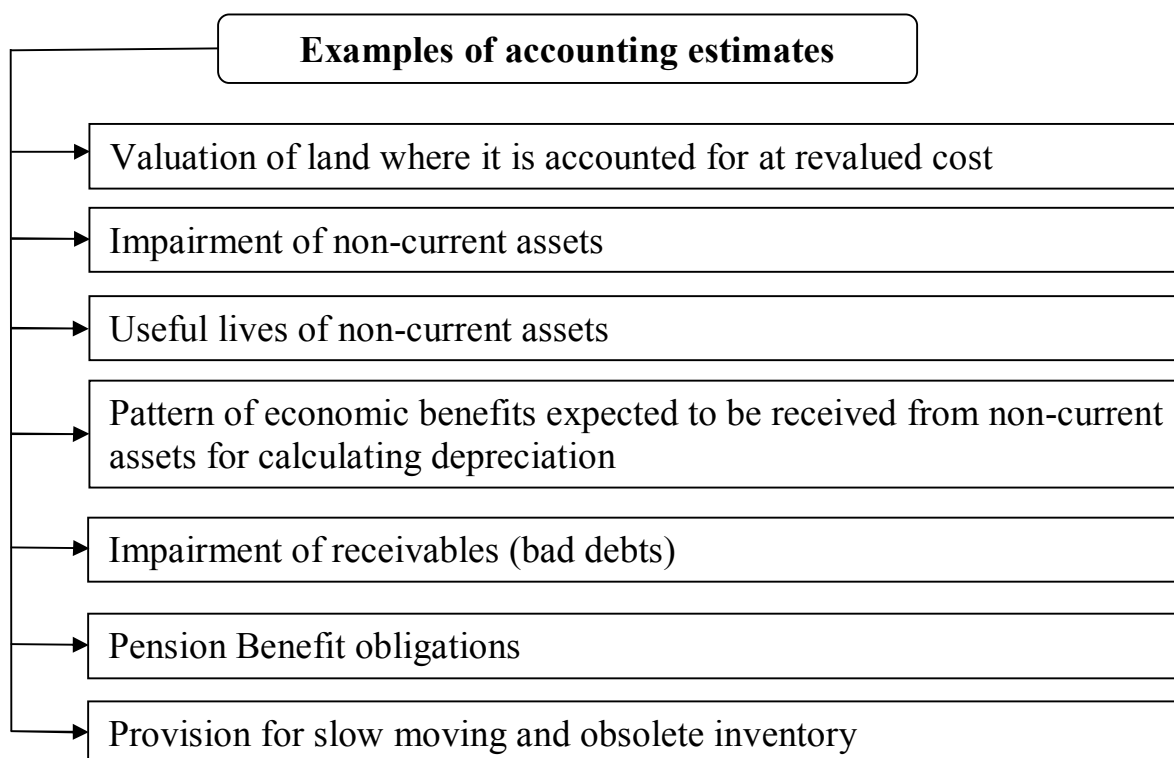
The retrospective application is **impracticable**



## 16.2. Accounting Estimates

### ACCOUNTING ESTIMATES

management's judgment of expected future benefits and obligations relating to assets and liabilities (and associated expense and income) based on information that best reflects the conditions and circumstances that exist at the reporting date



**Change in accounting estimate**

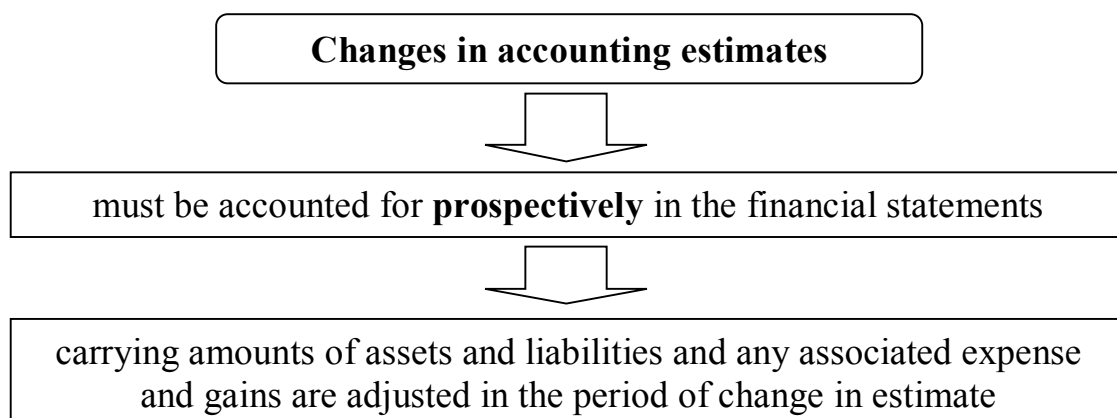
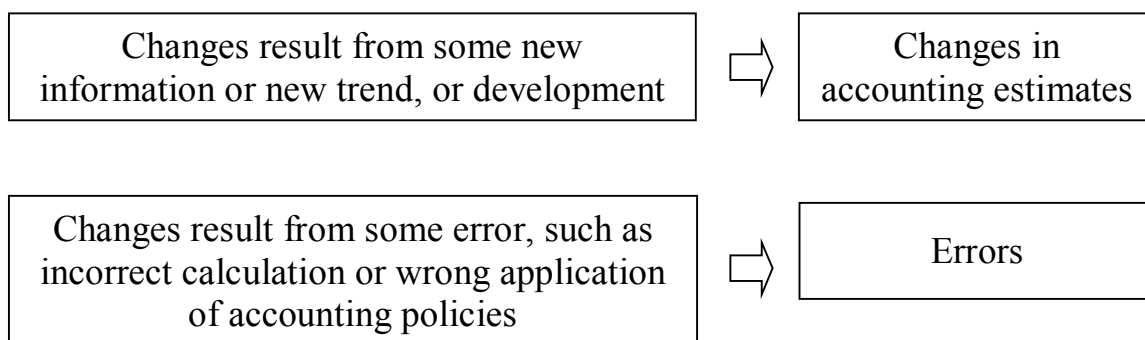
is

an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities

**Changes in accounting estimates**

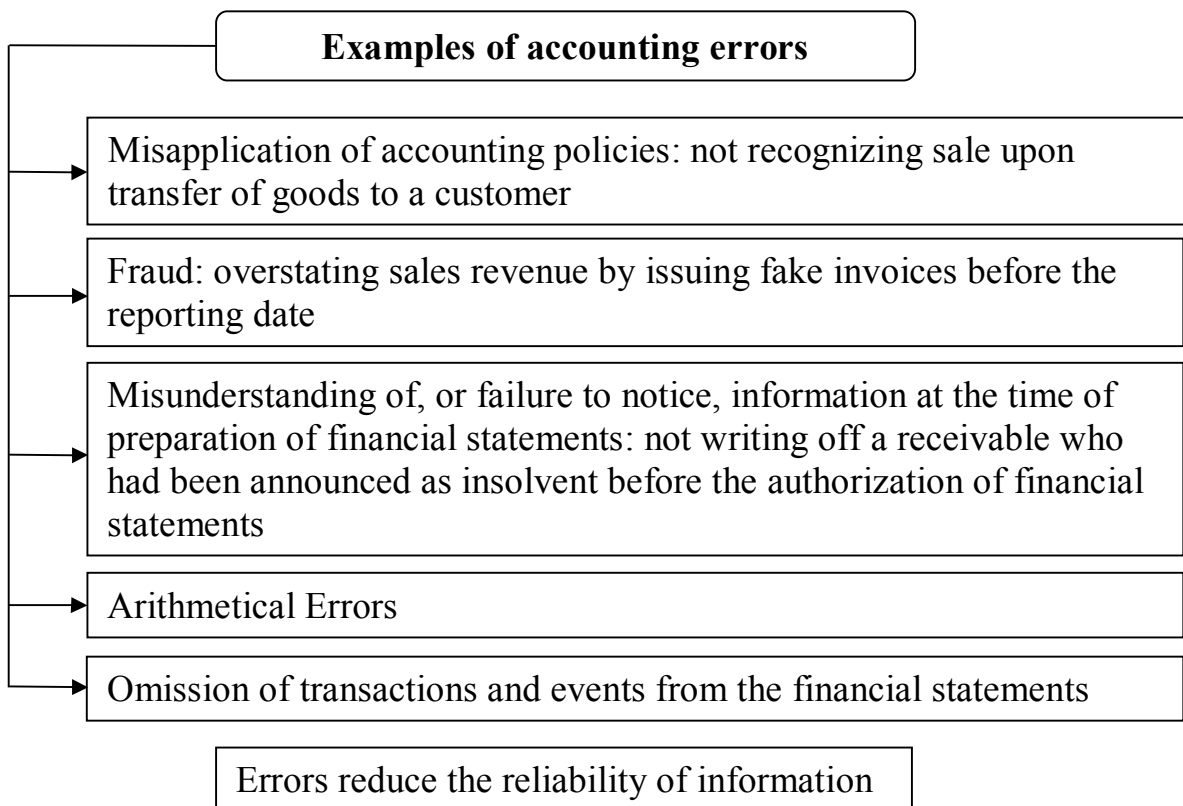
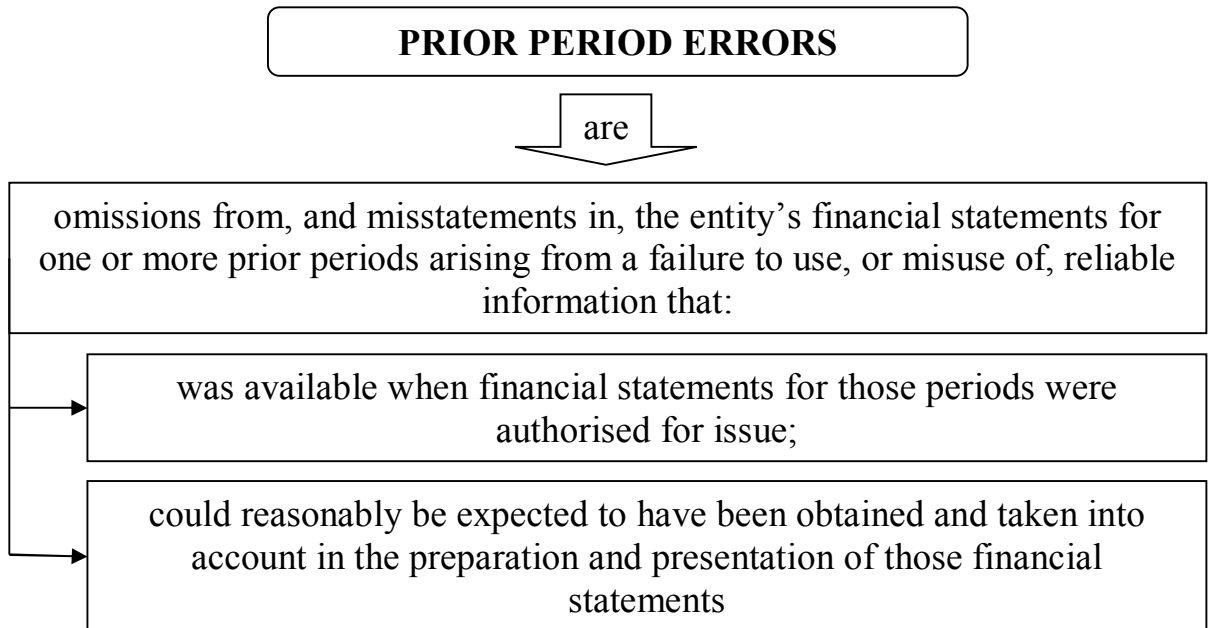
result from new information or new developments

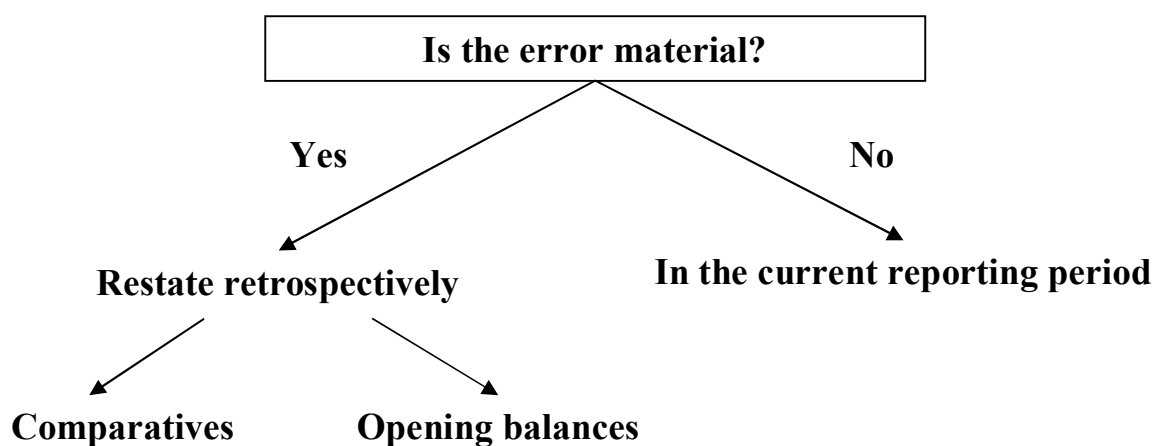
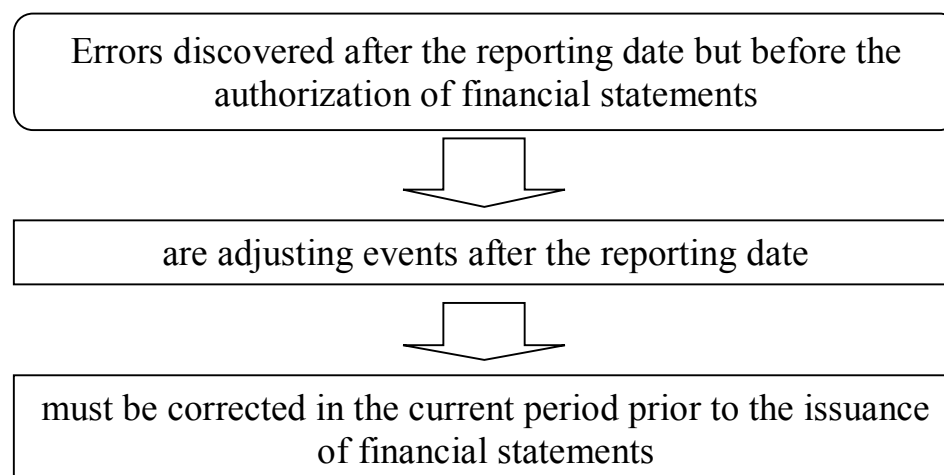
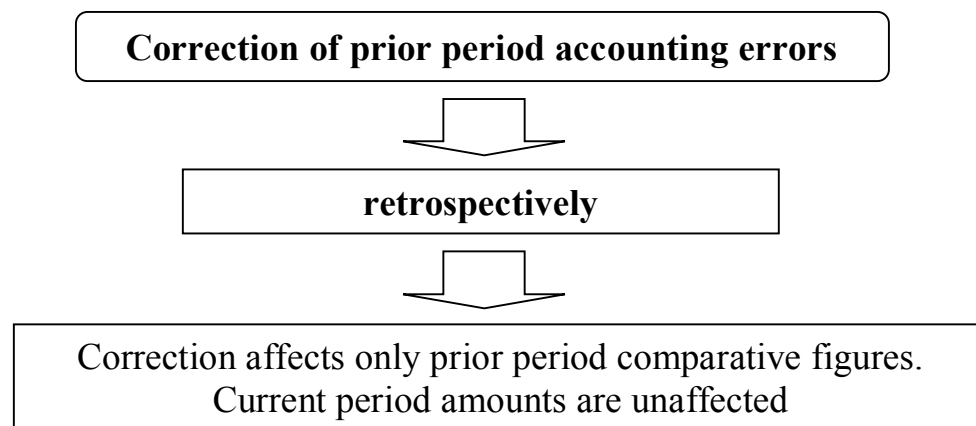
are not corrections of errors



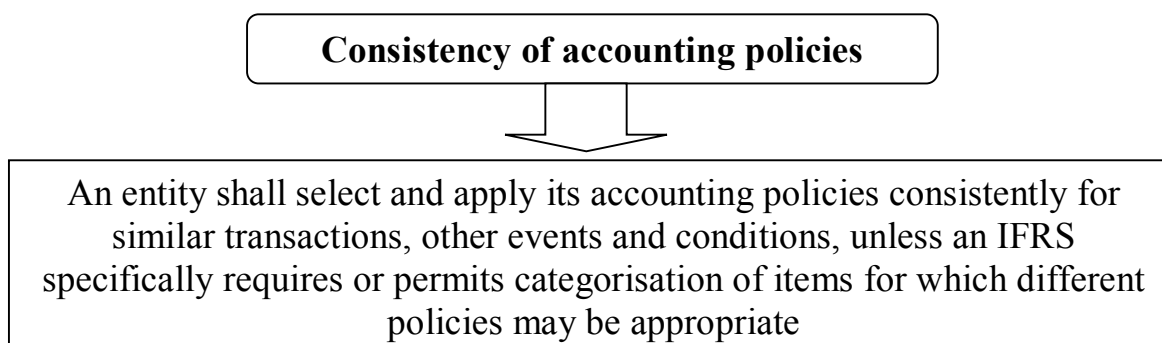
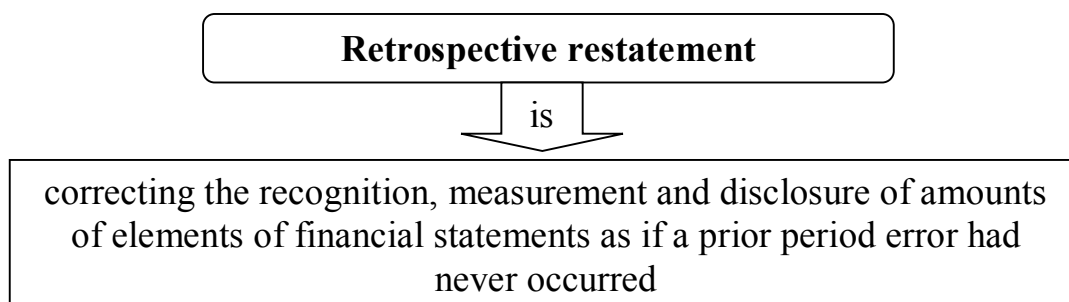
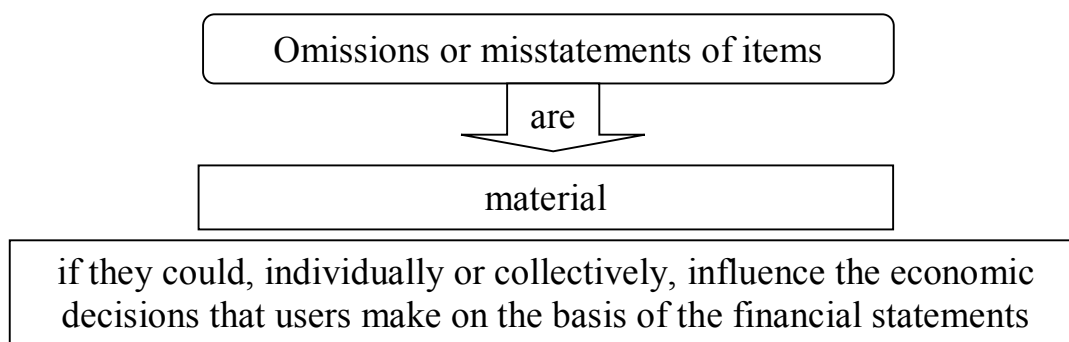
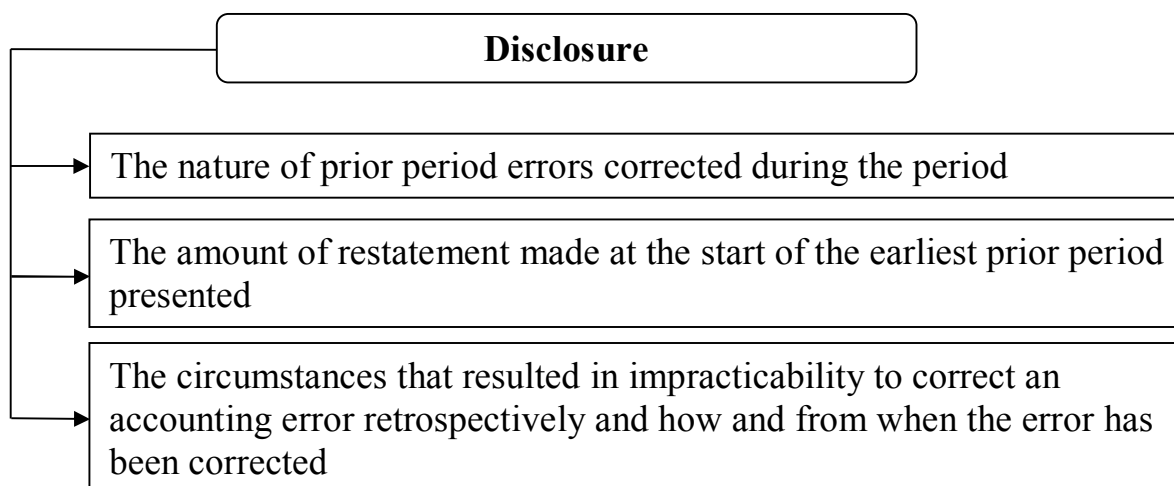
	<b>ACCOUNTING POLICIES</b>	VERSUS	<b>ACCOUNTING ESTIMATES</b>
<b>What is it?</b>	<i>Principles / measurement basis</i>		<i>Amounts / patterns</i>
<b>Examples</b>	Change from historical cost to fair value		Change of the provision amount based on fair value
<b>Accounting</b>	<b>Retrospectively</b>		<b>Prospectively</b>

### 16.3. Errors









**Events after reporting period**

are

those that occur between the end of the reporting period and when  
the financial statements are authorized for issue

## THEME 17. INTEGRATED REPORTING

- 17.1. Key concepts of integrated reporting
- 17.2. The process of planning and preparing the integrated report
- 17.3. Content of integrated report
- 17.4. Benefits of integrated reports

**Key words:** business model, integrated report, integrated reporting, integrated thinking, six capitals, stakeholders, value creation

**Must-read:**

The International Integrated Reporting Framework

### 17.1. Key concepts of integrated reporting

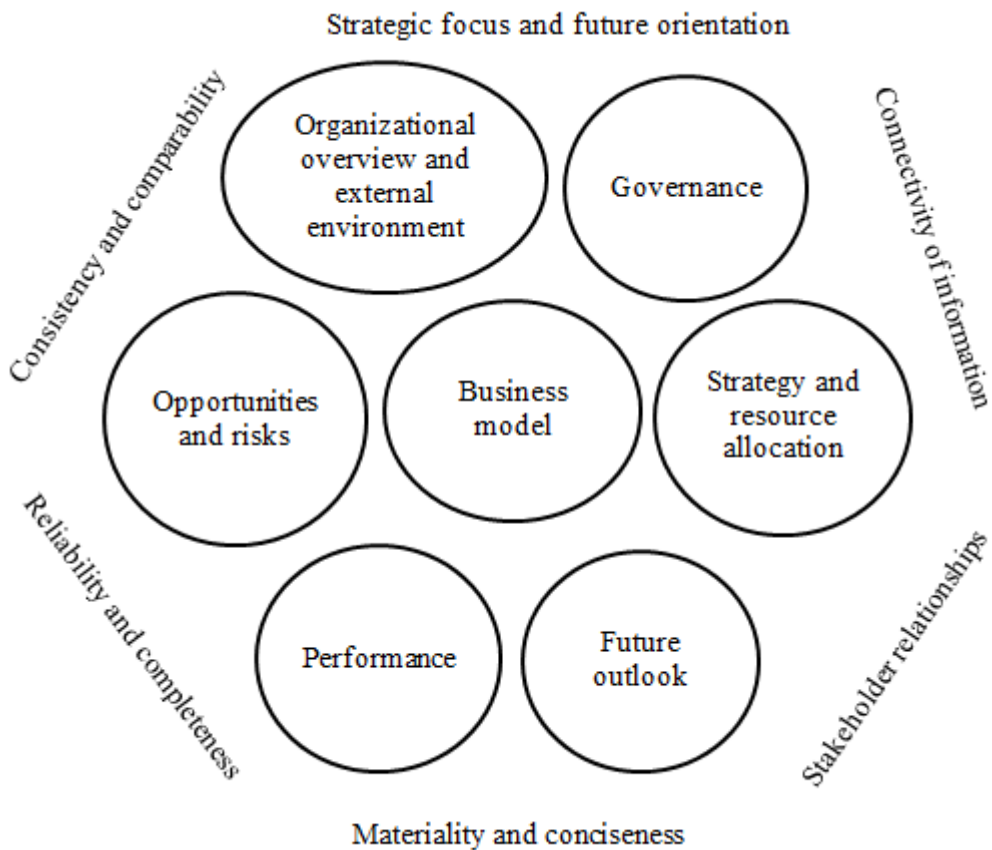
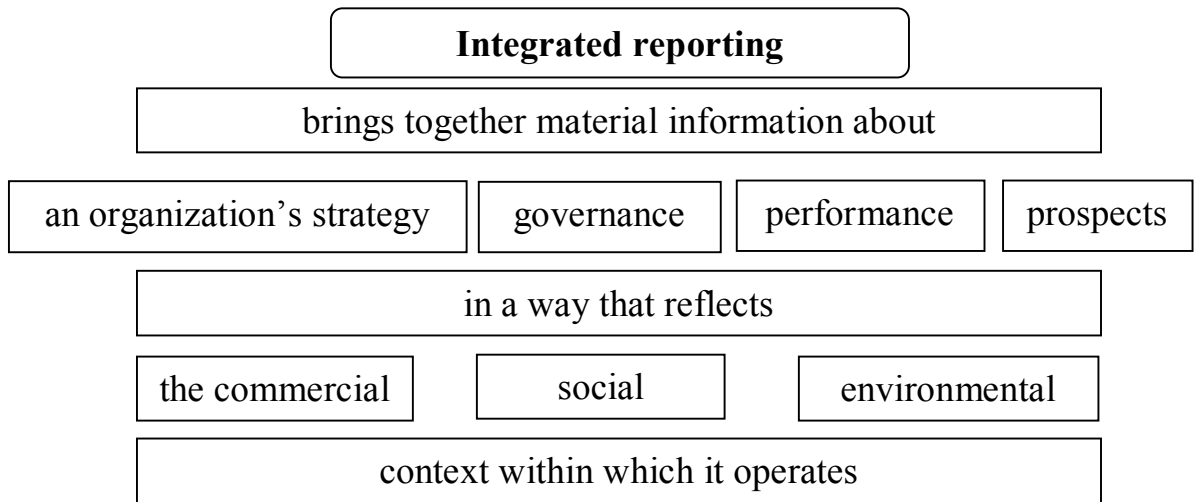
#### Differences between current and Integrated Reporting

Feature	Current Reporting	Integrated Reporting
Trust	Narrow disclosures	Greater transparency
Stewardship	Past, financial	Past and future; connected; strategic
Thinking	Isolated	Integrated
Focus	Past, financial	Past and future; connected; strategic
Time frame	Short term	Short, medium and long term
Adaptive	Rule bound	Responsive to individual circumstances
Concise	Long and complex	Concise and material
Technology enabled	Paper based	Technology enabled

### INTEGRATED REPORTING



a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation



**The Guiding Principles and Content Elements from the IIRC**

## SIX CAPITALS OF INTEGRATED REPORTING

**Financial capital**  
(financing obtained from equity, debt or operations)

**Manufactured capital**  
(buildings, equipment and infrastructure)

**Intellectual capital**  
(intellectual property, systems, knowledge and protocols)

**Human capital**  
(people's competencies, capabilities and experience, their motivations to innovate)

**Social and relationship capital**  
(relationships with communities, stakeholders, shared norms and common values and behaviors)

**Natural capital**  
(all renewable and non-renewable environmental resources such as clean air, water, land, minerals and forests)

### VALUE CREATION

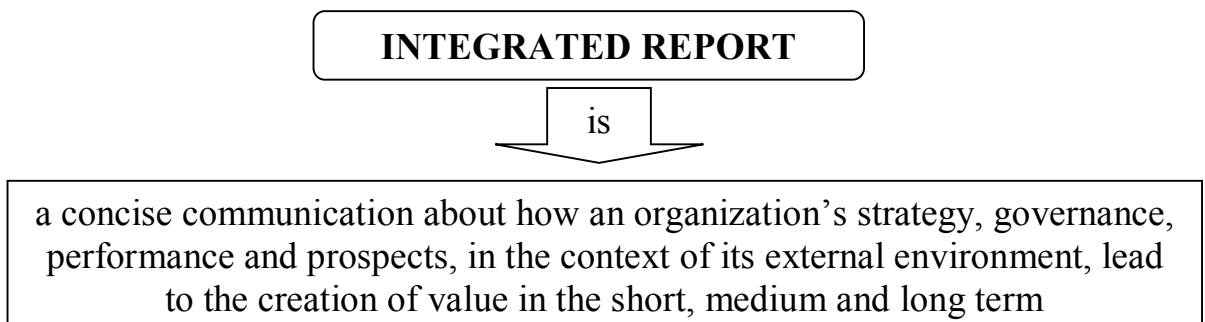
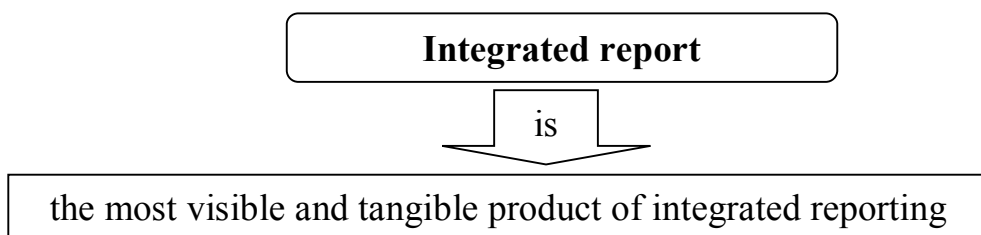
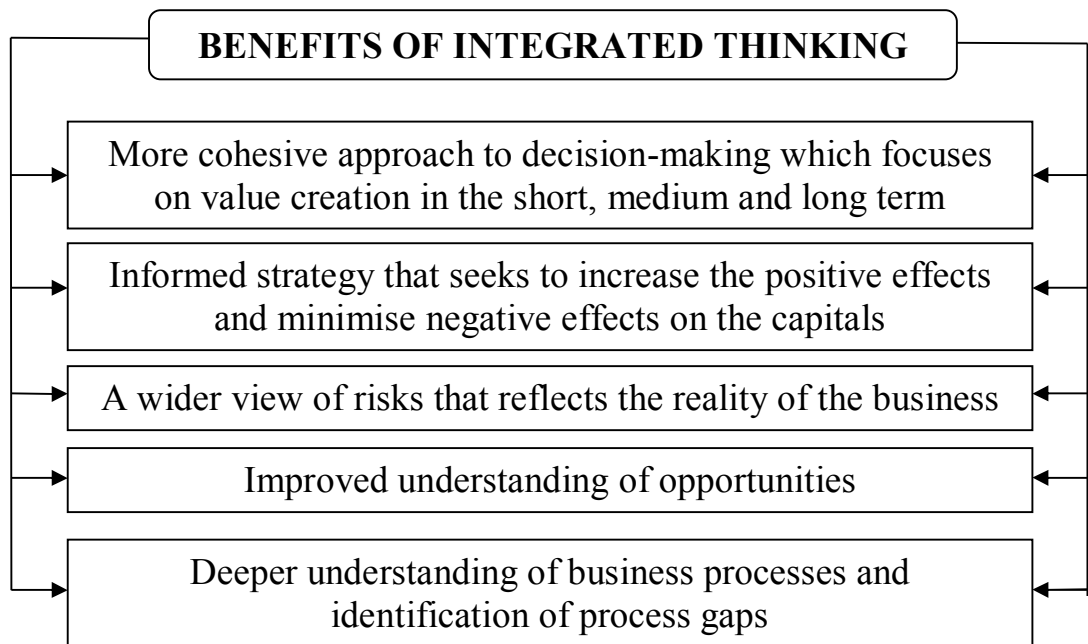
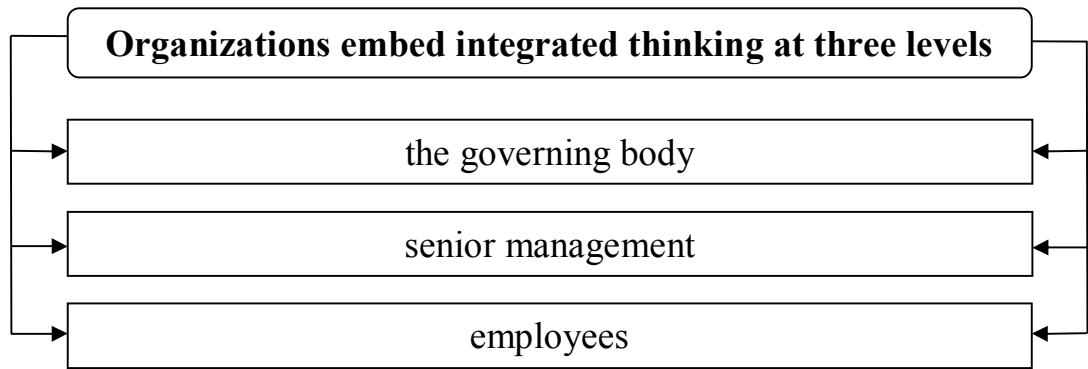
is

the process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs

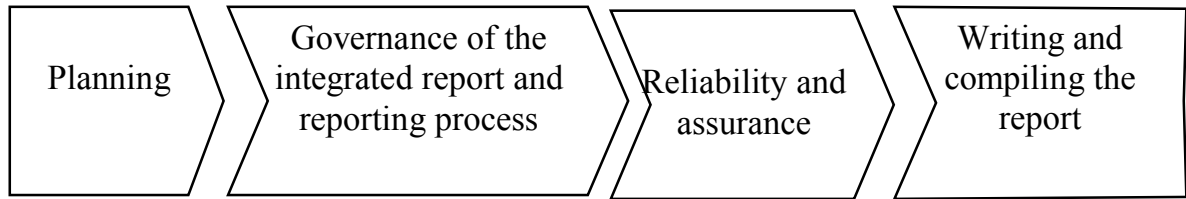
### INTEGRATED THINKING

is

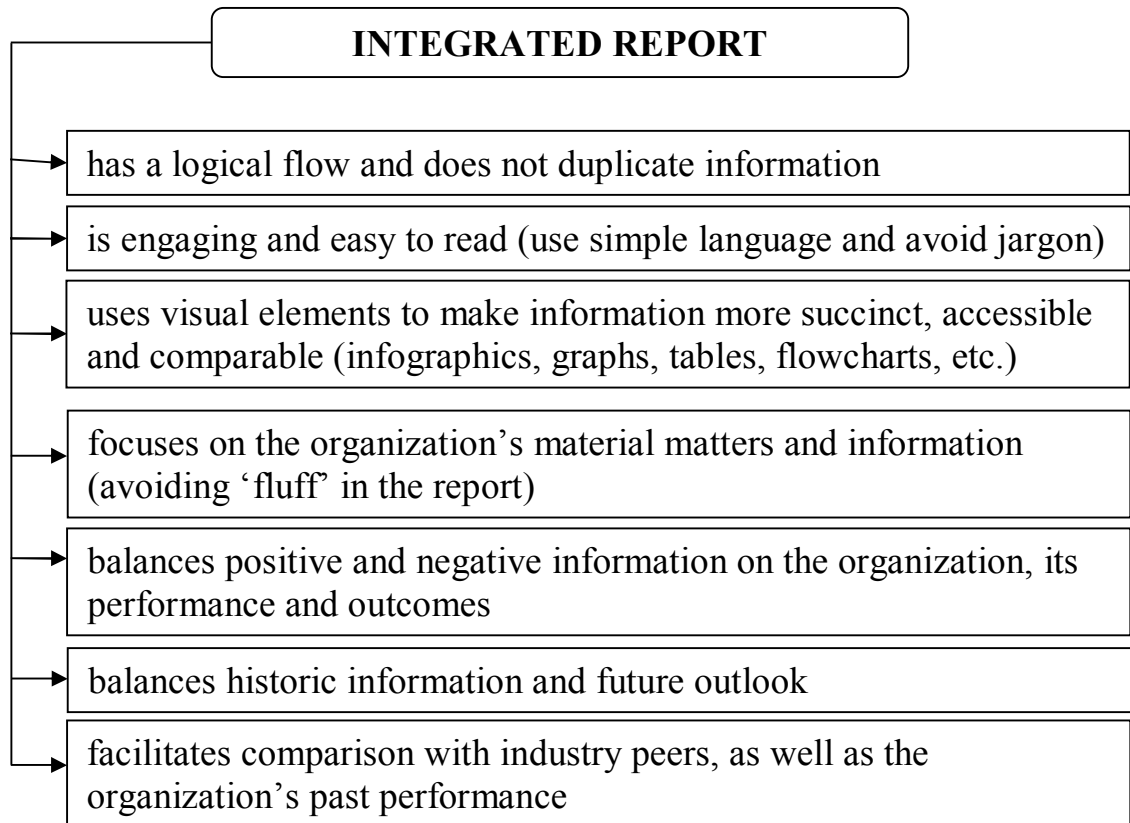
the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects



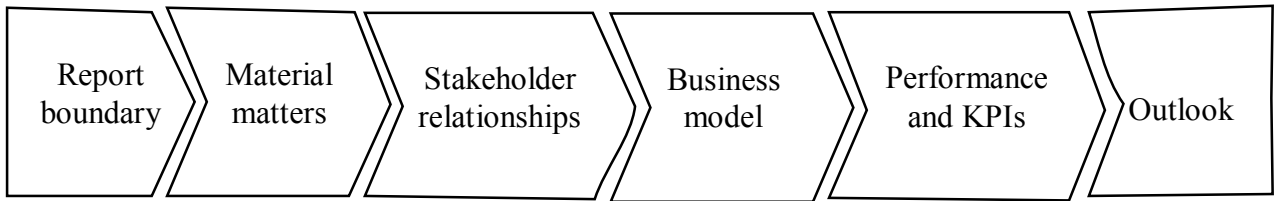
## 17.2. The process of planning and preparing the integrated report



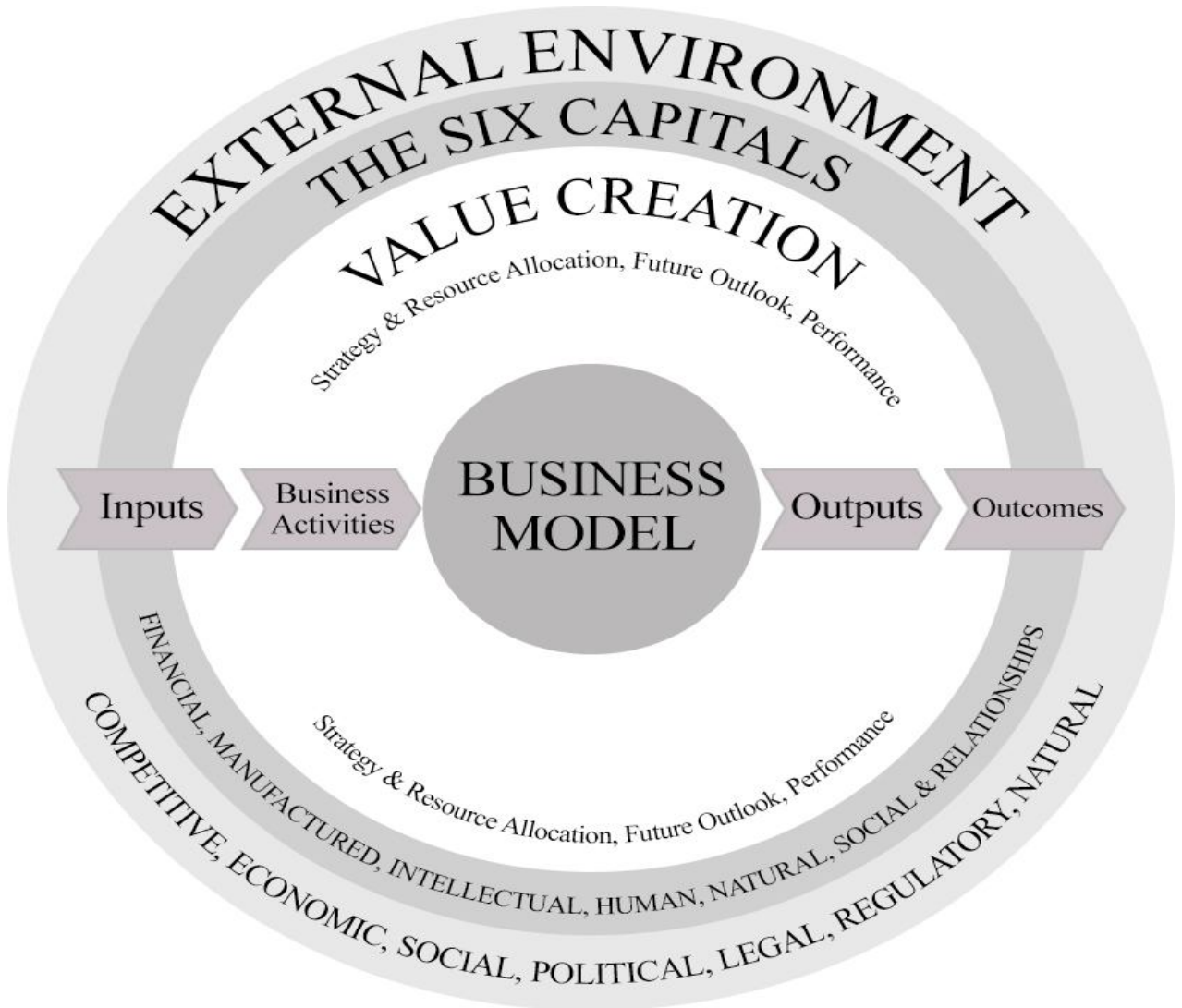
### The reporting process



**17.3. Content of integrated report**



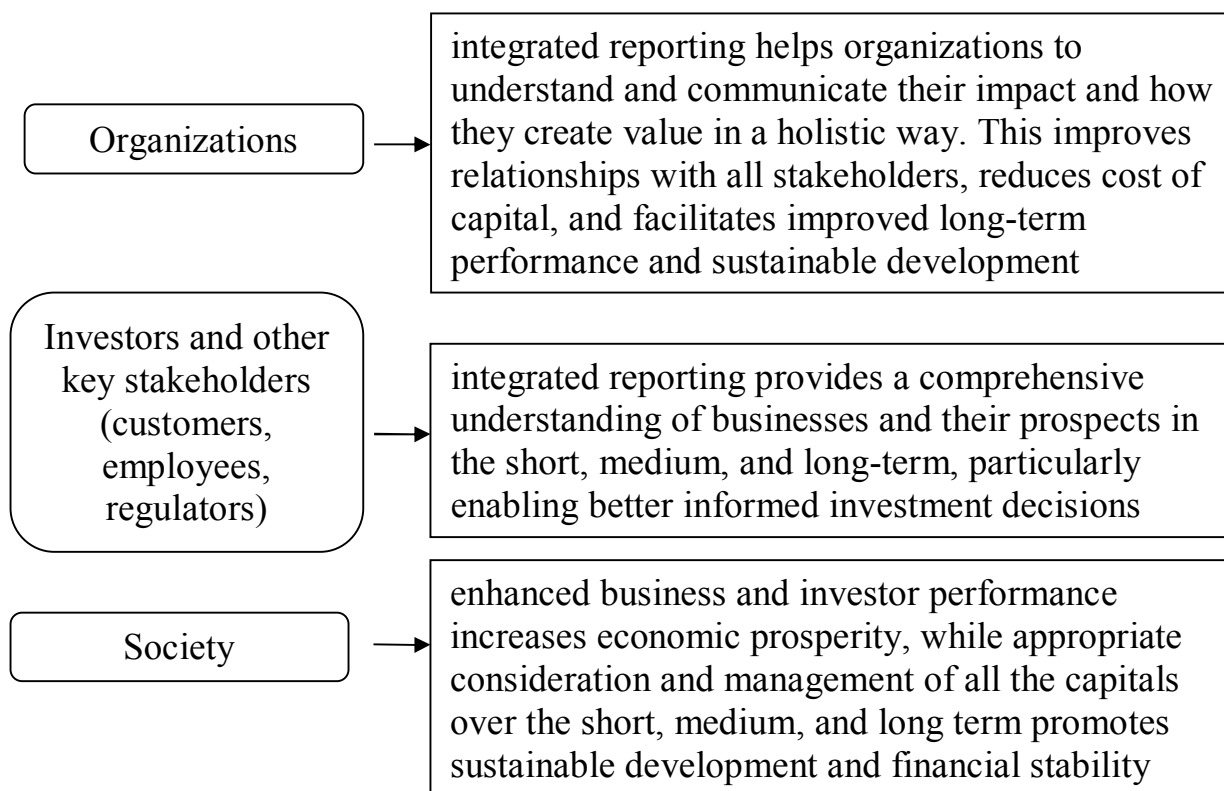
**The report content**



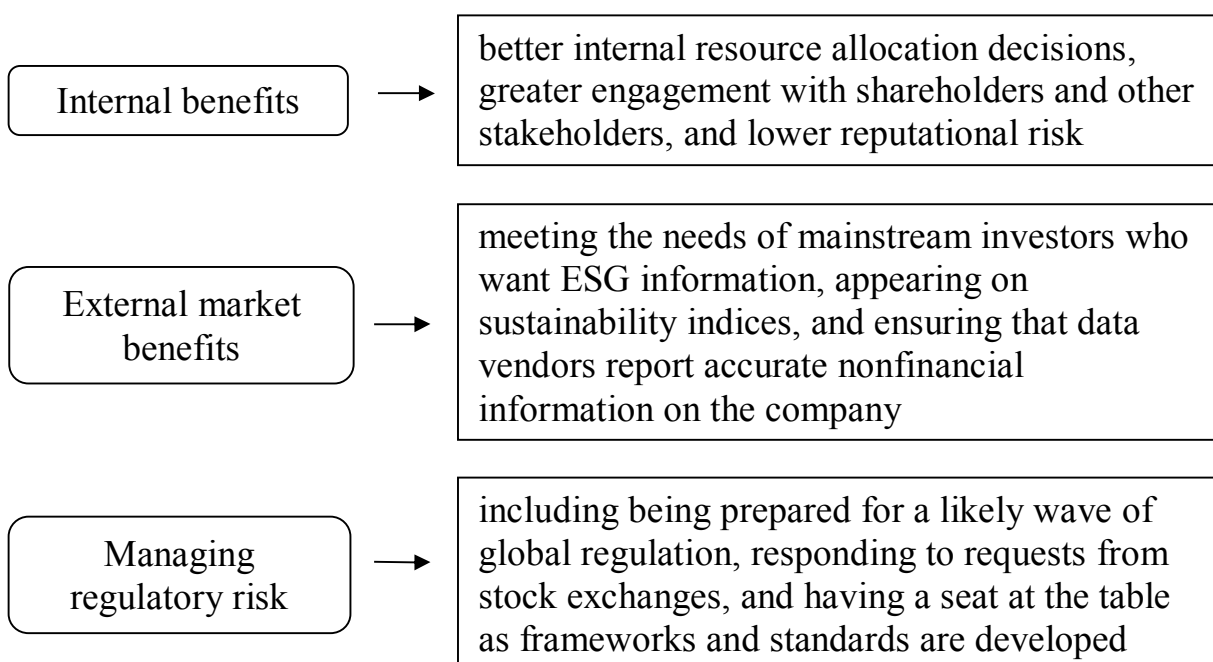


## 17.4. Benefits of integrated reports

### Subjects who benefit integrated reporting



### Classes of integrated reporting benefits



## RECOMMENDED STANDARDS AND OTHER PRONOUNCEMENTS

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9. International Financial Reporting Standard 15 Revenue from Contracts with Customers. The International Accounting Standards Board (Board). May 2014. URL: <http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS15.pdf>
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**ОБЛІК І ФІНАНСОВА ЗВІТНІСТЬ ЗА МІЖНАРОДНИМИ  
СТАНДАРТАМИ (ІНОЗЕМНОЮ МОВОЮ)**

*Ілюстративний матеріал для лекційних занять  
для здобувачів вищої освіти ступеня «магістр»  
спеціальності 071 «Облік і оподаткування»  
денної форми навчання*

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