FASTER
ICT – Financial and Accounting Seminars Targeting European Regions

WP3

e-modules & educational products

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WP3: Tasks – Modules - Deliverables

Task	Module		Deliverable
3.1		FASTER Platform A Laboratory	3.1
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Module 8 International Accounting Standards

- International accounting standards are accounting standards issued by the International Accounting Standards Board (IASB).
- The history of international accounting standards really began in 1966, with the proposal to establish an International Study Group.
- Listed companies, and sometimes unlisted companies, are required to use the standards in their financial statements in those countries which have adopted them.

Module 8 International Accounting Standards

- The Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards was adopted on 19/07/2002, requiring listed companies to use International Accounting Standards by 2005.
- All EU listed companies were required to prepare their financial statements following IFRS from 2005.
- Until the 2011, the IASB has issued 13 IFRS standards and adopted almost 41 origin IAS standards.

Module 8 International Accounting Standards

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 13	Fair Value Measurement

Module 8 International Accounting Standards

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 16	Poperty, Plant and Equipment
IAS 17	Leases
IAS 18	Revenues
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 33	Earnings Per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

Module 8 International Accounting Standards

Introduction to IFRS/IAS

- A financial statement should reflect true and fair view of the business affairs of the organization. As these statements are used by various constituents of the society or regulators, they need to reflect true view of the financial position of the organization, and it is very helpful to check the financial position of the business for a specific period.

A General-purpose financial reporting

- The objective of general-purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity.
- General-purpose financial statements provide information about the financial position of an entity, its resources, and claims against the resources.

Module 8 International Accounting Standards

The qualitative characteristics of financial statements include:

1. Relevance.
2. Faithful representation.
3. Comparability.
4. Verifiability.
5. Timeliness.
6. Understandability.

The objective of Financial Statements

- The objective of financial statements is to provide information about entity`s financial position, its financial performance, and its cash flows, which is utilized by spectrum of users in making economic decisions.
- Financial statements also show the results of management`s leadership and to predict the entity`s future cash flow.

The objective of Financial Statements

Financial statements of an entity provide information of:

1. Assets;
2. Liabilities;
3. Equity;
4. Income and expenses, including gains and losses;
5. Contributions by and distributions to owners;
6. Cash flows.

Module 8 International Accounting Standards

Module 8 includes three types of material:

- Core material with 42 IAS/IFRS standards
- One multiple choice question and one yes/no question per standard
- Five examples with solutions

Module 8 - Multiple choice question

1. The first annual financial statements in which an entity adopts IFRSs by an explicit and unreserved statement of compliance with IFRS are:

a) Financial statements under national GAAP.

b) Financial statements reflecting fair value approach.

c) Financial statements reflecting historical costs approach.

d) First IFRS financial statements.

Module 8 Yes/No questions

A first-time adopter must not prepare and present an opening statement of financial position at the date of transition to IFRS.

- Yes
- **No**

Module 8 Example

An entity has purchased property, plant, and equipment for 10 million €. The supplier can choose how the purchase price can be settled. The choices are:

- The receipt of 1 million share of the entity in one year's time or,
- The receipt of a cash payment in six months' time equivalent to the market value of 800.000 of the entity's shares.

Module 8 Example

It is estimated that the fair value of the first alternative would be 11 million € and the fair value of the second alternative would be 9 million €.

Required:

Explain how this transaction is accounted for (IFRS 2).

Module 8 Example

Solution:

When the entity receives the property, plant, and equipment, it should record a liability of 9 million € and an increase in equity of 1 million € (the difference between the value of the property, plant, and equipment and the fair value of the liability).