#### 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

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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

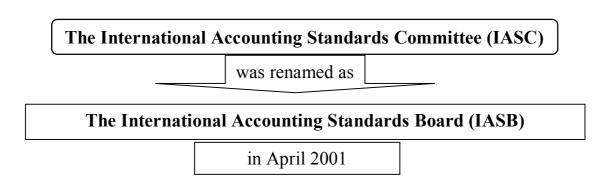
International Fi	nancial Reporting	g Standards (IFRS)		
	began			
as an attempt to harmonize accounting across the European Union but the value of harmonization quickly made the concept attractive around the world				
They are sometimes still called by the original name of International Accounting Standards (IAS)				
Internation	al Accounting Sta	andards (IAS)		
	were issued			

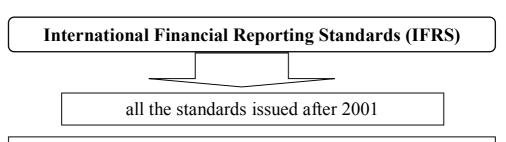
by the Board of the International Accounting Standards Committee (IASC)

between 1973 and 2001

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The previous IAS are still valid but are being gradually superseded by new IFRS

#### **IFRS Foundation**



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

#### IFRS Foundation Monitoring Board

- 3. Public accountability
- 2. Governance and oversight

IFRS Advisory

Council

#### **IFRS Foundation Trustees**

**IFRS Foundation** 

International Accounting Standards Board (IASB)

IFRS Interpretations
Committee

1. Independent standard-setting and related activities

#### **International Financial Reporting Standards (IFRSs)**

are

Standards and Interpretations adopted by the International Accounting Standards Board (IASB)

International Financial Reporting Standards

They comprise:

**International Accounting Standards** 

Interpretations
developed by
the International Financial Reporting Interpretations
Committee (IFRIC) or
the former Standing Interpretations Committee (SIC)

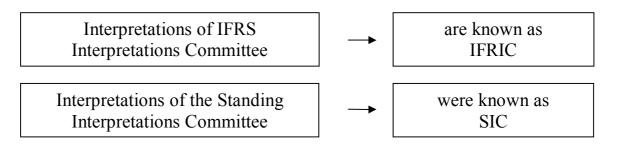
#### **International Financial Reporting Standards**

$N_{\underline{0}}$	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 (Will be superseded by IFRS 17 as of 1 January 2023)	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**

No	Name	
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	
IAS 19	Employee Benefits (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	
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		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities		
	Members' Shares in Co-operative Entities and Similar		
IFRIC 2	Instruments	2004	
IFRIC 5	Rights to Interests arising from Decommissioning,	2004	
	Restoration and Environmental Rehabilitation Funds		
IFRIC 6	Liabilities Arising from Participating in a Specific Market -	2005	
m reie o	Waste Electrical and Electronic Equipment	2003	
IFRIC 7	Applying the Restatement Approach under IAS 29	2005	
IFKIC /	Financial Reporting in Hyperinflationary Economies		
IFRIC 9	Reassessment of Embedded Derivatives	2006	
IFRIC 10	Interim Financial Reporting and Impairment	2006	
IFRIC 12	Service Concession Arrangements	2006	
IAS 19 – The Limit on a Defined Benefit Asset, Minimum		2007	
IFRIC 14	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**

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

Setting the Agenda	Research projects	Standard- setting projects	Maintenance
The Board consults the public on its technical work plan every five years. The work of the IFRS Interpretations Committee and post-implementation reviews of Standards may also add topics to the work plan.	Research is conducted to assess possible accounting problems, develop possible solutions and decide whether standard-setting is required. Public views are usually sought via a Discussion Paper.	Building on the research, specific proposals are developed and consulted on publicly via an Exposure Draft. Feedback is debated by the Board before a Standard is finalised or amended.	Reviews of new Standards are carried out and, if needed, amendments are proposed and consulted on. The IFRS Interpretations Committee may also decide to create an interpretation of the Standard.

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

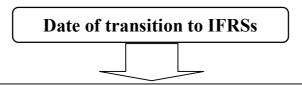
- 2.1. First-time adoption of IFRS
- 2.2. Chart of accounts

**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

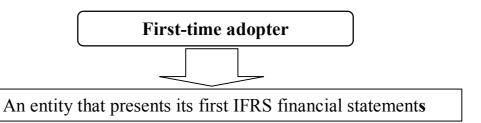
#### 2.1. First-time adoption of IFRS



The beginning of the earliest period for which an entity presents full comparative information under IFRSs in its first IFRS financial statements

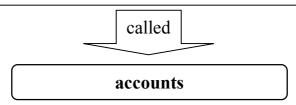


The first annual financial statements in which an entity adopts International Financial Reporting Standards (IFRSs), by an explicit and unreserved statement of compliance with IFRSs

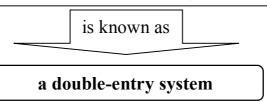


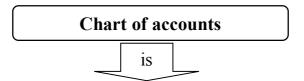
#### 2.2. Chart of accounts

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

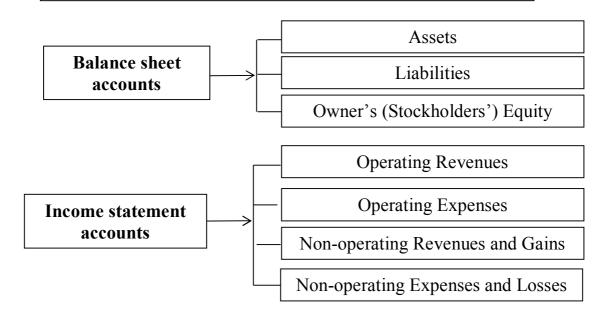


Because every business transaction affects at least two accounts, our accounting system





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

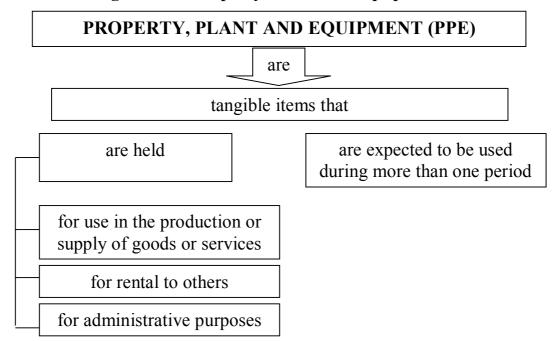
IFRS 16 Leases

IFRIC 1 — Changes in Existing Decommissioning, Restoration and Similar Liabilities

IFRIC 12 — Service Concession Arrangements

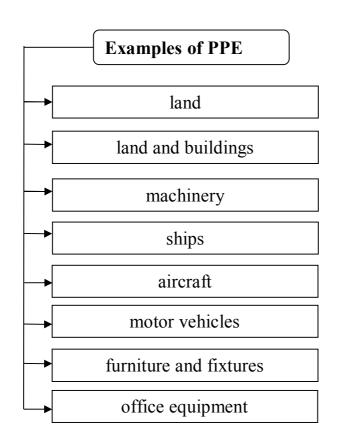
IFRIC 20 — Stripping Costs in the Production Phase of a Surface Mine

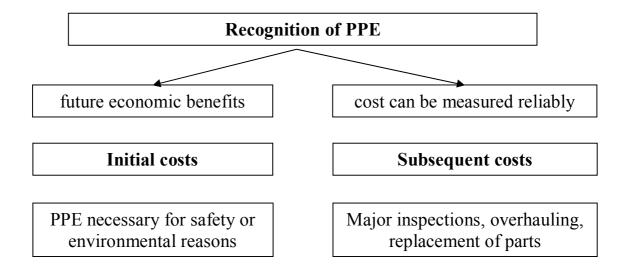
#### 3.1. Recognition of Property, Plant and Equipment



## CLASS OF PPE

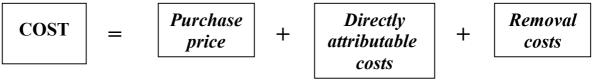
a grouping of assets of a similar nature and use in an entity's operations

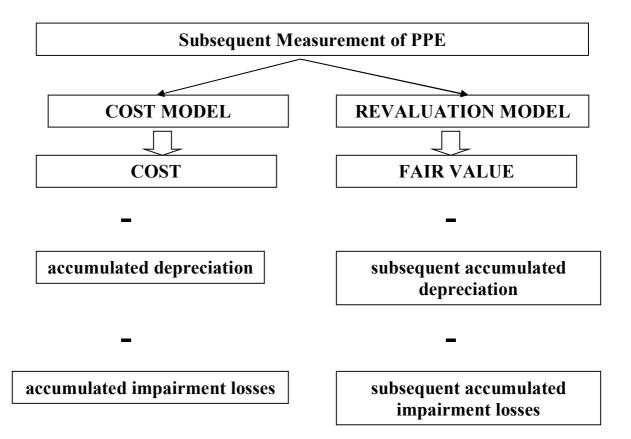




#### 3.2. Measurement of PPE

## Initial Measurement of (PPE)

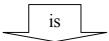




### IMPAIRMENT LOSS is

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

#### RECOVERABLE AMOUNT

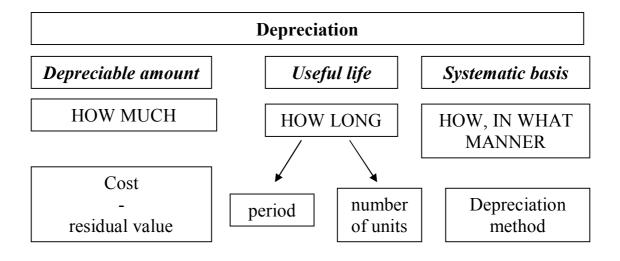


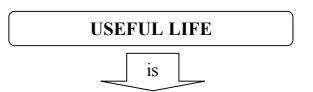
the higher of an asset's fair value less costs to sell and its value in use

#### 3.3. Depreciation



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





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

#### **Depreciation methods**

#### The straight-line method

results in a constant charge over the useful life if the asset's residual value does not change

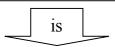
#### The diminishing balance method

results in a decreasing charge over the useful life

#### The units of production method

results in a charge based on the expected use or output

#### **CARRYING AMOUNT**



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

#### RESIDUAL VALUE of an asset

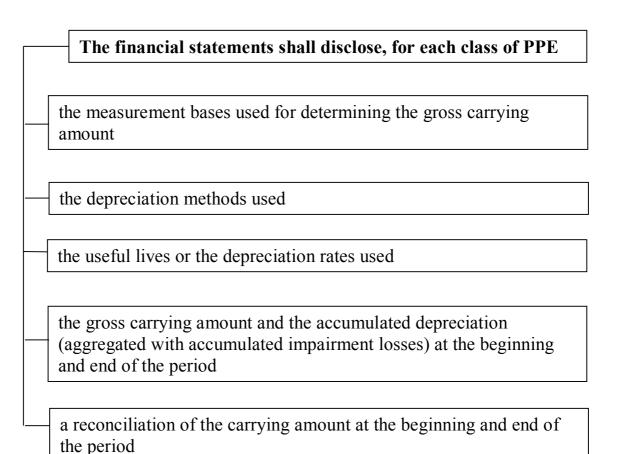


the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life

#### 3.4. Derecognition of PPE

# Derecognition of PPE no future economic benefits are expected gain or loss = net disposal proceeds - the carrying amount Gain or loss are included in Profit or Loss, but not as Revenue

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



#### 3.6. Investment Property

# property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals for capital appreciation both, rather than for: use in the production or supply of goods or services or for administrative purposes

An investment property shall be measured initially at its cost

sale in the ordinary course of business

Transaction costs shall be included in the initial measurement

#### THEME 4. INTANGIBLE ASSETS

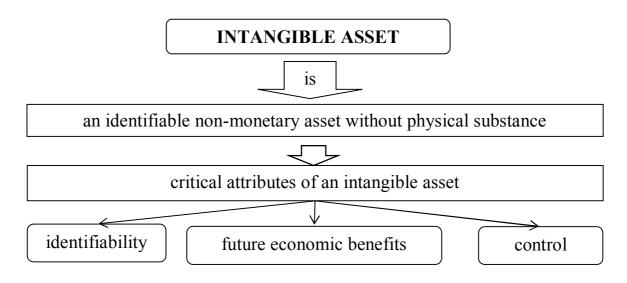
- 4.1. Definition, recognition and types of intangible assets
- 4.2. Sources and measurement of intangible assets
- 4.3. Amortization and disposal of intangible assets
- 4.4. Disclosure of intangible assets in the financial statements

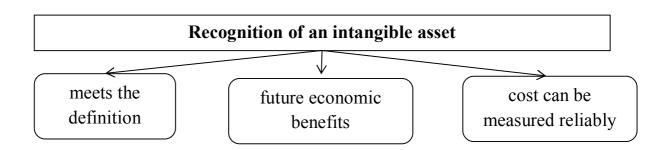
**Key words:** intangible assets, research and development, initial measurement, subsequent expenditure, amortisation, derecognition of intangible assets

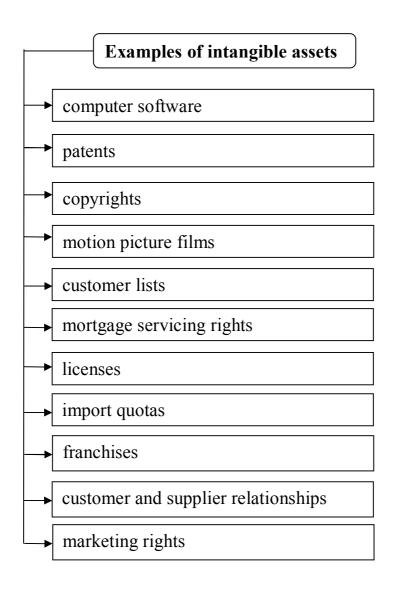
#### Must-read:

IAS 38 Intangible Assets

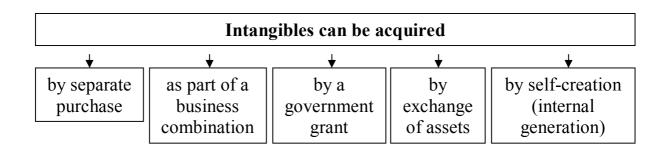
#### 4.1. Definition, recognition and types of intangible assets



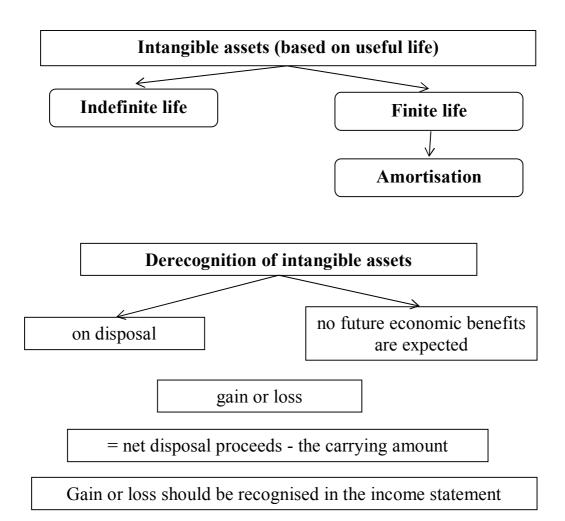




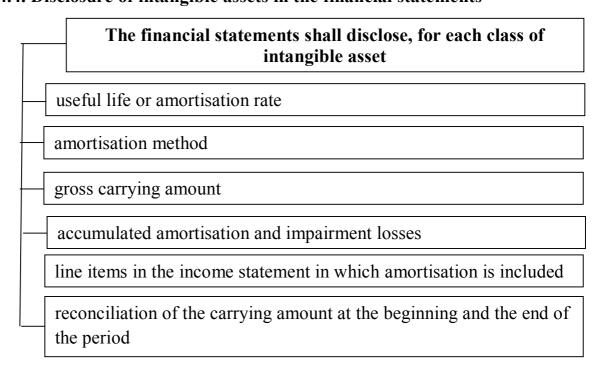
#### 4.2. Sources and measurement of intangible assets



#### 4.3. Amortization and disposal of intangible assets



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



#### THEME 5. INVENTORIES

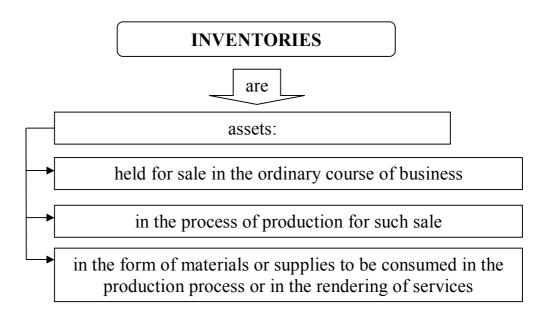
- 5.1. Definitions and measurement of inventories
- 5.2. Inventory costing methods
- 5.3. Perpetual and periodic inventory systems
- 5.4. Recognition as an expense
- 5.4. Disclosure of inventories in the financial statements

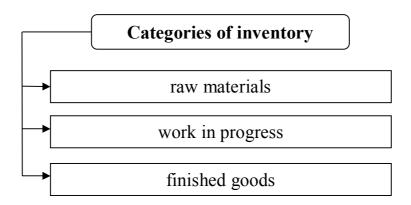
**Key words:** inventories, net realisable value, specific identification method, FIFO method, weighted-average cost method, perpetual inventory system, periodic inventory system

#### Must-read:

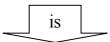
IAS 2 Inventories

#### 5.1. Definitions and measurement of inventories

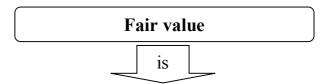




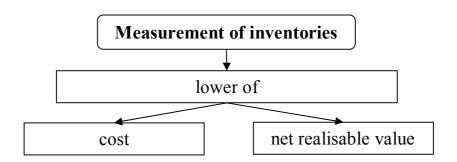
#### **NET REALISABLE VALUE**

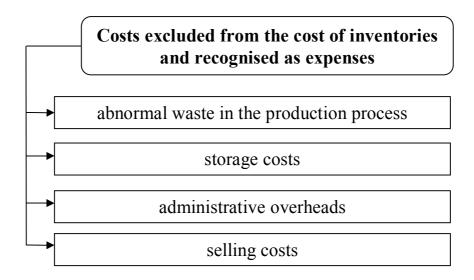


the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

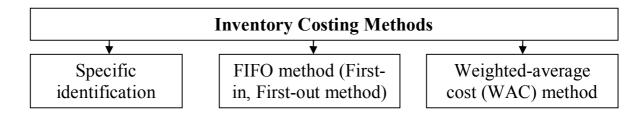


the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

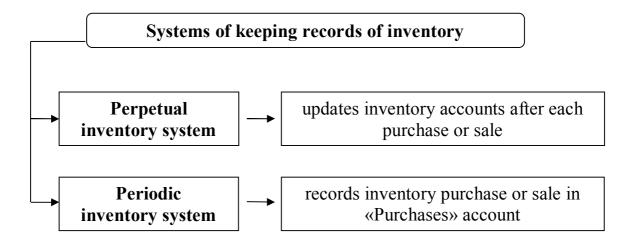




#### 5.2. Inventory costing methods



#### 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

#### The financial statements shall disclose

the accounting policies adopted in measuring inventories, including the cost formula used

the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity

the carrying amount of inventories carried at fair value less costs to sell

the amount of inventories recognised as an expense during the period

the amount of any write-down of inventories recognised as an expense in the period

the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period

#### 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

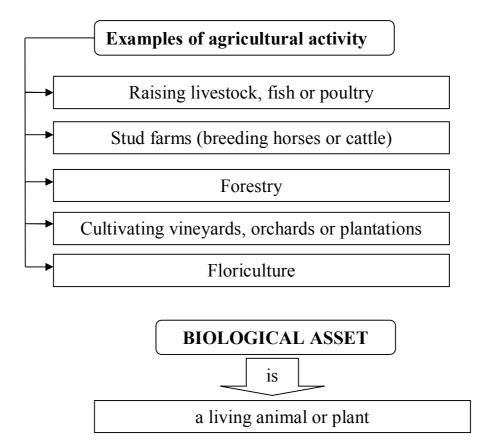
#### Must-read:

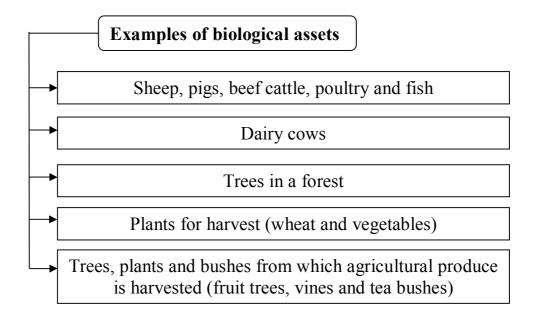
IAS 41 Agriculture

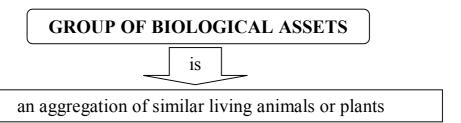
#### 6.1. Definition and types of biological assets

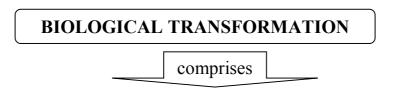


the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets









the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset

# BIOLOGICAL TRANSFORMATION is a natural change in a biological asset includes

growth of living animals or plants, reduction in output due to age or disease and the production of new biological assets through a managed reproductive programme

# AGRICULTURAL PRODUCE is

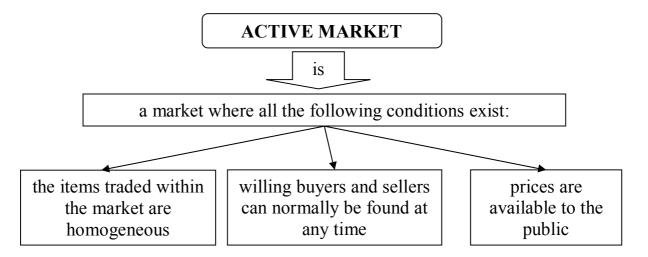
the harvested product of the entity's biological assets



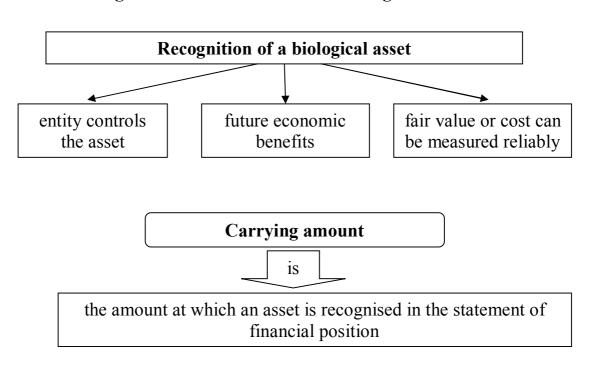
the detachment of produce from a biological asset or the cessation of a biological asset's life processes

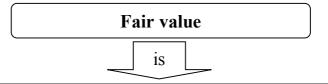
Examples of biological assets, agricultural produce, and products that are the result of processing after harvest

Biological assets	Agricultural	Products that are the result
Diological assets	produce	of processing after harvest
Sheep	Wool	Yarn, carpet
Trees in a plantation forest	Felled trees	Logs, lumber
Plants	Cotton	Thread, clothing
Flaints	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

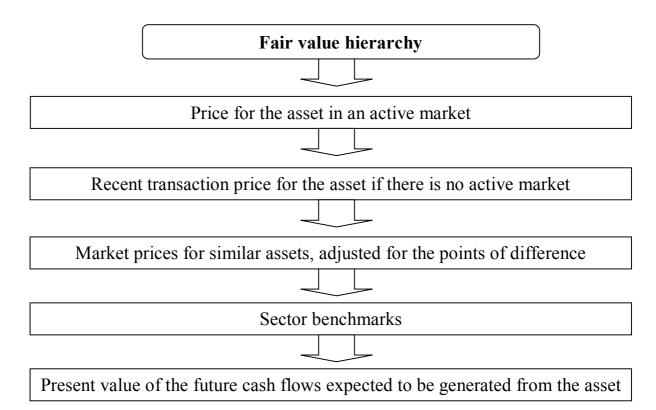


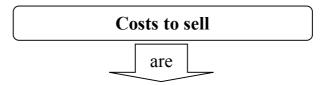
#### 6.2. Recognition and measurement of biological assets



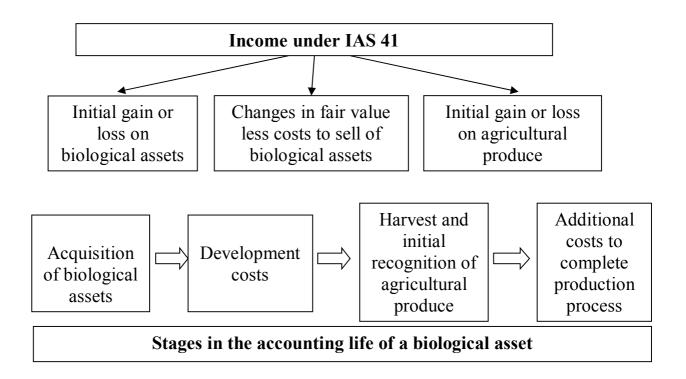


the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date





the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes



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

#### Disclosure requirements in IAS 41 include

aggregate gain or loss from the initial recognition of biological assets and agricultural produce and the change in fair value less costs to sell sell during the period

description of an entity's biological assets, by broad group

description of the nature of an entity's activities with each group of biological assets and non-financial measures or estimates of physical quantities of output during the period and assets on hand at the end of the period

information about biological assets whose title is restricted or that are pledged as security

commitments for development or acquisition of biological assets

reconciliation of changes in the carrying amount of biological assets, showing separately changes in value, purchases, sales, harvesting, business combinations, and foreign exchange differences

If fair value cannot be measured reliably, additional required disclosures include

description of the assets

an explanation of why fair value cannot be reliably measured

if possible, a range within which fair value is highly likely to lie

depreciation method

useful lives or depreciation rates

gross carrying amount and the accumulated depreciation

#### THEME 7. CASH AND CASH EQUIVALENTS

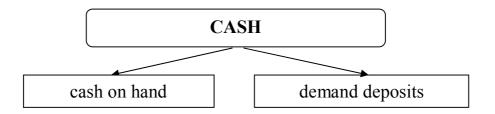
- 7.1. The definition and recognition of cash and cash equivalents
- 7.2. Accounting for the movement of cash and cash equivalents

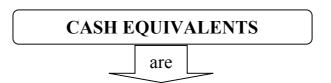
**Key words:** cash, cash flows, operating activities, investing activities, financing activities, statement of cash flows

#### Must-read:

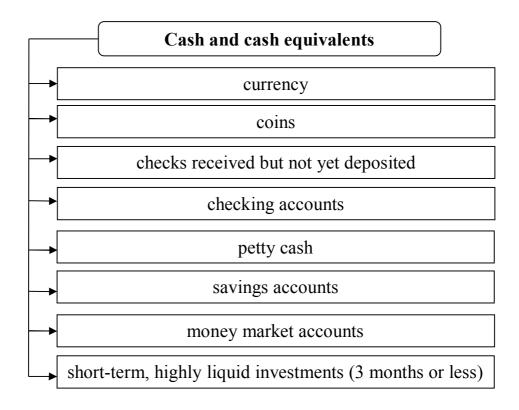
IAS 7 Statement of Cash Flows

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

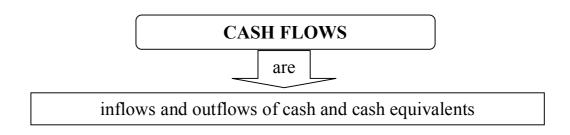


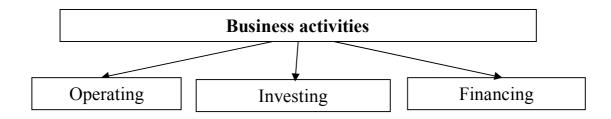


short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

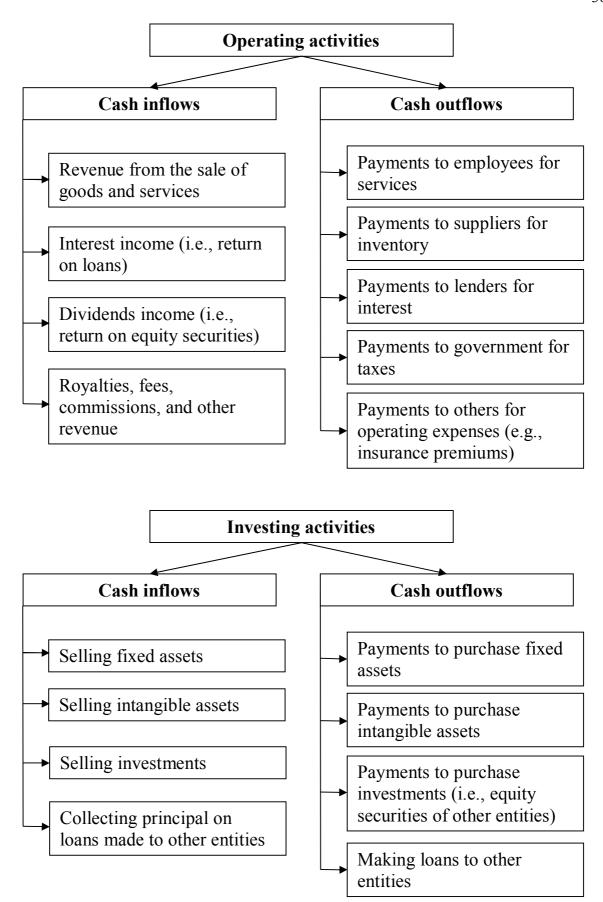


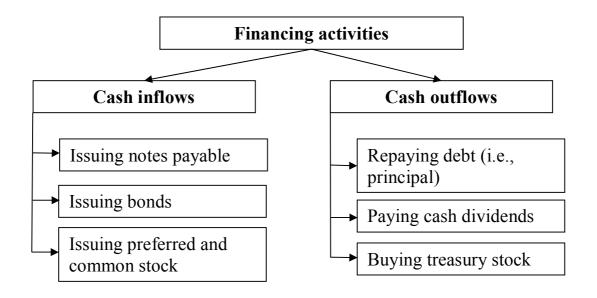
## 7.2. Accounting for the movement of cash and cash equivalents





Business	Operating Activities
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	

# Cash involving operating activities Cash involving investing activities Cash involving financing activities Supplemental information

## **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

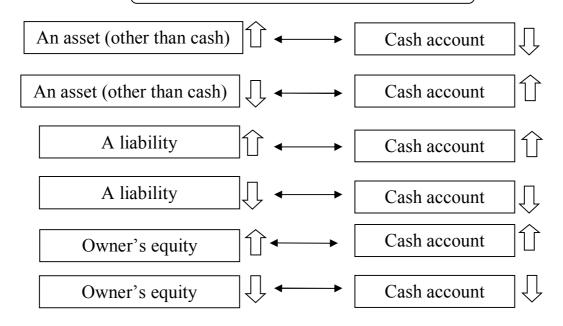
Unearned Revenues

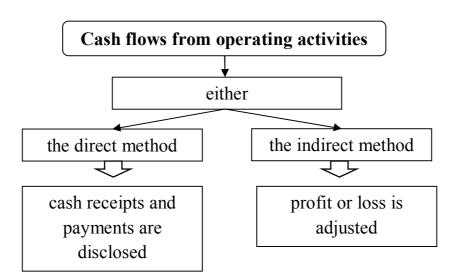
Other Current Liabilities

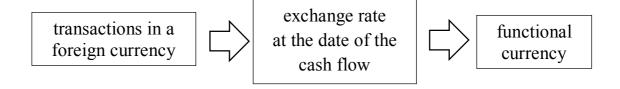
Long-term
Investments
Land
Buildings
Equipment
Furniture & Fixtures
Vehicles

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





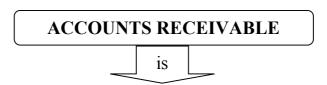


## THEME 8. ACCOUNTS RECEIVABLE AND BAD DEBTS EXPENSE

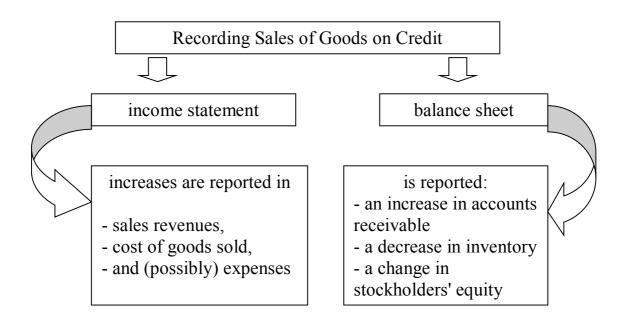
- 8.1. Accounts Receivable
- 8.2. Bad Debts Expense

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

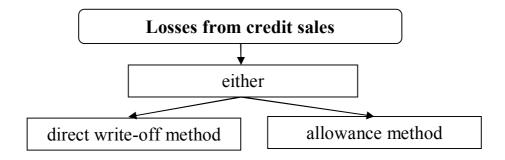
## 8.1. Accounts Receivable



a current asset that reports the amount a company's customers owe the company for goods or services provided on credit



## 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



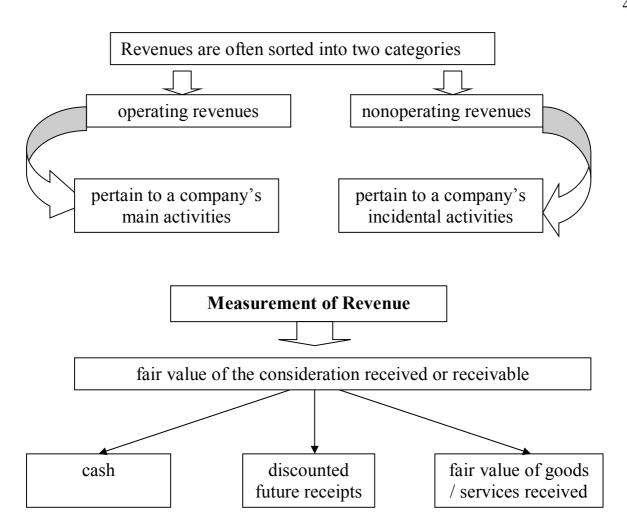
increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants



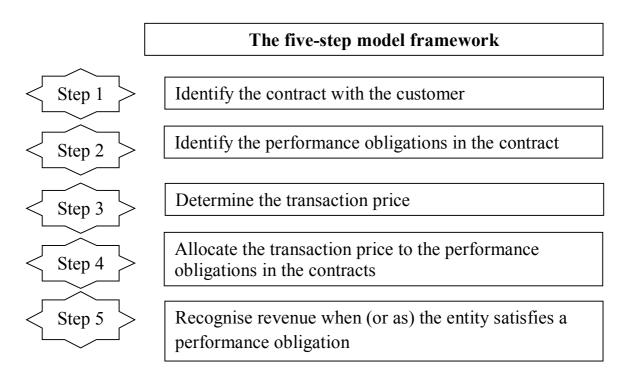
the amounts that a business earns from selling goods or providing services to its customers

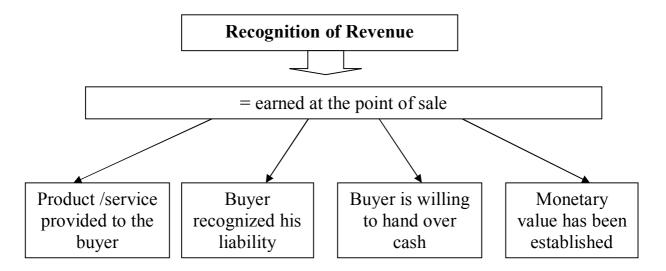


income arising in the course of an entity's ordinary activities



## 9.2. Recognition of revenue

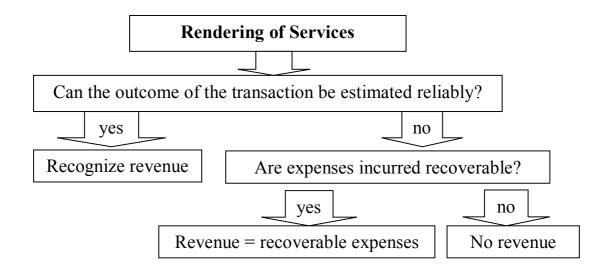


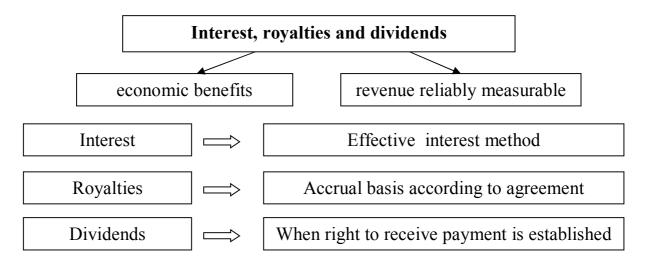


**Revenue from the sale of goods** shall be recognised when all the following conditions have been satisfied

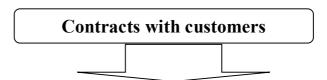


- significant risks and rewards transferred to the buyer
- no effective control over the goods sold is retained
  - revenue reliably measurable
- economic benefits from transaction flow to the entity
- cost in respect of the transaction reliably measurable





### 9.3. Disclosure



will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment

## An entity should disclose qualitative and quantitative information about all of the following

its contracts with customers

the significant judgments, and changes in the judgments, made in applying the guidance to those contracts

any assets recognised from the costs to obtain or fulfil a contract with a customer

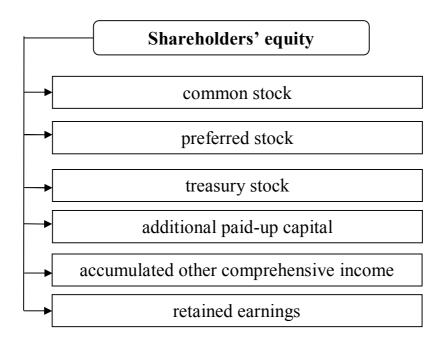
## THEME 10. SHAREHOLDERS' EQUITY

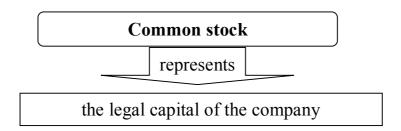
- 10.1. Common stock
- 10.2. Preferred stock
- 10.3. Treasury stock
- 10.4. Additional paid-up capital
- 10.5. Accumulated other comprehensive income
- 10.6. Retained earnings

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

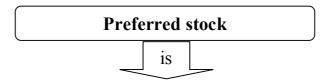
## 10.1. Common stock

SHAREHOLDERS' EQUITY					
	_	represents	S		
the interest of a company's shareholders in the net assets of the company					
	ı		¬ ।		1
Shareholders' equity		Assets		Liabilities	

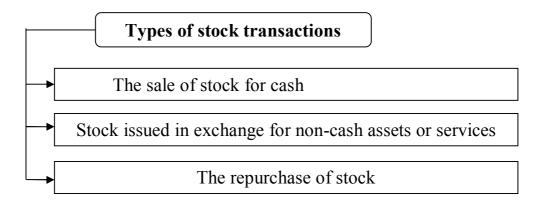




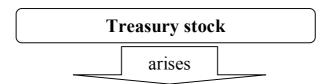
## 10.2. Preferred stock



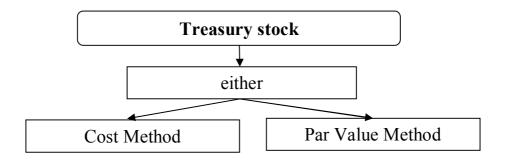
a type of stock issued by a business that usually pays a fixed dividend prior to any distributions to the holders of the common stock of the business



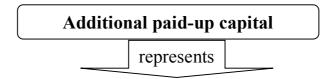
## 10.3. Treasury stock



when the board of directors elects to have a company buy back shares from shareholders

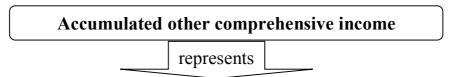


## 10.4. Additional paid-up capital



the cash contributed by the shareholders of the company in excess of the legal capital of the company i.e. the common stock

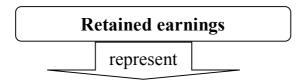
## 10.5. Accumulated other comprehensive income



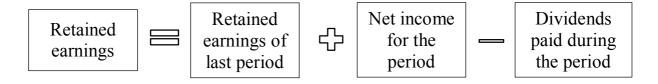
the credits or debits in shareholders' equity which are other than those related to transactions with shareholders

credit for revaluation surplus, credits and debits related to translation reserve, changes in fair value of available for sale investments, etc

## 10.6. Retained earnings



the total earnings of the company retained by the company for reinvestment



## 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)

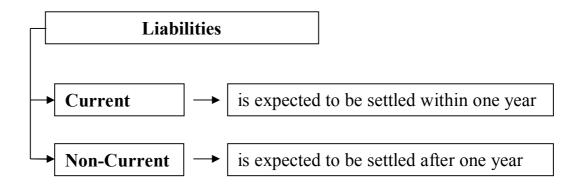
**Related Interpretations** 

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

## 11.1. Liabilities

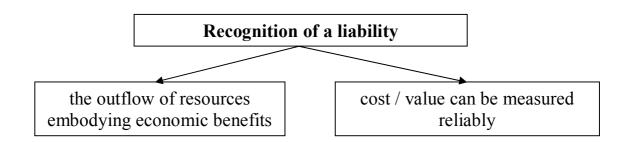


a present obligation of the entity to transfer an economic resource as a result of past events

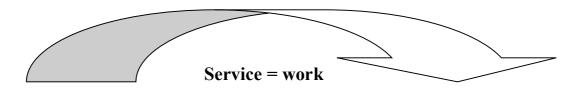


## **Liability Classification**

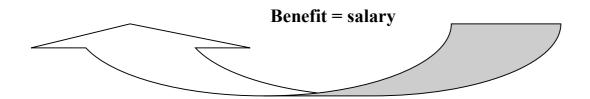
Long Term Bank Loan	non-current
Bank Overdraft	current
Short Term Bank Loan	current
Trade Payables	current
Debenture	non-current
Tax Payble	current



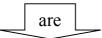
## 11.2. Employee benefits



## EMPLOYEE matching principle EMPLOYER



## **EMPLOYEE BENEFITS**



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

## Multi-employer plans

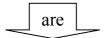


defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

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



employee benefits that are not conditional on future employment

## The present value of a defined benefit obligation



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**



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

## **Interest cost**



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

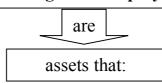
## Plan assets

comprise

assets held by a long-term employee benefit fund

qualifying insurance policies

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



are 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



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



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

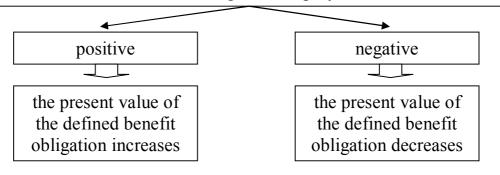
## Actuarial gains and losses comprise

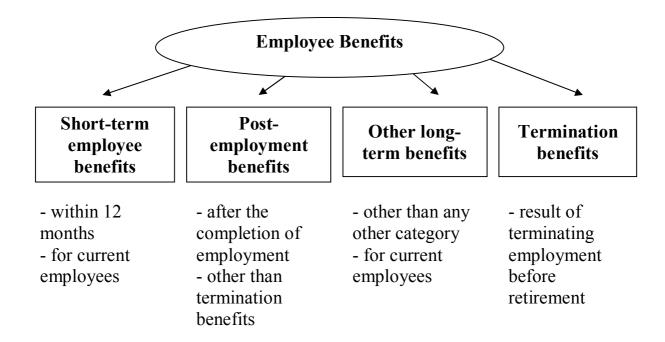
experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred)

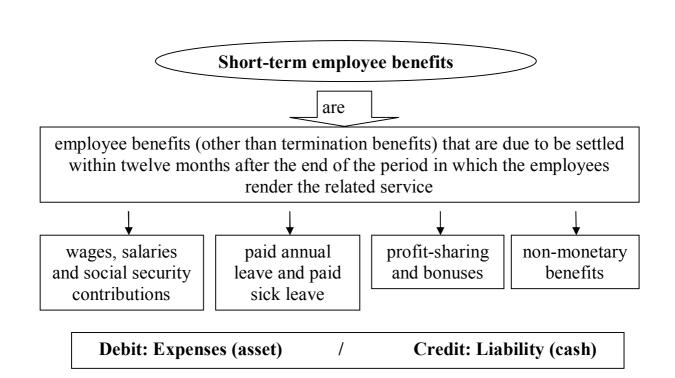
the effects of changes in actuarial assumptions

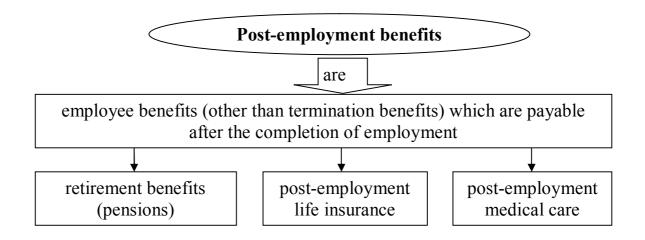
## Past service cost is

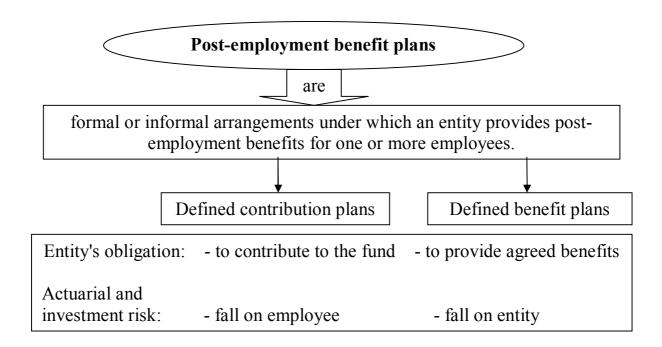
the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.







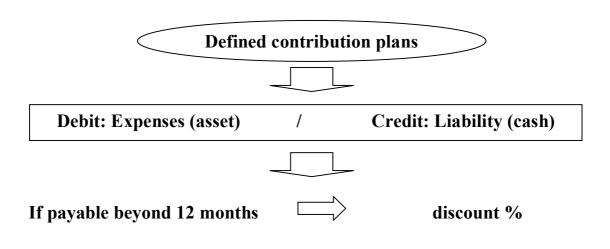


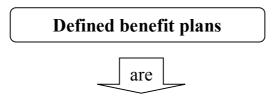


## **Defined contribution plans**



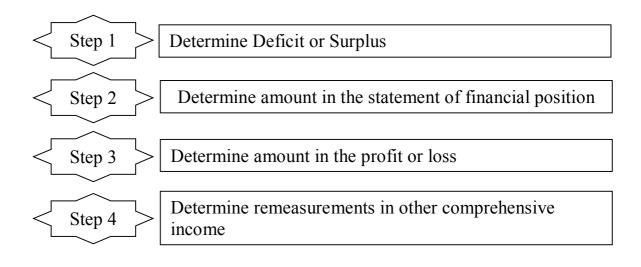
post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current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

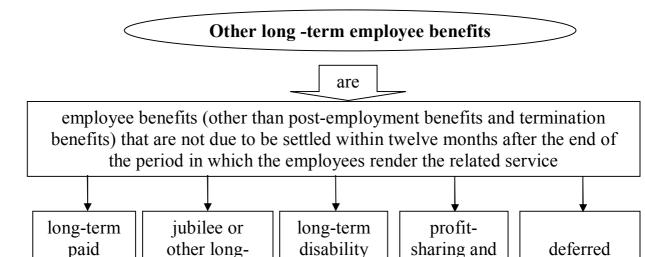




post-employment benefit plans other than defined contribution plans

## Steps to account for the defined benefit plan





service

benefits

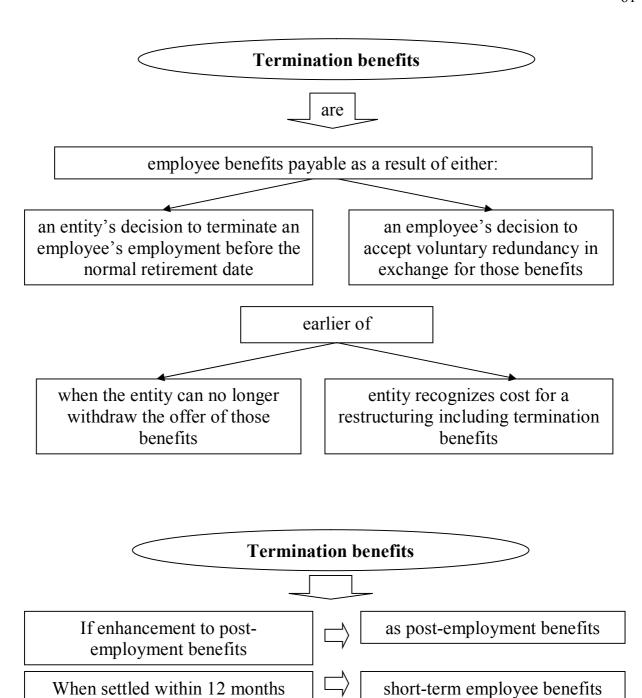
absences

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

benefits

bonuses

remuneration



other long-term benefits

When not wholly settled within 12

months

## 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:

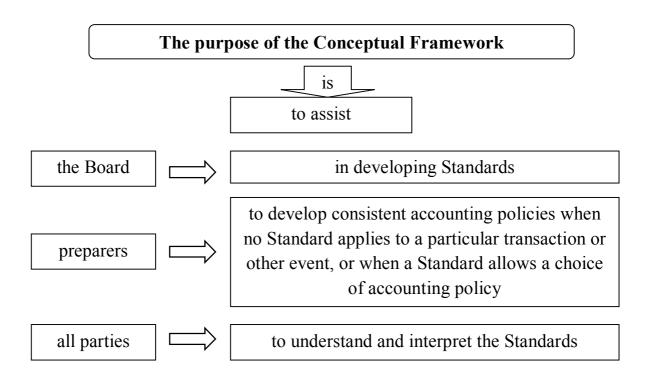
Conceptual Framework for Financial Reporting 2018

## 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

## The Conceptual Framework for Financial Reporting describes the objective of the concepts for general purpose financial reporting



## Previous Conceptual Framework

- issued in 1989 and partly revised in 2010
- useful, but incomplete and needed improvement

## **Priority**

identified as a priority by stakeholders in the 2011 Agenda Consultation

## Filling gaps

for example, guidance on measurement, presentation and disclosure

## **Updating**

for example, the definitions of an asset and a liability

## Clarifying

for example, the role of measurement uncertainty

## Revised Conceptual Framework

• a comprehensive set of concepts for financial reporting

## The revised Conceptual Framework

## New

## Measurement

concepts on measurement, including factors to be considered when selecting a measurement basis

## **Presentation** and disclosure

concepts on presentation and disclosure, including when to classify income and expenses in other comprehensive income

## Derecognition

guidance on when assets and liabilities are removed from financial statements

## **Updated**

## **Definitions**

definitions of an asset and a liability

## Recognition

criteria for including assets and liabilities in financial statements

## Clarified

Prudence

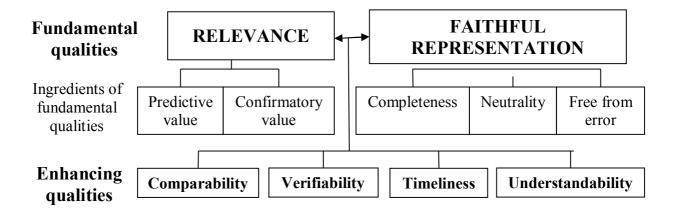
Stewardship

Measurement uncertainty

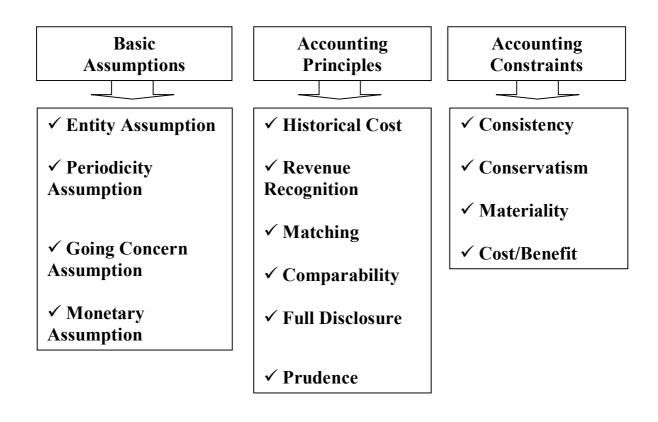
Substance over form

## **The Conceptual Framework**

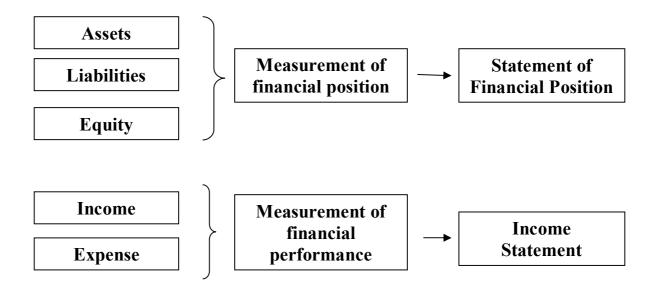
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$\leq$	Chapter 1		The objective of financial reporting
	Chapter 2		Qualitative characteristics of useful financial information
		_	
$\leq$	Chapter 3		Financial statements and the reporting entity
	Chapter 4		The elements of financial statements
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$\leq$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



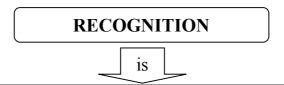
## 12.2. Underlying Assumption



## 12.3. The Elements of Financial Statements



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



the process of capturing for inclusion in the statement of financial position or the statement(s) of financial performance an item that meets the definition of one of the elements of financial statements — an asset, a liability, equity, income or expenses

Statement of Financial Position at the beginning of reporting period

Assets minus Liabilities equal Equity

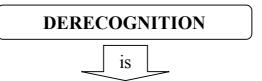
Statement(s) of Financial Performance

Income minus Expenses

Changes in equity

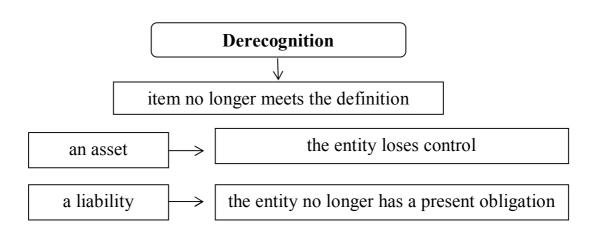
Contributions from holders of equity claims, minus distributions to holders of equity claims

Statement of Financial Position at the end of reporting period

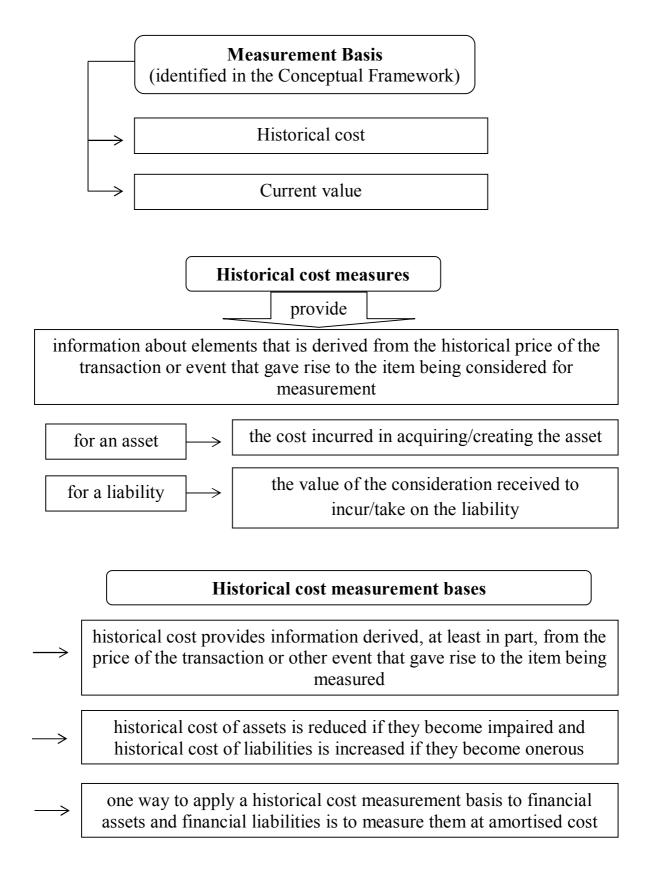


Assets minus Liabilities equal Equity

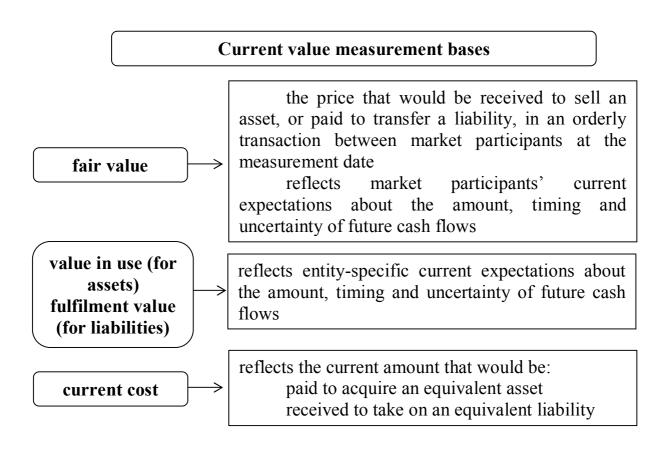
the removal of all or part of a recognised asset or liability from an entity's statement of financial position



## 12.5. Measurement of the elements of financial statements



## monetary information about elements, using information updated to reflect conditions at the measurement date fair value value in use fulfilment value current cost



## Factors to consider in selecting a measurement basis

## Relevance

**Relevance** 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 deriviative

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

## Faithful representation

Whether a measurement basis can provide a **faithful representation** 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

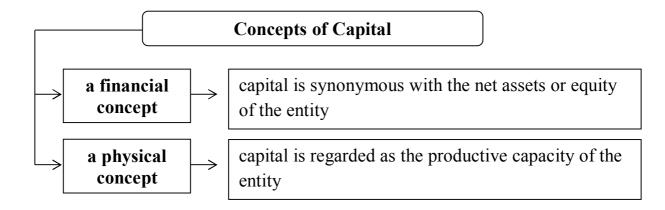
does not necessarily prevent the use of a measurement basis that provides relevant information

but if too high might make it necessary to consider selecting a different measurement basis

## **Cost constraint**

Cost constrains the selection of a measurement basis, just as it constrains other financial reporting decisions

## 12.6. Concepts of capital and capital maintenance



#### **Concepts of Capital Maintenance** a profit is earned only if the financial (or money) amount of the net assets at the end of the period Financial exceeds the financial (or money) amount of net capital assets at the beginning of the period, after excluding maintenance any distributions to, and contributions from, owners during the period a profit is earned only if the physical productive capacity (or operating capability) of the entity (or Physical the resources or funds needed to achieve that capital capacity) at the end of the period exceeds the maintenance physical productive capacity at the beginning of the period, after excluding any distributions to, and contributions from, owners during the period

#### THEME 13. PRESENTATION OF FINANCIAL STATEMENTS

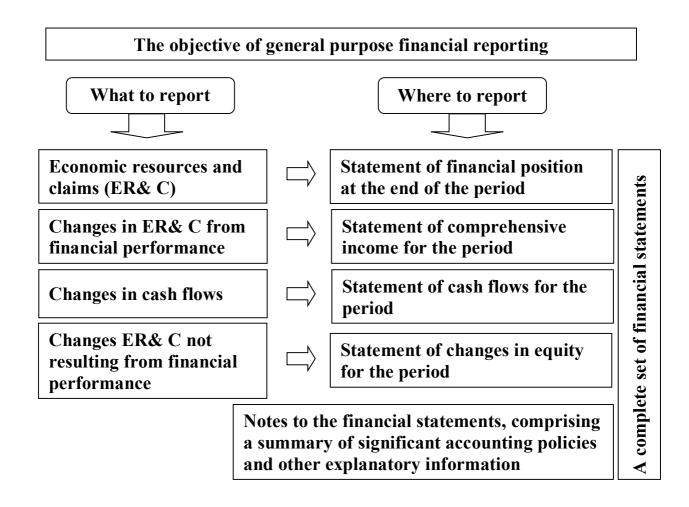
- 13.1. Purpose and Complete set of financial statements
- 13.2. General features of financial statements

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

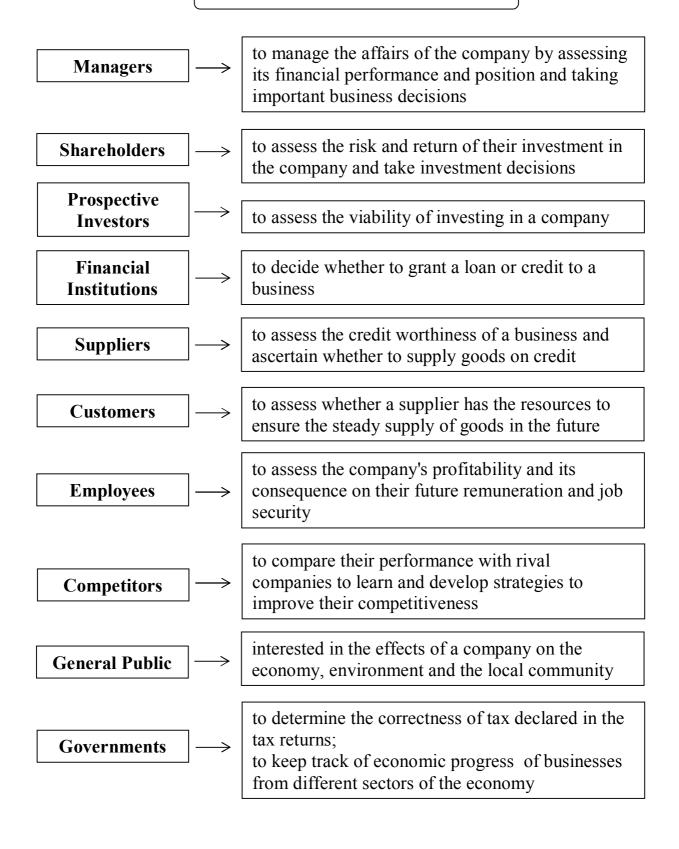
#### Must-read:

IAS 1 Presentation of Financial Statements

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



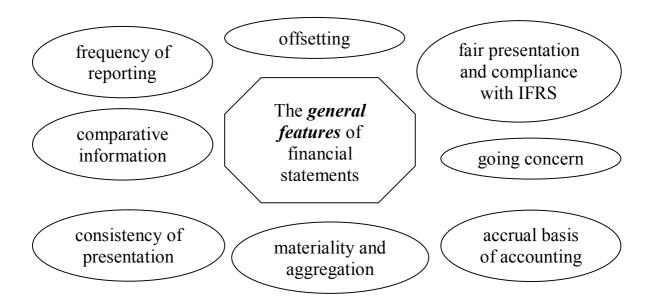
#### **Users of Financial Statements**



#### 13.2. General features of financial statements

# Underlying Assumption is Going concern

an entity will continue to operate for the foreseeable future (usually 12 months after the reporting date)



## 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

# the title of the entity an individual entity or consolidated financial statements the reporting date the presentation currency the level of rounding up

#### 14.2. Statement of financial position

# Statement of Financial Position (Balance Sheet) presents the financial position of an entity at a given date

# Line items of the Statement of financial position property, plant and equipment investment property intangible assets financial assets investments accounted for using the equity method biological assets inventories trade and other receivables cash and cash equivalents the total of assets classified as held for sale and assets included in disposal groups trade and other payables provisions financial liabilities liabilities and assets for current tax deferred tax liabilities and deferred tax assets liabilities included in disposal groups classified as held for sale non-controlling interest, presented within equity issued capital and reserves attributable to owners of the parent

#### Criteria of a current asset

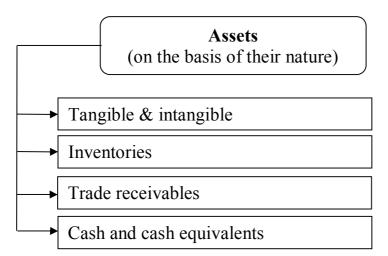
it is held for trading in the normal course of business

it will be realized within a period of 12 months from the reporting date

it is expected to be sold or consumed in the normal course of business

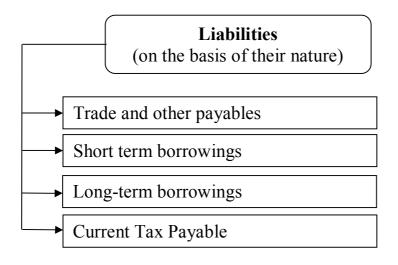
it is cash or cash equivalent as defined in IAS 7

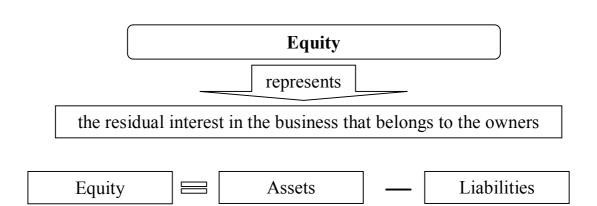
The entity will present all other assets as **non-current assets** 

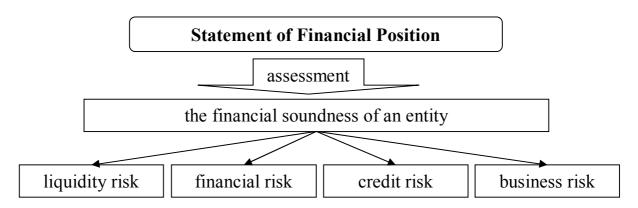


# it expects to settle the liability in its normal operating cycle it holds the liability primarily for the purpose of trading the liability is due to be settled within 12 months after the reporting period it does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period

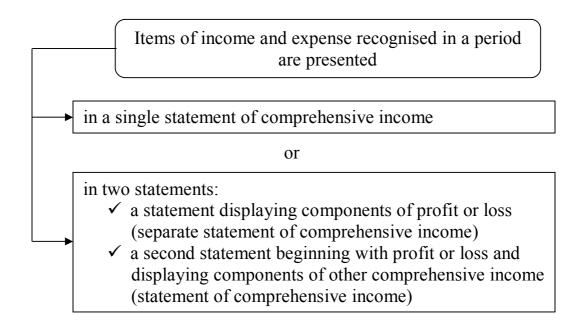
An entity shall classify all other liabilities as **non-current** 



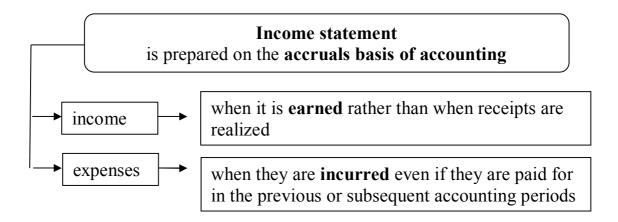


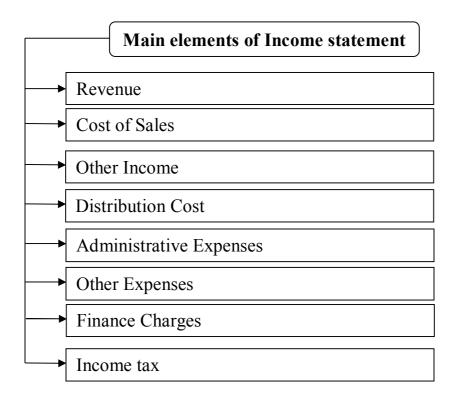


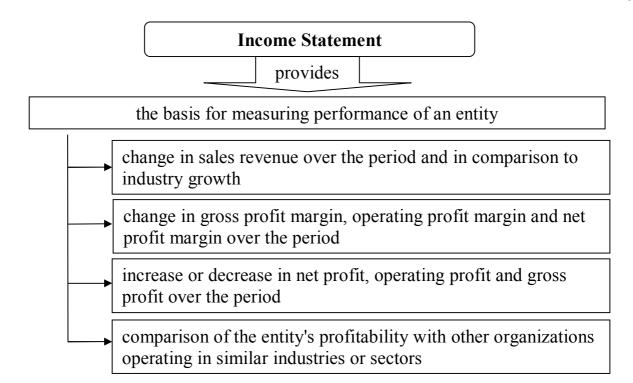
#### 14.3. Statement of Comprehensive Income

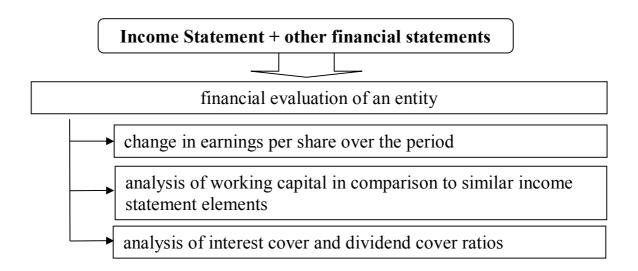


### Line items of the Statement of comprehensive income revenue finance costs share of the profit or loss of associates and joint ventures accounted for using the equity method tax expense a single amount comprising the total of: - the post-tax profit or loss of discontinued operations - the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets profit or loss each component of other comprehensive income classified by nature share of the other comprehensive income of associates and joint ventures accounted for using the equity method total comprehensive income Line items of the Statement of comprehensive income as allocations of profit or loss for the period profit or loss for the period attributable to: - non-controlling interest - owners of the parent total comprehensive income for the period attributable to: - non-controlling interest - owners of the parent

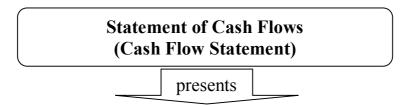








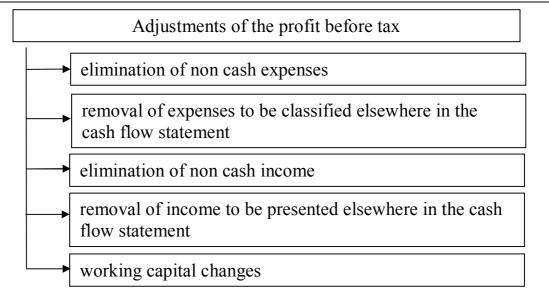
#### 14.4. Statement of Cash Flows

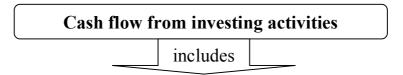


the movement in cash flows over the period as classified under operating, investing and financing activities

# Cash flow from operating activities presents

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





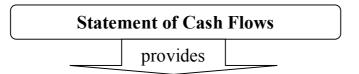
the movement in cash flow as a result of the purchase and sale of assets other than those which the entity primarily trades in

Cash outflow expended on the purchase of investments and fixed assets

Cash inflow from income from investments

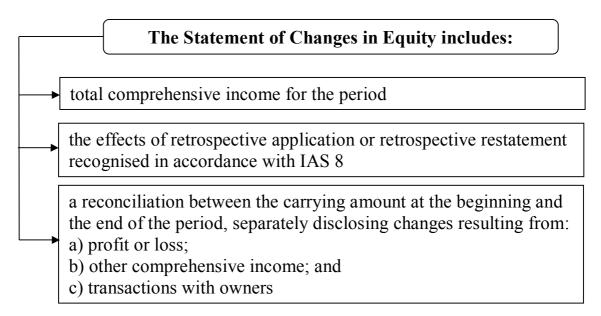
Cash inflow from disposal of investments and fixed assets

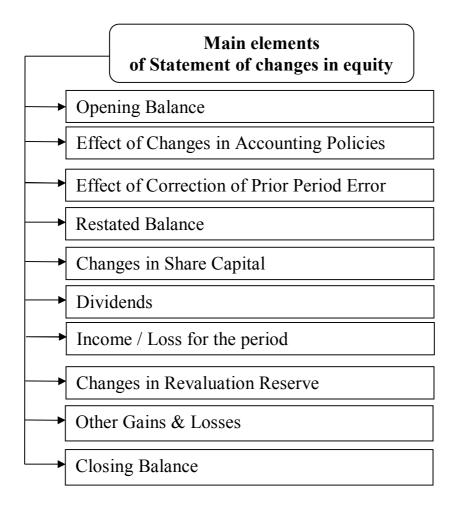
# the movement in cash flow resulting from the following: proceeds from issuance of share capital, debentures & bank loans cash outflow expended on the cost of finance (i.e. dividends and interest expense) cash outflow on the repurchase of share capital and repayment of debentures & loans

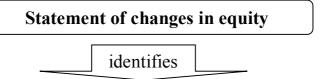


important insights about the liquidity and solvency of a company which are vital for survival and growth of any organization

#### 14.5. Statement of Changes in Equity

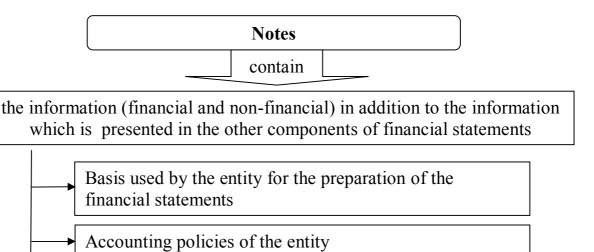




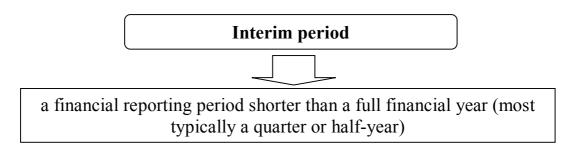


the factors that cause a change in the owners' equity over the accounting periods

#### 14.6. Notes



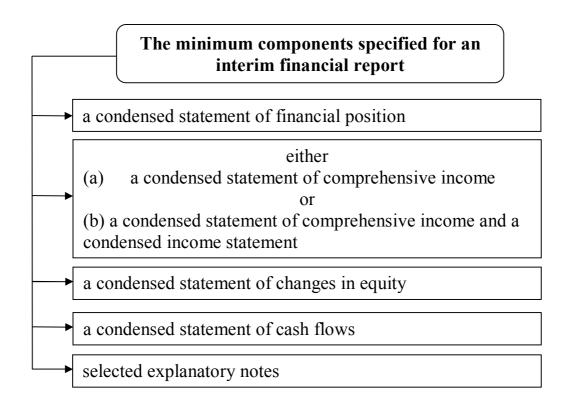
#### 14.7 Interim Financial Reporting



Disclosures required by the standards



a financial report that contains either a complete or condensed set of financial statements for an interim period



## 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

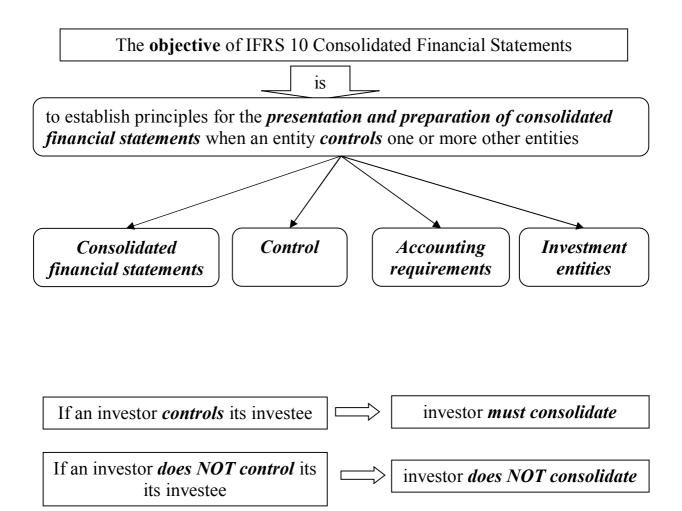
IFRS 11 Joint Arrangements

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

<u>Power</u> is the <u>existing rights</u> that give the <u>current ability</u> to affect the <u>relevant activities</u> of investee.

Consolidated financial statements

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

**PARENT** 

Separate financial statements **SUBSIDIARY** 

Separate financial statements

GROUP

Consolidated financial statements

**Consolidation procedures + Accounting requirements** 

#### **Consolidation procedures:**

Step 1

**Combine** like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries

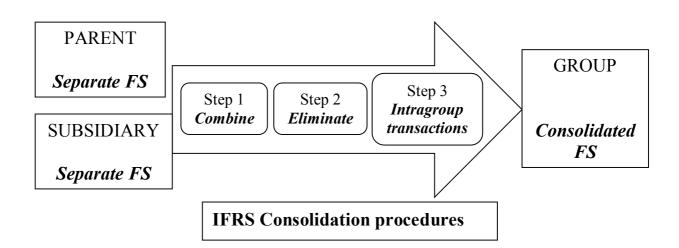
#### Step 2

#### Offset (eliminate):

- the carrying amount of the parent's investment in each subsidiary;
- the parent's portion of equity of each subsidiary;

Step 3

Eliminate in full *intragroup* assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group



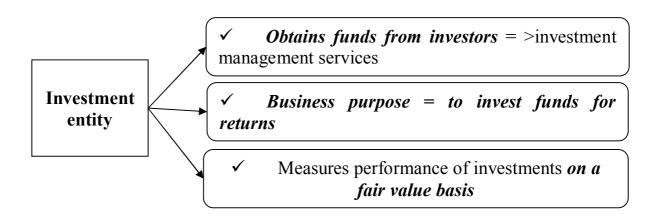
#### **Exceptions from consolidation:**

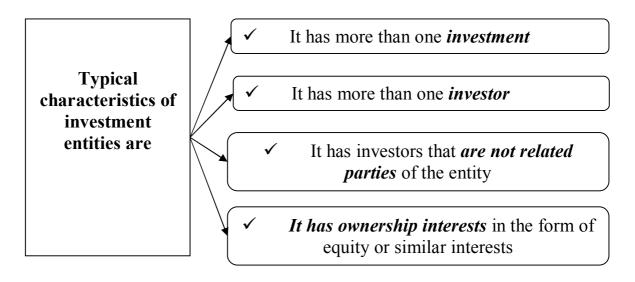
A parent does not need to present consolidated financial statements if:

- ✓ it is a *wholly-owned subsidiary* or is a *partially-owned subsidiary* of another entity and its other owners agree;
- ✓ its debt or equity instruments are *not traded in a public market*;
  - ✓ it did not file, nor is it in the process of filing,
- ✓ its ultimate or any intermediate parent of the parent produces consolidated financial statements

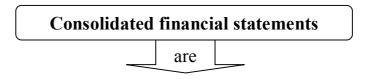
Post-employment benefit plans or other long-term employee benefit plans to which IAS 19 Employee Benefits applies

**Investment entities** 

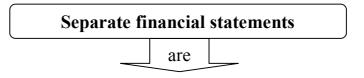




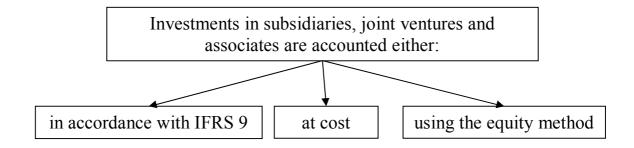
#### 15.2. Separate Financial Statements



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



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

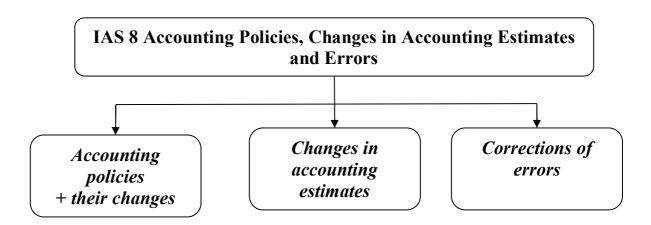
- 16.1. Accounting Policies
- 16.2. Accounting Estimates
- 16.3. Errors

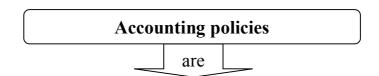
**Key words:** accounting policies, changes in accounting policies, accounting estimates, changes in accounting estimates, accounting errors

#### Must-read:

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

#### 16.1. Accounting Policies





the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements

#### **Examples of accounting policies**

Valuation of inventory using FIFO, Average Cost or other suitable basis as per IAS 2

Classification, presentation and measurement of financial assets and liabilities under categories specified under IAS 32 and IAS 39 such as held to maturity, available for sale or fair value through profit and loss

Timing of recognition of assets, liabilities, expenses and income

Basis of measurement of non-current assets such as historical cost and revaluation basis

Accruals basis of preparation of financial statements

### Accounting policies

must be applied consistently

to promote comparability between financial statements of different accounting periods

Changes in accounting policy to enhance the relevance and reliability of information

may be required as a result of changes in IFRS

may be applied voluntarily by the management

#### 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

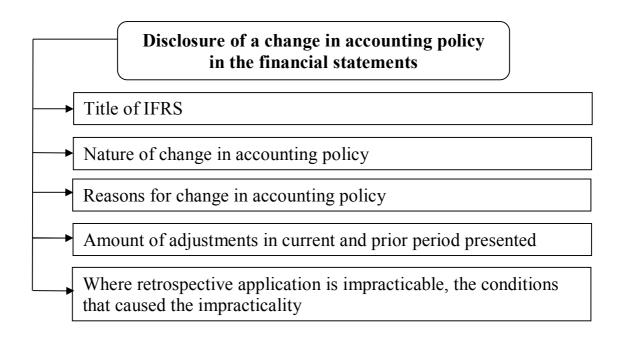
# **Exemption from retrospective application of accounting policies**

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

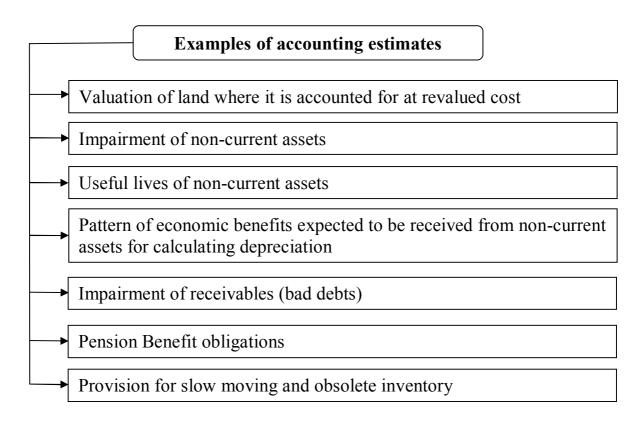
The retrospective application is **impracticable** 



#### **16.2.** Accounting Estimates



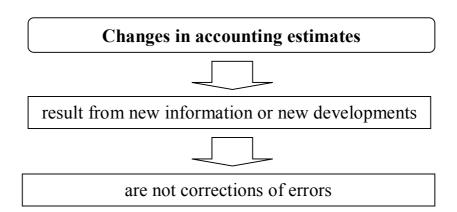
management's judgment of expected future benefits and obligations relating to assets and liabilities (and associated expense and income) based on information that best reflects the conditions and circumstances that exist at the reporting date



### 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 result from some new Changes in accounting estimates information or new trend, or development Changes result from some error, such as **Errors** incorrect calculation or wrong application of accounting policies Changes in accounting estimates must be accounted for **prospectively** in the financial statements carrying amounts of assets and liabilities and any associated expense and gains are adjusted in the period of change in estimate **ACCOUNTING ACCOUNTING VERSUS POLICIES ESTIMATES** Amounts / Principles / What is it? patterns measurement basis Change from historical Change of the provision **Examples** cost to fair value amount based on fair value **Prospectively** Accounting Retrospectively

#### PRIOR PERIOD ERRORS



omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

was available when financial statements for those periods were authorised for issue;

could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements

#### **Examples of accounting errors**

Misapplication of accounting policies: not recognizing sale upon transfer of goods to a customer

Fraud: overstating sales revenue by issuing fake invoices before the reporting date

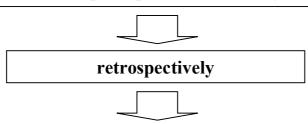
Misunderstanding of, or failure to notice, information at the time of preparation of financial statements: not writing off a receivable who had been announced as insolvent before the authorization of financial statements

**Arithmetical Errors** 

Omission of transactions and events from the financial statements

Errors reduce the reliability of information

#### Correction of prior period accounting errors



Correction affects only prior period comparative figures.

Current period amounts are unaffected

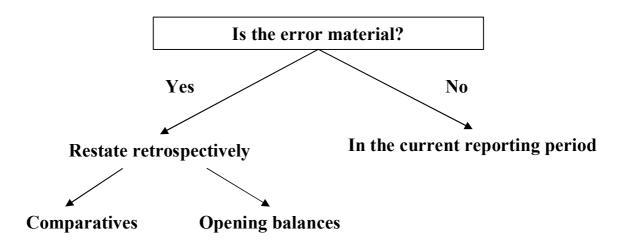
Errors discovered after the reporting date but before the authorization of financial statements



are adjusting events after the reporting date



must be corrected in the current period prior to the issuance of financial statements



#### **Disclosure**

The nature of prior period errors corrected during the period

The amount of restatement made at the start of the earliest prior period presented

The circumstances that resulted in impracticability to correct an accounting error retrospectively and how and from when the error has been corrected

# Omissions or misstatements of items are

material

if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements

#### Retrospective restatement

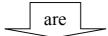
is

correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred

#### Consistency of accounting policies

An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate

#### **Events after reporting period**



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

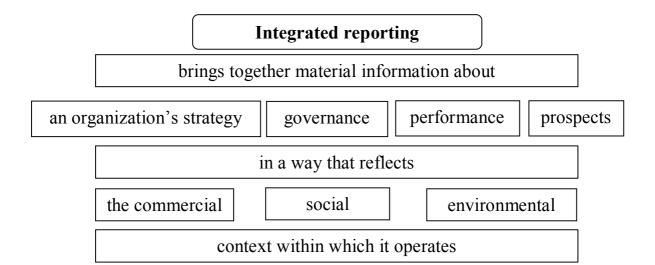
#### **Differences between current and Integrated Reporting**

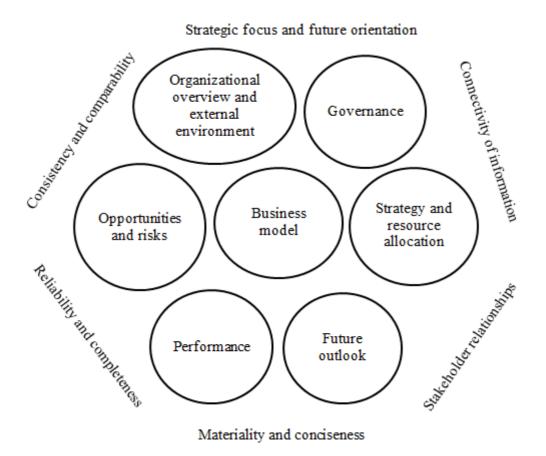
Feature	Current Reporting	Integrated Reporting		
Trust	Narrow disclosures	Greater transparency		
Stewardship	Past, financial	Past and future; connected;		
		strategic		
Thinking	Isolated	Integrated		
Focus	Past, financial	Past and future; connected;		
		strategic		
Time frame	Short term	Short, medium 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

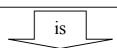
(all renewable and nonrenewable environmental resources such as clean air, water, land, minerals and forests)

#### VALUE CREATION

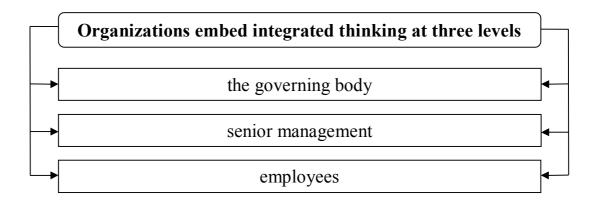


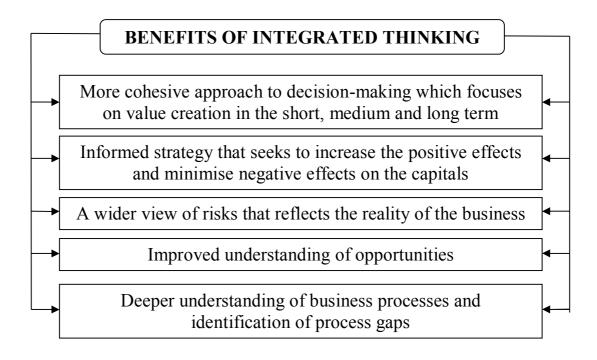
the process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs

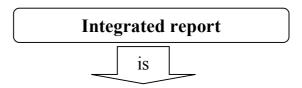
#### INTEGRATED THINKING



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





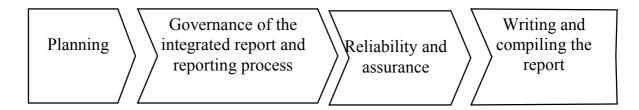


the most visible and tangible product of integrated reporting

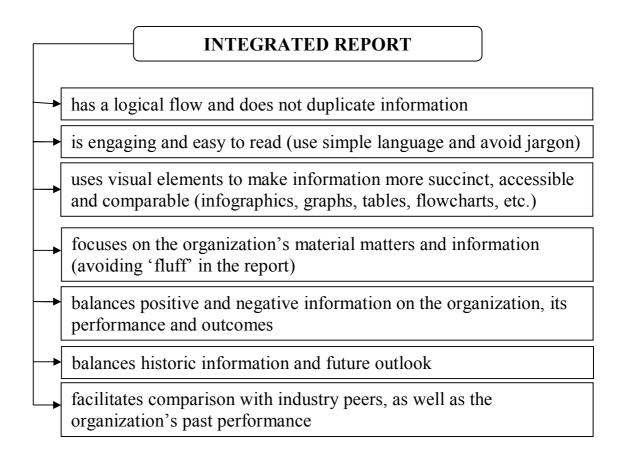


a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term

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



#### The reporting process



#### 17.3. Content of integrated report

Report Material boundary matters	Stakeholder relationships	Business model	Performance and KPIs	Outlook
----------------------------------	---------------------------	----------------	----------------------	---------

#### The report content



#### 17.4. Benefits of integrated reports

#### Subjects who benefit integrated reporting

Organizations

understand and communicate their impact and how they create value in a holistic way. This improves relationships with all stakeholders, reduces cost of capital, and facilitates improved long-term performance and sustainable development

Investors and other key stakeholders (customers, employees, regulators)

integrated reporting provides a comprehensive understanding of businesses and their prospects in the short, medium, and long-term, particularly enabling better informed investment decisions

integrated reporting helps organizations to

Society

enhanced business and investor performance increases economic prosperity, while appropriate consideration and management of all the capitals over the short, medium, and long term promotes sustainable development and financial stability

#### Classes of integrated reporting benefits

Internal benefits

better internal resource allocation decisions, greater engagement with shareholders and other stakeholders, and lower reputational risk

External market benefits

meeting the needs of mainstream investors who want ESG information, appearing on sustainability indices, and ensuring that data vendors report accurate nonfinancial information on the company

Managing regulatory risk

including being prepared for a likely wave of global regulation, responding to requests from stock exchanges, and having a seat at the table as frameworks and standards are developed

#### RECOMMENDED STANDARDS AND OTHER PRONOUNCEMENTS

- 1. Preface to IFRS Standards. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/preface.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/preface.pdf</a>
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- 3. International Financial Reporting Standard 1 First-time Adoption of International Financial Reporting Standards. The International Accounting Standards Board (Board). June 2003. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS1.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS1.pdf</a>
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- 5. International Financial Reporting Standard 5 Non-current Assets Held for Sale and Discontinued Operations. The International Accounting Standards Board (Board). March 2004. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS5.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS5.pdf</a>
- 6. International Financial Reporting Standard 10 Consolidated Financial Statements. The International Accounting Standards Board (Board). April 2001. URL: http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS10.pdf
- 7. International Financial Reporting Standard 12 Disclosure of Interests in Other Entities. The International Accounting Standards Board (Board). May 2011. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS12.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS12.pdf</a>
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- 9. International Financial Reporting Standard 15 Revenue from Contracts with Customers. The International Accounting Standards Board (Board). May 2014. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS15.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS15.pdf</a>
- 10. International Financial Reporting Standard 16 Leases. The International Accounting Standards Board (Board). January 2016. URL: http://eifrs.ifrs.org/eifrs/bnstandards/en/IFRS16.pdf
- 11. International Accounting Standard 1 Presentation of Financial Statements. The International Accounting Standards Board (Board). April 2001. URL: http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS1.pdf
- 12. International Accounting Standard 2 Inventories. The International Accounting Standards Board (Board). April 2001. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS2.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS2.pdf</a>
- 13. International Accounting Standard 7 Statement of Cash Flows. The International Accounting Standards Board (Board). April 2001. URL: http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS7.pdf
- 14. International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors. The International Accounting Standards Board (Board). April 2001. URL: <a href="http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS8.pdf">http://eifrs.ifrs.org/eifrs/bnstandards/en/IAS8.pdf</a>

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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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