



# Stuart & Hamlyn

CHARTERED ACCOUNTANTS

# An overview of IFRS AND IAS 1

# Why IFRS? :

- Today businesses are crossing their national boundaries, promoting the **synchronization of accounting standards** across the globe.
- The application of IFRS will lead to better financial **comparisons** and enhanced **transparency** in financial reporting.

# IASB Objectives

- To develop, in the public interest, a single set of **high quality, understandable and enforceable global** accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting **to help participants in the various capital markets of the world** and other users of the information to make economic decisions
- To **promote the use and rigorous application** of those standards; and
- To **work actively with national standard-setters** to bring about convergence of national accounting standards and IFRSs to high quality solutions

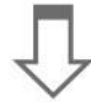
## IAS 1 Presentation of Financial Statements

=> In 1975, many amendments followed



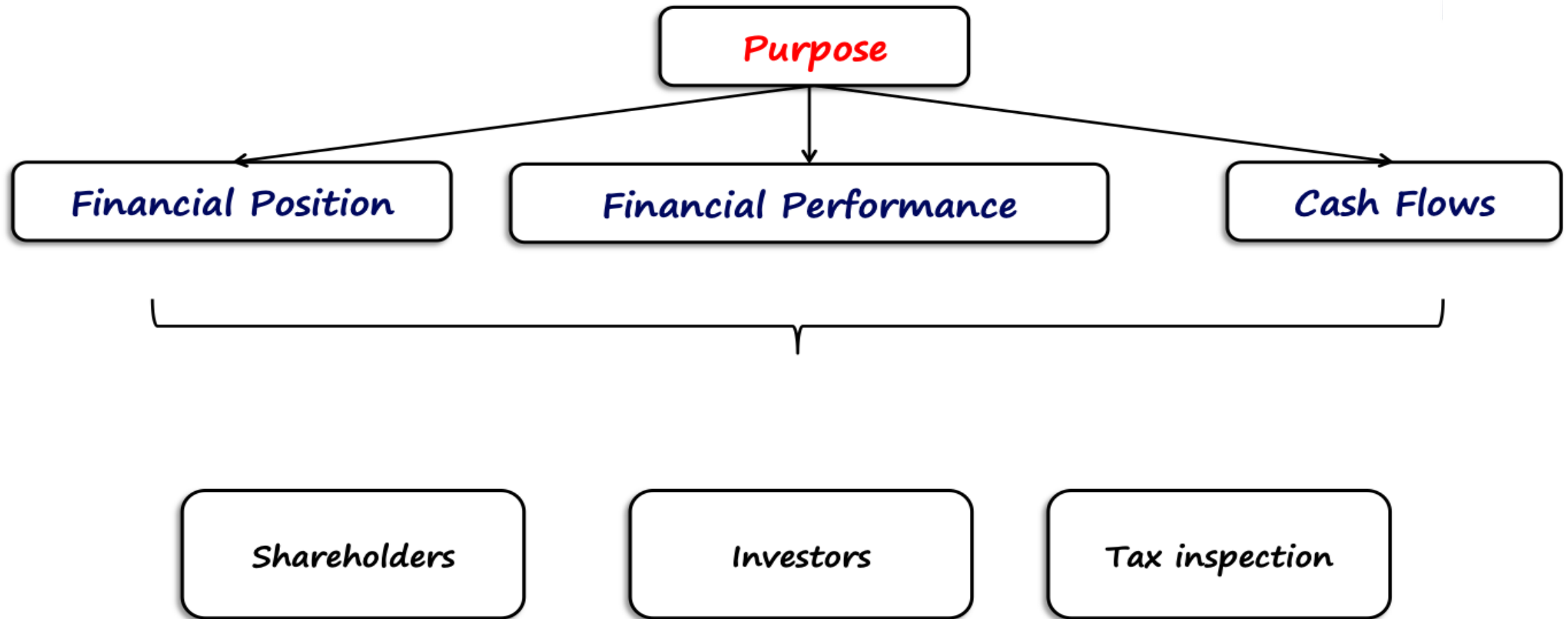
### Objective

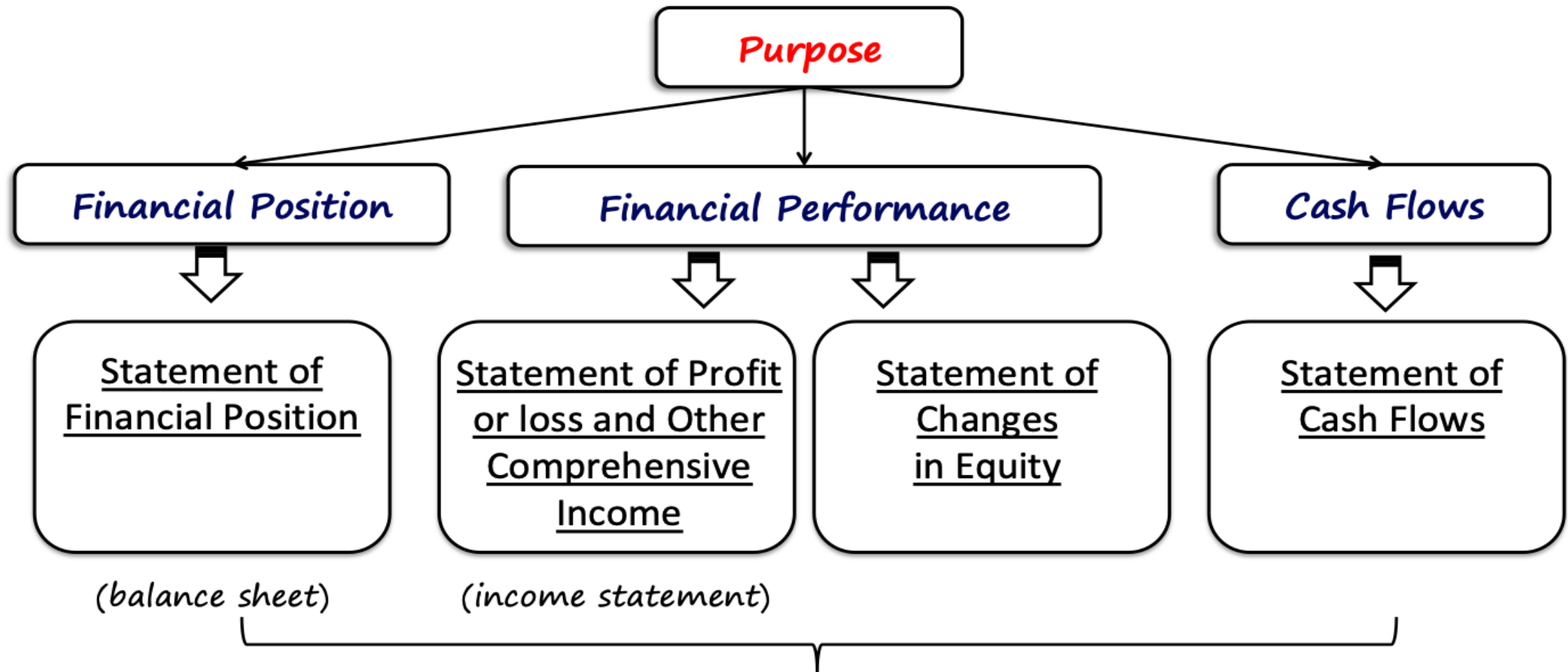
=> How to present financial statements



- ✓ Definitions
- ✓ Features of FS
- ✓ Structure of FS
- ✓ Content of FS

Sales	XXX
Cost of sales	XXX
.....	
<hr/>	
Net profit/loss	XXX





## General Features of Financial Statements

Fair  
Presentation  
& Compliance

Going  
Concern

Consistency

Accrual Basis

Comparative  
Information

Sales	XXX
Cost of sales	XXX
*****	

---

Net profit/loss XXX

Materiality &  
Aggregation

Frequency of  
Reporting

Offsetting

## General Features of Financial Statements

Fair  
Presentation  
& Compliance

- ✓ Compliant with IFRS
- ✓ Information = relevant, reliable, comparable, understandable
- ✓ Disclosures



If misleading => Make disclosures

## General Features of Financial Statements

Going Concern

✓ Is company able to continue as a going concern in a foreseeable future?



**IF NOT** => Make disclosures in the notes



Adjustments:

- ✓ Contingent liabilities
- ✓ Impairment / valuation of inventories
- ✓ Onerous contracts

**! Disclose why not going concern!**

## General Features of Financial Statements

Accrual Basis

✓ Except for Cash Flow Statement

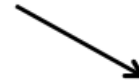


Example:

✓ Bonus for 20X3 paid in 20X4



✓ Expense in 20X3



✓ Cash paid in 20X4

## General Features of Financial Statements

Materiality &  
Aggregation

- ✓ Present each material item separately
- ✓ Aggregate immaterial amounts



What is material?

= Leads to wrong decisions if not disclosed separately

Based on SIZE

Based on NATURE

=> Bonuses to management

IFRS Practice Statement 'Making Materiality Judgements'

## General Features of Financial Statements

Offsetting

= presenting the

LIABILITY

and

ASSET

as 1 single net amount

-20

15

~~= -5~~



- ✓ Assets and liabilities **should NOT be offset** (only if permitted by another IFRS)
- ✓ Certain **gains and losses** might be reported on **a net basis**
- ✓ Presenting assets net of valuation allowances is **NOT offsetting**

## General Features of Financial Statements

### Frequency of Reporting

- ✓ At least **annually**
- ✓ **Shorter period is permitted**, but make disclosures

### Comparatives

- ✓ Present comparative info **from previous period** (numbers and narratives)
- ✓ When applying accounting policy **retrospectively**:



- ✓ **3 statements of FP** (current, previous, beginning of earliest comparative period)
- ✓ When **reclassifications** are made, reclassify also previous period

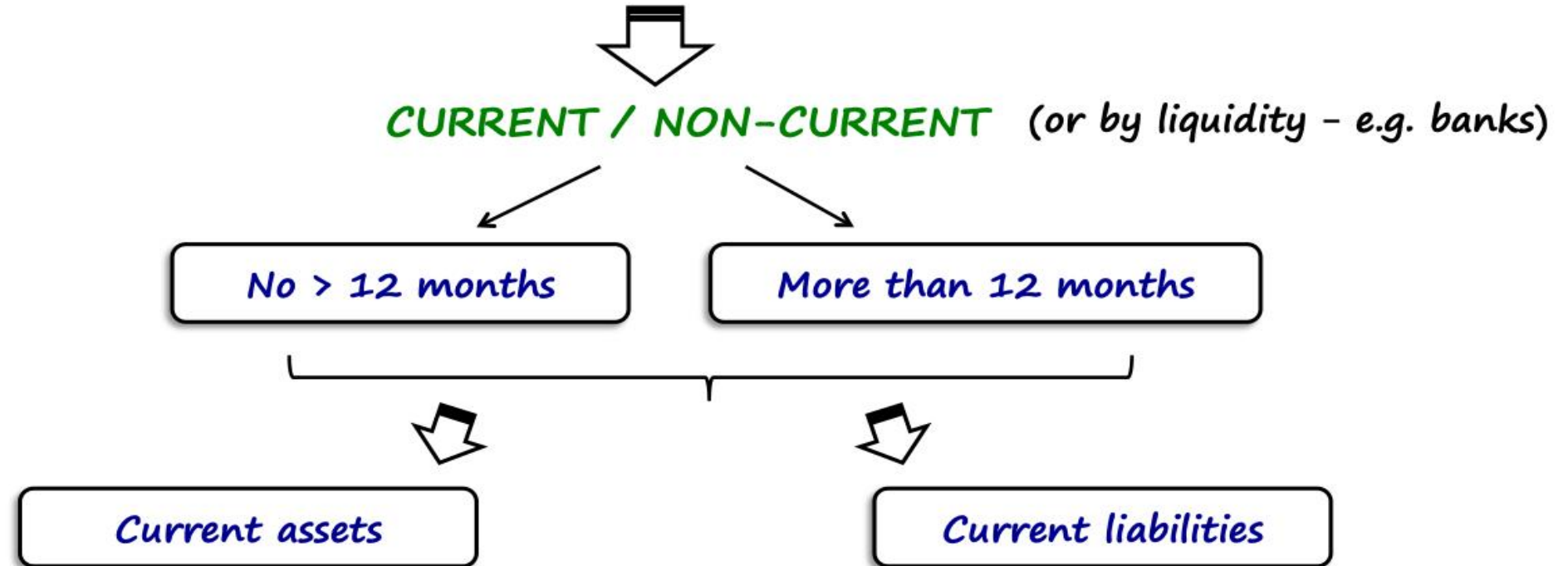
### Consistency

- ✓ Present financial statements in the same manner as in the previous period

**CPDbox Group -  
Statement of Comprehensive Income  
for the year ended 31 Dec 20X1  
(in thousands CU)**

	<u>20X1</u>	<u>20X0</u>
Sales	X	X
Cost of Sales	X	X
.....		
.....		

## Statement of Financial Position



- in normal operating cycle
- primarily held for trading
- realised within 12 months
- cash or equivalent unless restricted

- in normal operating cycle
- primarily held for trading
- settled within 12 months
- no right to defer settlement

## Line items

The line items to be included on the face of the statement of financial position are: [IAS 1.54]

- (a) property, plant and equipment
- (b) investment property
- (c) intangible assets
- (d) financial assets (excluding amounts shown under (e), (h), and (i))
- (e) investments accounted for using the equity method
- (f) biological assets
- (g) inventories
- (h) trade and other receivables
- (i) cash and cash equivalents
- (j) assets held for sale
- (k) trade and other payables
- (l) provisions
- (m) financial liabilities (excluding amounts shown under (k) and (l))
- (n) current tax liabilities and current tax assets, as defined in IAS 12
- (o) deferred tax liabilities and deferred tax assets, as defined in IAS 12
- (p) liabilities included in disposal groups
- (q) non-controlling interests, presented within equity
- (r) issued capital and reserves attributable to owners of the parent.

## Statement of Financial Position

OR

## Notes to the Financial Statements



### Further subclassifications of line items

- items of PPE
- receivables
- inventories
- provisions
- equity and reserves

### Information on share capital & other reserves

- n. of shares
- par value per share
- reconciliation of n. of shares
- rights, preferences, restrictions
- own shares & options

## Expenses

*By nature*

Revenue	X
Other income	X
<b>Total revenues</b>	<b>X</b>
Changes in inventories	X
Raw materials	X
Depreciation expense	X
Other expenses	X
<b>Total expenses</b>	<b>(X)</b>
<b>Profit before tax</b>	<b>X</b>

*By function*

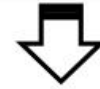
Revenue	X
Cost of sales	(X)
<b>Gross profit</b>	<b>X</b>
Other income	X
Distribution costs	(X)
Admin. expenses	(X)
Other expenses	(X)
<b>Profit before tax</b>	<b>X</b>

*Statement of Cash Flows*



*IAS 7 Statement of Cash Flows*

## Notes



- ✓ *General information + compliance with IFRS*
- ✓ *Accounting policies & judgments*
- ✓ *Sources of estimation uncertainty*
- ✓ *Capital*
- ✓ *Puttable financial instruments classified as equity*
- ✓ *Dividends*



# Thank You!



Joseph Philip



04 295 11 91/ 055 7 18 2 18 6



[philip@stuaham.com](mailto:philip@stuaham.com)



[www.stuaham.com](http://www.stuaham.com)