IFRS GLIMPSE

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IFRS GLIMPSE

IFRS Glimpse (IG) has been created to assist in gaining a high-level overview of IASB Conceptual Framework, International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). IG does not contain SIC and IFRIC interpretations.

IG provides a summary in the form of flowcharts and decisions tree about the recognition and measurement requirements of the IFRSs issued by the International Accounting Standards Board (IASB).

IG includes all IASs and IFRSs issued and effective as at June 2020.

IG publication has been carefully prepared, but it has been written in overall terms and should be read as broad guidance only and does not constitute our professional advise. IG cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Moreover, no representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication.

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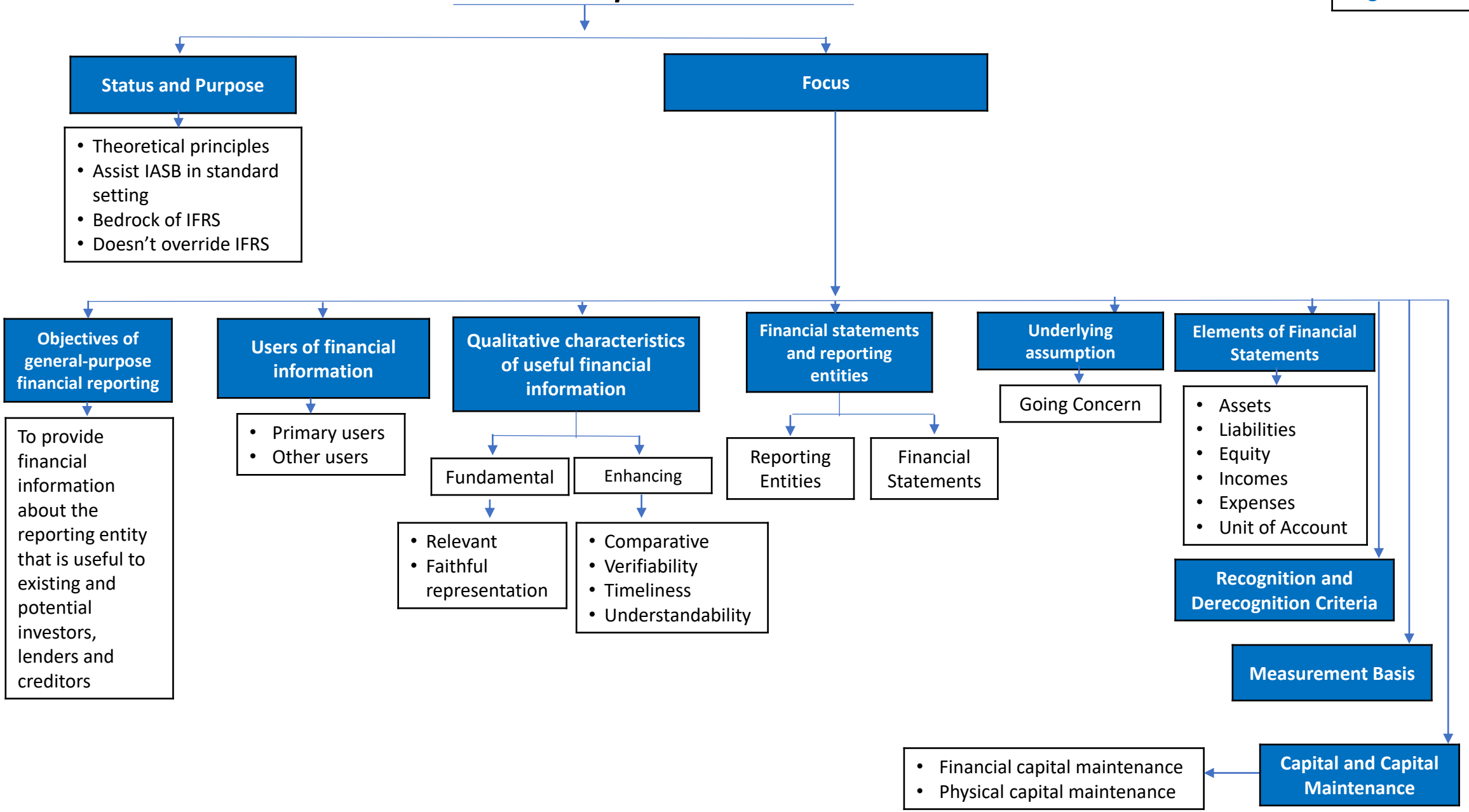
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IASB Conceptual Framework

Issued March 2018



IAS 1 Presentation of Financial Statements

Legends:
Financial statements = FS
Financial position = FP

Overall Considerations

- Structure & Contents
- Fair presentation
- Compliance & Departure
- Going concern
- Accrual basis
- Materiality & Aggregation
- Offsetting
- Reporting frequency
- Comparative Information
- Consistency

Components of Financial Statements

Statement of FP structure and content

Current and Non-Current distinction

Statement of profit or loss and other comprehensive income

- Expenses by Function
- Expenses by Nature

Other Comprehensive Income

- Will not be reclassified subsequently to profit or loss
- May be reclassified subsequently to profit or loss when specific conditions are met

Statement of cash flows

Cash and Cash Equivalence

- Operating activities;
- Investing activities;
- Financing activities.

Statement of changes in equity

Total comprehensive income

Transactions with shareholders

Notes

- Statement of compliance with IFRS;
- Summary of significant accounting policies;
- Supporting calculation on each item presented in the financial statements;
- Other disclosures:
  - Contingent liabilities.
  - Commitments.
  - Non-financial disclosures.

IAS 2 *Inventories*

Effective date: Periods beginning on or after 1 Jan 2005

Legends:
Fair value = FV
Financial Instruments = FI
Overhead = OH

Scope:

All inventories except:

- FI (IAS 32, IFRS 9 & IAS 39.
- Biological assets (IAS 41).

Note:

- Does not apply to producers of agriculture & forest products measured at NRV.
- Minerals & mineral products measured at NRV.
- Commodity brokers who measure inventory at FV less cost to sell.

Definition:

1. Inventories:

Inventories are assets:

- Held for sale in ordinary course of business;
- In process of production for such sale;
- In the form of materials or supplies to be consumed in production process or in rendering of services.

Inventories are measured at lower of cost and net releasable value (NRV).

Cost of Inventory

Cost of purchase of direct material
Add + irrecoverable taxes
Add + transport & handling charges
Less – trade volume rebates/discounts
Costs of conversion
Direct labor
Add + other direct cost
Add + factory overhead cost (fixed and variable)

Excludes:

- Abnormal waste
- Warehouse costs (unless necessary for production process)
- Admin expenses
- Selling expenses
- Interest charges / borrowing cost, except in the cases where inventory is a qualifying asset under IAS 23

Cost formulas:

- **For non-interchangeable items**
  - Specific identification
- **For interchangeable items**
  - FIFO or
  - Weighted average cost

→ Standard cost method

→ Retail method

Net Realizable Value

For finished goods and work in process inventory

Estimated selling price in the ordinary course of business
less – Estimated costs of completion
Less – estimated costs to make such sale

NRV for **material and supplies inventory** is its replacement cost.

Disclosure requirement:

- Accounting policies adopted in measuring inventories, including the costing methods.
- Total carrying amount of inventories and the carrying amount in classifications.
- Carrying amount of inventories carried at fair value less costs to sell.
- Amount of inventories recognised as an expense during the period.
- Amount of any write-down of inventories recognised as an expense in the period.
- Amount of any reversal of any previous write-down that is recognised in profit or loss for the period.
- Circumstances or events that led to the reversal of a write-down of inventories to net realisable value.
- Carrying amount of inventories pledged as security for liabilities.

IAS 7 *Statement of Cashflows*

Effective date: Periods beginning on or after 1 Jan 1994

Legend:
Long term assets = LTA

Operating activities

Relates to statement of profit or loss

Cash generated from operations

- **Direct Method**
- **Indirect Method**

Investing activities

Relates to non-current assets and current investments not part of cash & cash equivalent

Financing activities

Relates to owner's equity, non-current liabilities and short-term borrowings

Received or paid interest and dividends are disclosed separately and can be classified as operating, investing or financing, based on their nature and as long as they are consistently treated from period to period.

Cash and Cash Equivalent

- Unrestricted Cash in hand or at bank
- Short term, highly liquid, readily convertible to known amount of cash
- Less bank over-draft

- original maturity is 3 months or less, irrespective of maturity timing post balance date

Single entity

Split finance lease instalments
Interest = operating activities
Capital = financing activities

Consolidated statement of cashflows

- Dividends paid to NCI
  - Classify as cash flows from financing
- Dividends received from associates and joint ventures
  - Classify as cash flows from Investing activities
- Acquisition / disposal of subsidiary
  - Show net cash effects as part of cash flows from Investing activities
    - Disclosure in notes to the statement
- Acquisition of associate or joint venture
  - Show payments under cash flows from Investing activities

Definition:

1. Cash & cash equivalence:

- Short term (maturity 3 months or less);
- Highly liquid investments;
- Readily convertible to known amounts of cash.
- Subject to insignificance risk of change in value.

Important to consider:

- Gross Vs. Net cash flows
- Foreign currency cash flows
- Cash flow per share is not a required disclosure
- Net reporting by financial institutions
- Reporting; forward contracts, futures, options and swaps
- Reporting extra ordinary items
- Acquisition and disposal of subsidiary and other group units

Required Disclosures

The amount of significant cash and cash equivalent balances held by an entity which are not available for use by the group should be disclosed along with a commentary by management.

Recommended Disclosures

a) The amount of undrawn borrowing facilities, indicating restrictions on their use, if any;
b) The aggregate amount of cash flows that are attributable to the increase in operating capacity separately from those cash flows that are required to maintain operating capacity; and
c) The amount of the cash flows arising from the operating, investing and financing activities of each reportable segment determined in accordance with IFRS 8.

IAS 8 *Accounting policies, Change in Accounting Estimates and Errors*

Legends:
Accounting policies = AP
Earning per share = EPS

Accounting policies

Requirement:
- If change in policy is due to new standard or interpretation, apply transitional provisions.
- If no transitional provision, apply **retrospectively**.

Impracticability Exception:
Comparative information presented for a particular prior period need not be restated if doing so is impracticable.

Retrospective application:
- adjust the opening balance of each affected component of equity for the earliest prior period presented, and
- present other comparative amounts disclosed for each prior period as if the new accounting policy had always been applied.

Inability to determine period-specific effects:
1. Adjust the carrying amounts of the assets and liabilities for the cumulative effect of applying the new accounting principle at the beginning of the earliest period presented for which it is practicable to make the computation, which may be the current period.
2. Any offsetting adjustment required by applying Step 1 is made to each affected component of equity (usually to beginning retained earnings) of that period.

Policies should be consistent for similar transactions, events or conditions.

Inability to determine effects of new accounting principle on any prior periods:
The new principle is applied prospectively as of the earliest date that it is practicable to do so.

Disclosure:
- Reference of the IFRS or IFRIC that caused the change;
- Nature of the change in policy;
- Description of the transitional provisions;
- For the current period and each prior period presented, the amount of the adjustment to each line item affected and earnings per share.
- Amount of the adjustment relating to prior periods not presented.

Changes in Accounting Estimates

Requirement:
Changes in estimates be *recognised prospectively* by including them in profit or loss in
1. The period of change if the change affects that period only; or
2. The period of change and future periods if the change affects both.

Disclosure:
- Nature & amount of the change affecting current period.
- The fact that effect of future period is not disclosed because of impracticability.

When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

Errors

Requirement
Retrospective Restatement:
Material prior period errors should be corrected retrospectively by:
1. Adjust the carrying amounts of assets and liabilities at the beginning of the first comparative period in the financial statements for the amount of the correction.
2. Offset the amount of the adjustment in Step 1 (if any) by adjusting the opening balance of retained earnings for that period.
3. Adjust the financial statements of each individual prior period presented for the effects of correcting the error on that specific period (referred to as the period-specific effects of the error).

Disclosure:
- Nature of material prior period error.
- Each prior period presented, if practicable, disclose correction to each line item and EPS.
- Amount of correction at beginning of the earliest comparative period;
- If retrospective application is impracticable, explain how error was corrected.
- Subsequent periods need to repeat these disclosures.

Definitions:

1. ***Accounting policies:***
The specific principles, bases, conventions, rules & practices applied by an entity in preparing & presenting FS.

2. ***Change in accounting estimates:***
Adjustment of the carrying amount of an asset or liability, or related expense, resulting from reassessing the expected future benefits and obligations associated with the asset or liability.

3. ***Errors:***
Prior period errors are omission from & misstatement in, an entity's FS for one or more prior periods arising from failure to use/misuse of reliable information:
- Was available when FS for that period was issued;
- Could have been reasonably expected to be taken in to account in those FS.

Errors include; mathematical mistake, mistake in AP, fraud & oversight of fact.

IAS 10 *Events after the Reporting Period*

Effective date: Periods beginning on or after 1 Jan 2005

Legend:
Financial statements = FS

Definition:

1.Events after the reporting period:
Favorable or unfavorable event, that occurs between the reporting date and the date that the financial statements are authorized for issue.

Adjusting Events

An event after the reporting date that provides further evidence of conditions that existed at the reporting date.
It is an event that provides **additional information** about **conditions in existence** at the end of a reporting period,

Examples:

- Events that indicate that the going concern assumption in relation to the whole or part of the entity is not appropriate;
- Settlement after reporting date of court cases that confirm the entity had a present obligation at reporting date

Adjusting events are accounted for in the reporting period prior to the period in which those happened.

Authorization Date

The date when Financial Statements could be considered **legally authorised for issuance**, generally by action of the board of directors of the reporting entity.

It serves as the **cutoff point** after the end of reporting period, up to which the events **qualify for treatment** as per IAS 10.

Presentation and Disclosure

An entity shall present and disclose:
a) the date when the financial statements were authorised for issue
b) who gave that authorization for issuance
c) If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

Where non-adjusting events are of **such significance** a disclosure should be made of the:
a) Nature of the event
b) Quantitative impact of an estimate of its financial effect**,** or a statement that such an estimate cannot be made
c) Qualitative impact of such event
However, not all non-adjusting events are significant enough to require disclosure.

Updated Disclosure

a) If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall **update disclosures** that relate to those conditions, in the light of the additional information.
b) In some cases, an entity needs to **update the disclosures** in its financial statements to reflect information received after the reporting period, even when the information does not affect the amounts that it recognises in its financial statements.

Non-Adjusting Events

An event after the reporting date that is indicative of a condition that arose after the reporting date.
It is an event that provides **new information** about conditions that did not exist at the end of a reporting period.
Examples:

- Major business combinations or disposal of subsidiary;
- Major purchase / disposal of assets;
- Destruction of major plant.
- Announcing a plan to discontinue operation.

Non-adjusting events are not accounted for in the reporting period prior to the period in which those happened.
Instead, specific disclosure is provided considering the materiality of the event that has happened.

IAS 12 *Income Taxes*

Effective date: Periods beginning on or after 1 Jan 1998

Legends:
Goodwill = GW
Taxable Temporary Difference = TTB
Deductible Temporary Difference = DTD
Carrying Amount = CA
Tax Base = TB

Current Tax

Tax payable on profits for the year computed as per tax laws.
(Amount actually payable to the tax authorities)

- Tax for the current and prior periods is recognised as a liability to the extent it is unpaid.
- An asset is recognised if amount paid exceeds the respective current tax.

Measurement

Current tax liabilities are measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.
Current tax assets are similarly measured at the amount expected to be recovered from the taxation authorities.

Deferred Tax

Tax on any part of accounting profit (loss) which is payable (recoverable) in future accounting periods

Deferred Tax Liabilities

Recognize liabilities for all taxable temporary differences, extent it arises from:

- Initial recognition of GW.
- Initial recognition of an asset/liability that does not affect accounting or tax profit and the transaction is not a business combination
- Liabilities from undistributed profits from investments in subsidiaries, branches and associates, and interests in joint ventures where company can control the timing of the reversal.

Deferred Tax Assets

Recognize for deductible temporary differences, unused tax losses, unused tax credits to the extent that taxable profit will be available against which the asset can be used, except to the extent it arises from the initial recognition of an asset/liability that:

- Is not a business combination; and
- Doesn't affect accounting / tax profit.

Recognize for deductible temporary differences arising from investments in subsidiaries and associates to the extent it is probable the temporary difference will reverse in the foreseeable future and their will be available tax profit to be utilized.

Measurement

- Measure the balance at tax rates that are expected to apply in the period in which the asset is realized, or liability settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period;
- Deferred tax assets and liabilities are not discounted;
- The applicable tax rate depends on how the carrying amount of an asset or liability is recovered or settled;
- Current and deferred tax shall be recognized as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity or other comprehensive income, or a business combination;
- Current tax and deferred tax are charged or credited directly to equity or other comprehensive income if the tax relates to items that are credited or charged, in the
- same or a different period, directly to equity or other comprehensive income.

Accounting Treatment

Type of Diff	For Asset	For Liability	Accounting Treatment upon creation
TTD	CA > TB	CA < TB	Dr. Tax Expense Cr. Def Tax Liab.
DTD	CA < TB	CA > TB	Dr. Def Tax Asset Cr. Tax Income

Definitions:

1.Temporary difference: Difference between the carrying amount of an asset/liability and its tax base.

2.Tax base of an asset: Is the amount that will be deductible for tax purpose against any taxable benefits that will flow to the entity when it recovers the carrying amount of the asset.

3.Tax base of a liability: Its' carrying amount less any amount that will be deductible for tax purposes in respect of the liability in future periods.

4.Tax base of income: *Is its' carrying amount less revenue that will not be taxable in future.*

IAS 16 *Property, Plant and Equipment*

Effective date: Periods beginning on or after 1 Jan 2005

Recognition & Measurement

Initial

Recognition

- Probable that economic benefits will flow to entity;
- Cost can be measured reliably.

Cost comprise:

(a) Purchase price plus import duties and taxes;
(b) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management;
(c) The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Measurement

- Initial record at cost;
- Subsequent cost in case it can be measured and has an additional economic benefits flow to the entity.

Subsequent

Cost Model

Cost Less Accumulated depreciation Less Impairment

Revaluation Model

The asset is carried at a revalued amount, being its fair value at the date of the revaluation, less subsequent depreciation, provided that fair value can be measured reliably.

Asset Revaluation Changes	Recognition
Value increases	Recognize in other comprehensive income and in the "revaluation surplus" equity account
Value increases, and reverses a prior revaluation decrease	Recognize gain in profit or loss to the extent of the previous loss, with the remainder in other comprehensive income
Value decreases	Recognize in profit or loss
Value decreases, but there is a credit in the revaluation surplus	Recognize in other comprehensive income to the extent of the credit, with the remainder in profit or loss

Disclosure

Disclosure include but are not limited to:

- Measurement bases used for determining the gross carrying amount;
- Depreciation methods used;
- Useful lives or the depreciation rates used
- Gross carrying amount and the accumulated depreciation at the beginning and end of the period;
- A reconciliation of the carrying amount at the beginning and end of the period showing: additions / assets classified as held for sale or included in a disposal group classified as held for sale / other disposals / acquisitions through business combinations / changes resulting from revaluations and from impairment losses recognized or reversed in other comprehensive / impairment losses recognized in profit or loss / impairment losses reversed in profit or loss / depreciation / exchange differences / other changes;
- Existence and amounts of restrictions on title, and PPE pledged as security for liabilities;
- Contractual commitments for the acquisition of PPE.

IAS 19 *Employee Benefits*

Effective date: Periods beginning on or after 1 Jan 2013

Scope:
Applies to all employees' benefits except IFRS 2 shared-based payment.

IAS 19 is applicable to both defined contribution and defined benefit pension plans.

Short term Employee Benefits

Includes normal wages and salaries, compensated absences, profit sharing and bonuses, and such non-monetary fringe benefits as health insurance, housing subsidies and employer-provided vehicles.

Post Employment Benefits

Payable after completion of employment.
- Retirement benefits (e-g pension, life insurance etc.)
- Others (e-g post emp. Life insurance.).

Termination Benefits

Payments to be made upon termination of employment under defined circumstances, generally when employees are induced to leave employment before normal retirement age.

Other Long-term Employee benefits

Long-term (sabbatical) leave, long-term disability benefits and, if payable after 12 months beyond the end of the reporting period, profit sharing and bonus arrangements and deferred compensation.

Legends:
Statement of Financial Position = SOFP
Statement of Comprehensive Income = SOCI
Defined benefit plan = DBP

Definition:
1. Employee benefits: all forms of consideration given by an entity in exchange for services rendered or for the termination of employment.

Defined Benefit Plan (DBP):

IAS 19 prohibits delayed recognition of actuarial gain/losses & past service cost, with actual net defined benefit asset/liability in SOFP.

- **SOFP**

Recognize net defined benefit liability/asset in SOFP. In case of surplus in DBP it measures it at lower:
- Surplus in DBP
- Asset ceiling (being PV of any economic benefit available in form or refund from plan or reduction in future contribution) using discounted rate in reference to mkt yield at period end on high quality quarter bonds.

- **SOCI**

Actuarial gain/loss in OCI as occur in the period:
Past-service-costs are recorded in P&L as incur.
Net interest on net defined benefit liability/asset is recognize in P&L:
Equal to change of defined benefit liability/asset. Determined by multiplying it to discount rate.

Defined Contribution Plan:

- Entity pay fixed contribution into fund & doesn't have obligation to pay further contrib. if fund doesn't hold sufficient asset
- Recognize contrib. expense/liability when employee rendered service.

Multi Employer Plan:

- Post employment plan other than state plans that pool asset of many entities (not under common control).
- May be DCP or DBP.
- If it is DBP, entity may apply DCP accounting when info. Is not available sufficient to apply accounting requirement of DBP>

Presentation of three components of defined benefit cost:
- Service cost in P&L;
- Net interest in P&L;
- Remeasurement in OCI.

Disclosure:

Defined Contribution Plan:
Amount of expense included in current period earnings.

Defined Benefit Plan:
1. A general description of each plan.
2. Accounting policy recognition of actuarial gains or losses.
3. A reconciliation of the plan-related assets and liabilities.
4. Amount of plan assets used by the entity itself.
5. A reconciliation of movements (i.e., changes) during the reporting period in the net asset or liability.
6. The amount of, and location in profit or loss of, the reported amounts of current service cost, net interest cost (income), remeasurements, past service cost, and effect of any curtailment or settlement.
7. The actual return earned on plan assets for the reporting period.
8. The principal actuarial assumptions used.
9. A sensitivity analysis on the significant actuarial assumptions.
10. A description of the risks and characteristics of the defined benefit plans.

IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*

Scope:

Not applies to:

- Government assistance that is provided for an entity in the form of benefits that are available in determining taxable income or are determined or limited to the basis of income tax liability;
- Government participation in the ownership of an entity;
- Government grants covered by IAS 41.

Definition:

1. Government Grants:

- *Assistance from government;*
- *In form of resources from government;*
- *In return to past / future compliance with certain conditions relating to operating activities of the entity;*

Types of Grants

Grants related to Income

Presentation

Can be presented in two way:

1. Separately as "other income".
2. Deduction from related expenses.

Recognition

There is a reasonable assurance:

1. The entity will comply to all conditions attached to the grants; &
2. The grant will be received.

Grants related to Assets

Presentation

Can be presented in two ways:

1. As deferred income; or
2. Deduction from the assets carrying amount.

Recognition

The grant is recognized as income over the period necessary to match it with the related costs, for which it is intended to compensate on a systematic basis and should not be credited directly to equity.

Non-Monetary Grant

Government grant may take the form of a transfer of a non-monetary asset, such as grant of a plot of land or a building in a remote area. In these circumstances the standard prescribes the following optional accounting treatments:

1. To account for both the grant and the asset at the fair value of the non- monetary asset; or
2. To record both the asset and the grant at a "nominal amount."

Disclosure

Disclosure include but are not limited to:

- Accounting policy adopted for grants, including method of statement of financial position presentation;
- Nature and extent of grants recognized in the FS;
- An indication of other forms of government assistance from which the entity has directly benefited;
- Unfulfilled conditions and contingencies attaching to recognized grants.

Repayment of Government Grants

Repayment of a grant related to income should:

1. First apply against any unamortised deferred income; and
2. The repayment in excess to step 1, should be recognised immediately as an expense.

Repayment of a grant related to an asset should be:

1. Recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable; and
2. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant should be recognised immediately as an expense.

IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Legends:
Net Investments = NI
Net Realizable Value = NRV
Revalued amount = RA
Financial Statements = FS

Monetary Vs. Non-monetary Items:
Monetary items are those granting or imposing "a right to receive, or an obligation to deliver, a fixed or determinable number of units of currency." In contrast, non-monetary items are those exhibiting "the absence of a right to receive, or an obligation to deliver, a fixed or determinable number of units of currency."

Foreign operation is an entity that is a subsidiary, associate, joint arrangement or branch of a reporting entity, the activities of which are based in a country or currency other than those of the reporting entity.

Foreign Currency ?
Currency other than the functional currency of the entity

- **Foreign Currency Transaction**
  - Initial Recognition
    - At spot rate; or At average rate if fluctuation is insignificant
  - Subsequent Measurement
    - Monetary Items
      - At closing rate on reporting date
      - Gain/loss is recognized in SOPL.
    - Non-Monetary Items
      - At a rate on transaction date (if the item was on historical cost)
      - At a rate on revaluation date (if the item was carried at revalued amount).
        - **In case the asset is subject to impairment under IAS 2 or IAS 36:**
          At lower of either:
          - Cost/CA at historical rate.
          - NRV/RA at closing rate on reporting date.

          Translation gain or loss in SOPL.
- **Consolidation of Foreign Operations**
  - Disposal of Foreign Operation
    - The cumulative amount of exchange differences that was recognized in OCI is reclassified to SOPL (recycled).
  - Loan Forming part of net investment in Foreign Operation
    - Exchange gains and losses to equity on consolidation only. Recorded in SOPL in the separate FS.
  - **Translation into presentation currency:**
    - Assets & Liabilities; at closing exchange rate
    - Income & expenses; at exchange rate on transaction date or average rate.

    Resulting exchange gain or loss in OCI.

Key Notes:
- No need to present FS in functional currency. A presentation currency can be selected.
- Accounting records must be kept in functional currency.
- A group does not have a functional currency. Functional currency is assessed separately for each entity in the group.

Definition:
Functional currency is defined as being the currency of the primary economic environment in which an entity operates. This is normally, but not necessarily, the currency in which that entity principally generates and expends cash.

Scope:
- Does not apply to derivates that come under IFRS 9. However, those foreign currency derivatives that are not within the scope of IFRS 9 (e.g., some foreign currency derivatives that are embedded in other contracts), and the translation of amounts relating to derivatives from its functional currency to its presentation currency are within the scope of this standard;
- Applies in translating the financial position and financial results of foreign operations as a result of consolidation or the equity method; and
- Applies in translating an entity's financial statements into a presentation currency.

IAS 23 *Borrowing Costs*

Effective date: Periods beginning on or after 1 Jan 2009

Key Notes:

- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalized as part of the cost of that asset;
- Other borrowing costs are recognized as an expense when incurred.

Specific Borrowing

Borrowing cost eligible to be capitalized is actual borrowing cost incurred on specific borrowing

Less: income on temporary investment (if any) of the excess borrowing not yet used.

General Borrowing

Borrowing cost eligible to be capitalized is determined by applying weighted average rate on general (overall) borrowings.

Note:
Amount of borrowing cost capitalized cannot exceed in the period on amount of borrowing cost incurred.

Disclosure

- Amount of borrowing cost capitalized during the period;
- Capitalization rate used.

Definitions:

1. Borrowing costs:
Borrowing costs are interest and other costs incurred by an entity in connection with the borrowing of funds.

2. Qualifying asset:
An asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Capitalization Commencement

When:

- Expenditures for the asset are being incurred;
- Borrowing costs are being incurred;
- Activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization Suspension

When:
Active development is interrupted (during that period).

Capitalization Ceases

When:
Substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
Note: When construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts; capitalization of borrowing costs ceases when substantially all the activities necessary to prepare that part for its intended use or sale are completed.

IAS 24 *Related Party Disclosures*

Effective date: Periods beginning on or after 1 Jan 2011

Focus:
- Disclosure of related party relationships
- Disclosure of related party transactions
- Disclosure of outstanding balances with related parties
- Disclosure of commitments to related parties

Application:
- To identify the circumstances in which disclosure is required; and
- To determine the disclosures to be made

RP include:
- Other subsidiaries under common control
- Owners of a business, its key managers, and their families
- The parent entity
- Post-employment Benefit Plans for the benefit of employees
- An entity that provides Key Management Personnel Services to the reporting entity

For possible RP relationship consider the substance of relationship and not merely the legal form.

Disclosure Requirements

General

The nature of all related party relationships, even in the absence of any transactions between the parties, and the name of the ultimate controlling party (usually the parent entity).

Compensation

The total amount of compensation for key management personnel, as well as for their short-term benefits, post-employment benefits, other long-term benefits, termination benefits, and any share-based payments.

Transaction Level

For specific related party transactions; nature of the relationship, transaction terms and conditions, outstanding balances, commitments or guarantees, related collateral arrangements, provisions for related doubtful debts, and any related bad debt expense recognized during the period.
These disclosures should be reported separately for the parent entity, any entities with joint control or influence over the business, subsidiaries, associates, joint ventures, KMP, and other related parties.

KMP Services

The amounts incurred for KMP services from a separate management entity.

Govt Control

Transaction-level disclosures are **not required** when the related party is a government entity that has control or influence over the business, or another entity over which the same government entity also exercises control or influence.

Instead, disclose the name of the government entity and the nature of the relationship with it, as well as the nature and amount of those transactions, if considered significant.

RP do not include:
- Lenders;
- Trade unions;
- Public utilities;
- Government entities that do not control the business;
- Entities that have a director or key manager in common;
- Fellow joint venturers who jointly control a venture.

Legends:
Related Party (ies) = RP
Key Management Personnel = KMP

Definitions:

1. Key Management Personnel:
Persons having authority & responsibility for: Planning, directing & controlling the activity of entity (directly/indirectly) including all directors.

2. Close Family Member:
Includes but not limited:
- Children, & dependence;
- Spouse/partner;
- Children & dependents of spouse/partner.

(Must access level of influence case by case).

Transactions between related parties cannot be presumed to be at an *arm's length.*

IAS 26 *Accounting & Reporting by Retirement Benefits Plan*

Effective date: Periods beginning on or after 1 Jan 1998

Scope:
Applies to FS of RBP.
It does not establish a mandate for the publication of such reports by retirement plans.
IAS 26 regards a RBP as a separate entity, distinct from the employer of the plan's participants.

Legends:
Defined benefit plan = DBP
Defined contribution plan = DCP
Retirement benefits plan = RBP

Retirement Benefits Plans

Retirement benefit plans are usually described as being either defined contribution or defined benefit plans.

Defined Benefits Plans

Determined by formulae which involve factors such as years of service and salary level at the time of retirement. Ultimate responsibility for payment remains with the employer. Reporting DBP includes:

1. Description of significant activities for the period & the effect of changes, its membership and terms & conditions.
2. SOPL and SOFP at the end of the period
3. Actuarial information either as part of the FS or separately.
4. A description of the investment policies.

If an actuarial valuation has not been prepared on the date of the report, the most recent valuation should be used as the basis for preparing the FS.

- Recognize plan investment at fair value
- Disclosure of the reason if fair value can not be estimated

Report of a DBP should contain *either:*

1. A statement that shows:
   a. The net assets available for benefits;
   b. The actuarial present value of promised retirement benefits, distinguishing
   c. between vested and non-vested benefits; and
   d. The resulting excess or deficit;
2. A statement of net assets available for benefits, including *either*:
   a. A note disclosing the actuarial PV of retirement benefits, distinguishing b/w vested and non-vested; or
   b. A reference to this information in an accompanying actuarial report.

Defined Contribution Plans

Quantum of the future benefits payable to the RBM participants is determined by the contributions together with investment earnings thereon.
Reporting of a DCP contains a statement of the net assets available for benefits and a description of the funding policy.

- Recognize plan investment at fair value
- Disclosure of the reason if fair value can not be estimated

Disclosure Requirements

Main disclosure:

1. Changes in net assets available for benefits;
2. Summary of significant accounting policies; and
3. Description of the plan and the effect of any changes in the plan during the period.

Report may include following statements and descriptions, if applicable:
1) Net assets available for benefits disclosing suitably classified ending balance of assets, valuation basis of assets, singly investment exceeding 5%, investment in employer, liability other than actuarial PV. **2)** Changes in net assets showing employer & employee contribution, investment income, other income, benefits paid/payable, operating & tax expenses, G/L on investment. **3)** Funding policy. **4)** For DBP; actuarial PV of promised retirement benefits and description of significant actuarial assumptions.
Report of RBP may contain: a) names of the employers and the employee groups covered, b) number of participants , c) type of plan, d) note as to whether participants contribute to the plan, e) retirement benefits promised to participants, f) plan termination terms, g) any change during the period covered by the report.

Definitions:

1. Retirement benefit plans:
Arrangements by which an entity provides benefits (annual income or lump sum) to employees after they terminate from service.

2. Defined benefit plans:
A Plan by which employees receive benefits based on a formula usually linked to employee earnings.

3. Defined Contribution plans:
A retirement benefit plan by which benefits to employees are based on the amount of funds contributed to the plan plus investment earnings thereon.

IAS 27 *Separate Financial Statements*

Effective date: Periods beginning on or after 1 Jan 2013

Legends:
Joint Venture = JV
Fair Value = FV

Scope:

A parent entity may sometimes elect or be required to issue separate financial statements.

Separate financial statements are the financial statements of a parent entity, in which investments in subsidiaries, JVs and Associates are recorded at their cost, at fair value, or using the equity method.

An entity that is exempt in accordance with IFRS 10.4(a) from consolidation or IAS 28.17 (as amended in 2011) from applying the equity method may present separate financial statements as its only financial statements.

Investment in Subsidiaries, JV & Associates

Normal Investment

- At cost,
- At fair value as per IFRS 9, or
- Using the equity method

The entity should apply the same accounting for each category of investments.

Investment is Held for Sale

- As per IFRS 5, if previously accounted for at cost
- As per IFRS 9, if previously accounted at FV as per IFRS 9.

Dividend Income from Investment in Subsidiaries, JV and Associates

- Dividend received from subsidiaries; JVs, & associates are recognized when right to receive the dividend is established.
- Dividend is accounted for as follows:
  1. In SOPL, if the investment is measured at cost or fair value;
  2. As reduction from carrying value of investments, if investment is accounted for using the equity method.

Disclosure Requirements

- Fact that separate financial statements have been issued, and the exemption under which they were issued.
- Name and principal place of business of the entity whose consolidated financial statements are available for public use, and where these statements can be obtained.
- Itemization of the significant investments of the parent in subsidiaries, joint ventures, and associates, including their names, principal places of business, and the parent's ownership percentages.
- Methodology upon which the accounting for these investments is based.

Definitions:

1. Separate Financial Statements:
FS presented by a parent (i.e. an investor with control of a subsidiary) or an investor with joint control of; or significant influence over an investee, in which the investments are accounted for at cost, at FV, or using the equity method.

2. Consolidated Financial Statements:
FS of a group in which the assets, liabilities, equity, income, expenses, and cash flows, of the parent and its subsidiaries are presented as a single economic entity.

IAS 28 *Investments in Associates and Joint Ventures*

Effective date: Periods beginning on or after 1 Jan 2013

Scope:
Applies to all the entities that are investors with Joint control of, or significant influence over, an investee.

Application

Equity Method

Initial Recognition

At Cost

Subsequent Measurement

Initial investment at cost
+/- Post acquisition Investor's share in investee's profit or loss
- Dividends received from the investee

Key Notes:

- Equity method is used from the date of significant influence arises, to the date significance influence ceases.
- The investor's share of the investee's profits and losses are recorded within profit or loss for the investor.
- If the investee records changes in its OCI, the investor should record its share of these items within OCI, as well.

Exemption

If the entity is a parent that is exempt from preparing consolidated FS, or if:

1. The investor is a wholly owned subsidiary and its owners have been informed about the decision
2. The investor's debt or equity instruments are not publicly traded
3. The investor did not file its FS with a securities commission or other regulator for the purposes of issuing its shares to the public
4. The ultimate or intermediate parent of the investor produces consolidated financial statements that comply with IFRSs.

Discontinuation of Equity Method

Use of the equity method should be discontinued as of the date when the investee can no longer be classified as an associate or a JV. Specifically, the following circumstances cancel use of the equity method:

- The investee becomes a subsidiary, in which case its financial statements are consolidated with those of the parent entity.
- The investment is classified as a financial asset, in which case the investment is measured and recognized at its fair value.

When use of the equity method is discontinued, and if the investor had previously recorded its share of investee transactions in other comprehensive income, these items should be reclassified to profit or loss.

Disclosures

An investment in an associate or joint venture should be classified as a non-current asset. However, if the intent of the investor is to sell the investment, the proper classification is to list the investment as held for sale.

Definitions:

1. Associate:
An entity over which the investor has significant influence;

2. Joint Venture:
A Joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Impairment loss

Goodwill that forms part of the carrying amount of an investment in an investee is not separately recognized &
therefore not tested separately for impairment, instead the entire investment is tested as per IAS 36.

If impairment has occurred, the investor records an impairment loss in the amount by which the recoverable amount is less than the carrying amount; this is used to reduce the recorded investment in the investee.

If the value of an investment subsequently increases, the impairment loss can be reversed, to the extent that the recoverable amount of the investment increases.

IAS 29 *Financial Reporting in Hyperinflationary Economies* Effective date: Periods beginning on or after 1 Jan 2007

Scope:
Applies to all entities whose functional currency is the currency in hyperinflationary economy.

Legend:
General Price Index = GPI

Restatements of Financial Statements – Hyperinflationary economies

Historical Cost Financial Statements

- **SOCI**
  - All items in SOCI are expressed in terms of the measuring unit current at the end of the reporting period. Therefore all amounts need to be restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the FS.
- **SOFP**
  - SOFP not already expressed in terms of the measuring unit current at the end of the period are restated by applying a general price index (GPI).
  - Assets & liabilities linked by agreement to changes in prices are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the period.
  - Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the period.
  - Remaining other assets and liabilities are nonmonetary. Some non-monetary items are carried at amounts current at the end of the period, such as NRV & market value, so they are not restated. All other nonmonetary assets and liabilities are restated.

Current Cost Financial Statements

- **SOCI**
  - All amounts are restated into the measuring unit current at the end of the reporting period by applying a GPI.
- **SOFP**
  - Items at current cost are not restated because they are already expressed in the unit of measurement current at the end of the period.
- **Comparative & Statement of Cashflows**
  - All items in the SOCF are expressed in terms of the measuring unit current at the end of the reporting period. Corresponding figures for the previous reporting period, whether based on either a historical cost approach or a current cost approach, are restated by applying a GPI.

IAS 32 *Financial Instruments: Presentation*

Effective date: Periods beginning on or after 1 Jan 2005

Scope:
Applies to all type of FI except:
- Those interest in subsidiaries, associates & JVs.
- Obligation under employee benefits plan.
- Insurance Contracts.
- FI contracts, contracts & obligation under share-based payment.

Legends:
Financial Instruments = FI
Financial Assets = FA
Financial liabilities = FL
Equity Instruments = EI

Financial Instruments

- **Financial Assets**
  - FA is:
    - Cash;
    - Investment in shares;
    - Contractual right to receive (cash, another financial asset, potentially favorable derivates).
    - Settlement in entity's own equity instruments (variable number of equity instruments).
- **Financial Liabilities**
  - FL is:
    - Contractual obligations to deliver (cash, another financial asset, potentially un-favorable derivates).
    - Settlement in entity's own equity instruments (variable number of equity instruments).
- **Equity Instruments**
  - Equity = Assets - Liabilities

Distinguish Equity Instrument and Financial Liability

Based on substance and definition

- **Financial liability**
  - Option to settle in cash or share
  - Contingent provisions
  - Exception – Puttable instrument (features)
- **Equity Instruments**
  - Exception – If not genuine

Note: Preference share with redemption option.

(1) Subordinate to all shares (2) Identical features (3) No other obligation to deliver cash than redemption (4) Prorate share in net assets (5) Expected cash flow from P&L, change in net asset and FV change in net assets only.

Reclassifications

- EI to FL → Difference b/w CA of EI & FV of FL in equity
- FL to EI → No Gain/Loss

IAS 32 *Financial Instruments: Presentation (continued)*

Effective date: Periods beginning on or after 1 Jan 2005

Scope:

Applies to all type of FI **except:**

- Those interest in subsidiaries, associates & JVs (IFRS-10, IAS-27/28).
- Obligation under employee benefits plan (IAS-19).
- Contracts within the scope of IFRS-17 except derivates that are embedded in contracts (certain condition).
- FI contracts, contracts & obligation under share-based payment (IFRS-2).

Compound Financial Instruments

- **Financial Liability**
  - FV by discounting using mkt Interest rate
- **Equity Instrument**
  - By deducting FV of FL from FV of CFI

At maturity

1. Conversion;
2. Repurchase.

Before maturity

1. Conversion;
2. Repurchase.

Induced conversion (if any): Additional payment recognize as loss in P&L

Offsetting

A financial asset and a financial liability are offset only when there is a legally enforceable right to offset and an intention to settle net or to settle both amounts simultaneously (mutually agreed).

1. Interest, dividend, losses/gains related to FL recognized as expense in P&L;
2. Dividend related to EI recognized in equity.

Legends:

Financial Instruments = FI
Financial Assets = FA
Financial liabilities = FL
Equity Instruments = EI

Definition:

***1. Compound Financial** Instruments:*

Compound instruments that have both liability and equity characteristics are split into these components. The split is made on initial recognition of the instruments and is not subsequently revised. The equity component of the compound instrument is the residual amount after deducting the fair value of the liability component from the fair value of the instrument as a whole. No gain/loss arises from initial recognition.

IAS 33 *Earnings Per Share*

Effective date: Periods beginning on or after 1 Jan 2005

Scope:
Applies to those Separate or individual FS of an entity and to those consolidated FS of a group with a parent:
- whose ordinary shares or potential ordinary shares are traded in a public market
- that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market

TYPES of Earnings Per Share

- **Basic EPS** (to be disclosed on face of SOCI)
- **Diluted EPS** (to be disclosed on face of SOCI)

Earnings attributable to the ordinary share holders / Weighted average no. of ordinary shares (WANOS) outstanding

- **Basic Earnings**
  - (a) profit/loss from continuing operations attributable to the parent entity; and
    (b) profit/loss attributable to the parent entity,
    shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.
- **Basic WANOS**
  - The weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted for events, other than the conversion of potential ordinary shares that have changed the number of ordinary shares outstanding without a corresponding change in resources.
- **Diluted Earnings**
  - adjust profit or loss attributable to ordinary equity holders, by the after-tax effect of:
    (a) any dividends, interest or other items related to dilutive potential ordinary shares; and
    (c) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.
- **Diluted WANOS**
  - The number of ordinary shares shall be the weighted average number of ordinary shares calculated in the determination of basic earnings per share and adjusted earnings per share, taking into account potential ordinary shares plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.
    Dilutive potential ordinary shares shall be deemed to have been converted into ordinary shares at the beginning of the period or, if later, the date of the issue of the potential ordinary shares.

Increase or decrease in Ordinary shares may happen without a corresponding change in resources. Examples include:
- a capitalisation or bonus issue
- a bonus element in any other issue, e.g., a bonus element in a rights issue to existing shareholders;
- a share split; and a reverse share split.

Dilutive potential ordinary shares
Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Presentation and Disclosure

Present in the SOCI basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary equity holders of the parent entity for the period **for each class of ordinary shares that has a different right to share in profit of the period.**
An entity that reports a **discontinued operation** shall disclose the basic and diluted amounts per share for the discontinued operation either in the SOCI or in the notes.

Legends:
Earnings Per Share = EPS
Weighted average no. of shares = WANS

Definitions:
1. Ordinary Share:
is an equity instrument that is subordinate to all other classes of equity instruments.
2. Potential Ordinary Share:
is a financial instrument or other contract that may entitle its holder to ordinary shares.
3. Dilution:
is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

IAS 34 *Interim Financial Reporting*

Effective date: Periods beginning on or after 1 Jan 1999

Scope:
Applies to entities required by legislation or other pronouncements or that elect to publish interim financial reports
- IAS 34 does not apply where interim financial statements included in a prospectus
- Standard does not mandate which entities should produce interim financial reports.

Definitions:
1.Interim Period:
Financial period shorter than full year (12 months);
2.Interim financial report:
Either a complete (IAS 1) or condensed set of FS.

Compliance:
Disclose the fact that interim FS comply with IAS 34.

Accounting policies

- There is no requirement under IFRS that entities must prepare interim financial statements.
- Even if annual financial statements are prepared in accordance with IFRS, the reporting entity is free to present interim financial statements on bases other than IFRS, as long as they are not misrepresented as being IFRS compliant.
- If interim financial statements are IFRS based, then interim financial data should be prepared in conformity with accounting policies used in its annual financial statements.
- Recognition of assets, liabilities, expenses and income, however, is the same as for the annual financial statements.

Restatement
A change in accounting policy should be reflected by restating the financial statements of prior interim periods of the current year and the comparable interim periods of the prior financial year.

Materiality
Materiality for interim reporting purposes may differ from that defined in the context of an annual period.

Presentation

Entity may present complete set of FS in the interim report or may present condensed set of FS in the interim report.

Full Set of; Follow IAS 1

Condensed Set of FS
- A condensed SOFP
- A condensed SOCI
- A condensed SOCE
- A condensed SOCF
- Selected explanatory notes

Consistency
Interim period financial statements should be prepared using the same accounting principles that had been employed in the most recent annual financial statements

Consolidation
If the most recent annual financial statements were presented on a consolidated basis, then the interim financial reports in the immediate succeeding year should also be presented similarly

Recognition and Measurement

Definitions of assets, liabilities, income and expense are the same for interim period reporting as for annual reporting

Use of Estimates
Interim reports require a greater use of estimates than annual reports.

Uneven Cost
Anticipated or deferred only if it would be possible to defer or anticipate at year end.

Seasonal, Cyclical or Occasional Revenue
- Revenue received during the year should not be anticipated or deferred where anticipation would not be appropriate at year end
- Recognise revenue as it occurs.

Depreciation & Amortization

Inventories

Foreign currency translation

Use of Estimates

Impairment of Asset

Income Taxes
the rate to be applied to interim period earnings will take into account the expected level of earnings for the entire forthcoming year, as well as the effect of enacted (or substantially enacted) changes in the tax rates to become operative later in the fiscal year.

IAS 34 *Interim Financial Reporting (continued)*

Comparative Interim Financial Statements

Quarter 1	Quarter 2	Quarter 3	Quarter 4
01.01.2015 - 31.03.2015	01.04.2015 - 30.06.2015	01.07.2015 - 30.09.2015	01.10.2015 - 31.12.2015

Statement	Current	Comparative
Statement of Financial Position	At the end of current interim period Q1 | Q2 | Q3 | Q4 30/09/15	As at the end of the immediately preceding financial period end Q1 | Q2 | Q3 | Q4 31/12/2014
Statement of Comprehensive Income	Current interim period and cumulative year to date Q1 | Q2 | Q3 | Q4 30/09/15 1/1/2015 TO 30/09/15	Comparable interim period and year to date of immediately preceding year Q1 | Q2 | Q3 | Q4 30/09/14 1/1/2014 TO 30/09/14
Statement of Changes in Equity	Cumulatively to the current financial year to date Q1 | Q2 | Q3 | Q4 1/1/2015 TO 30/09/15	Comparative year to date of immediately preceding year Q1 | Q2 | Q3 | Q4 1/1/2014 TO 30/09/14
Statement of Cash Flows	Cumulatively for the current financial year to date Q1 | Q2 | Q3 | Q4 1/1/2015 TO 30/09/15	Comparative year to date of immediately preceding year Q1 | Q2 | Q3 | Q4 1/1/2014 TO 30/09/14

IAS 36 *Impairment of Assets*

Effective date: Periods beginning on or after 31 Mar 2004

Legends:
Cash Generating Units = CGU
Value in Use = VIA

Scope:
Applies to
All assets, **except** inventories, contract assets and assets arising from costs to obtain or fulfill a contract, deferred tax assets, employee benefits, financial assets, investment property measured at fair value, biological assets, insurance contract assets, and non-current assets held for sale.

Assets to be Reviewed

- Individual Assets
- CGUs

Impairment

Impairment = Carrying amount – Recoverable amount

Higher of FV less cost to sell and VIU

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

Value in Use
Represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset.

WHEN TO DO IMPAIRMENT TEST ?

Is there any Indicators ?

INTERNAL INDICATORS

- Significant decline in market value;
- Changes in technological , market, economic or legal environment;
- Changes in interest rates;
- Carrying amount of the net assets of the entity is more than its market capitalization

EXTERNAL INDICATORS

- Evidence of obsolescence or physical damage;
- Discontinuance, disposal or restructuring plans;
- Declining asset performance.

Annual Impairment Test

Compulsory for:
- Intangible assets with an indefinite useful life;
- Intangible assets not yet available for use;
- CGUs to which goodwill

Reversal of Impairment

Individual asset:
Increased amount shall not exceed the carrying amount had no impairment loss been recognised for the asset in prior years.

CGU:
Allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets.

Goodwill:
An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

Disclosures

SOPL & OCI:
- Impairment loss during the year
- Reversal of Impairment loss
- Impairment loss on revalued assets
- Reversal of impairment loss on revalued assets

Notes:
- Events and circumstances
- Amount, nature and segment
- Description of CGU
- Level of FV hierarchy and valuation techniques
- Discount rates, growth rate used for VIU
- Period of cash flow projection assumed
- Carrying amount of goodwill allocated
- Basis of determining CGU

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Scope:
Except the provisions, contingent liabilities and contingent assets:
(a) those resulting from executory contracts, except where the contract is onerous; and
(b) those covered by another Standard, when another Standard deal with a specific type of provision, contingent liability or contingent asset.

Recognition & Measurement

Provisions

Recognized if:
- Entity has a present as a result of a past event;
- It is probable that an outflow of economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

Obligation:
Legal obligation
Constructive obligation

Contingent Liabilities

Disclose only if not remote

Contingent Assets

Do nothing

Measurement

- Provisions are measured at the best estimate of the expenditure required to settle the present obligation at year end;
- Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities;
- In determining the best estimate, the related risks and uncertainties are taken into account;
- Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate used is a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability
  - The discount rate does not reflect risks for which future cash flow estimates have been adjusted;
- Future events that may affect the amount required to settle the obligation are reflected in the amount of the provision where there is sufficient objective evidence that they will occur;
- Gains from the expected disposal of assets are not taken into account in measuring the provision;
- Reimbursements from third parties for some or all expenditure required to settle a provision are recognized only when it is virtually certain that the reimbursement will be received. The reimbursement is treated as a separate asset, which cannot exceed the amount of the provision;
- Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate;
- If it is no longer probable that an outflow of economic benefits will be required to settle the obligation, the provision is released;
- Provisions are not recognized for future operating losses.

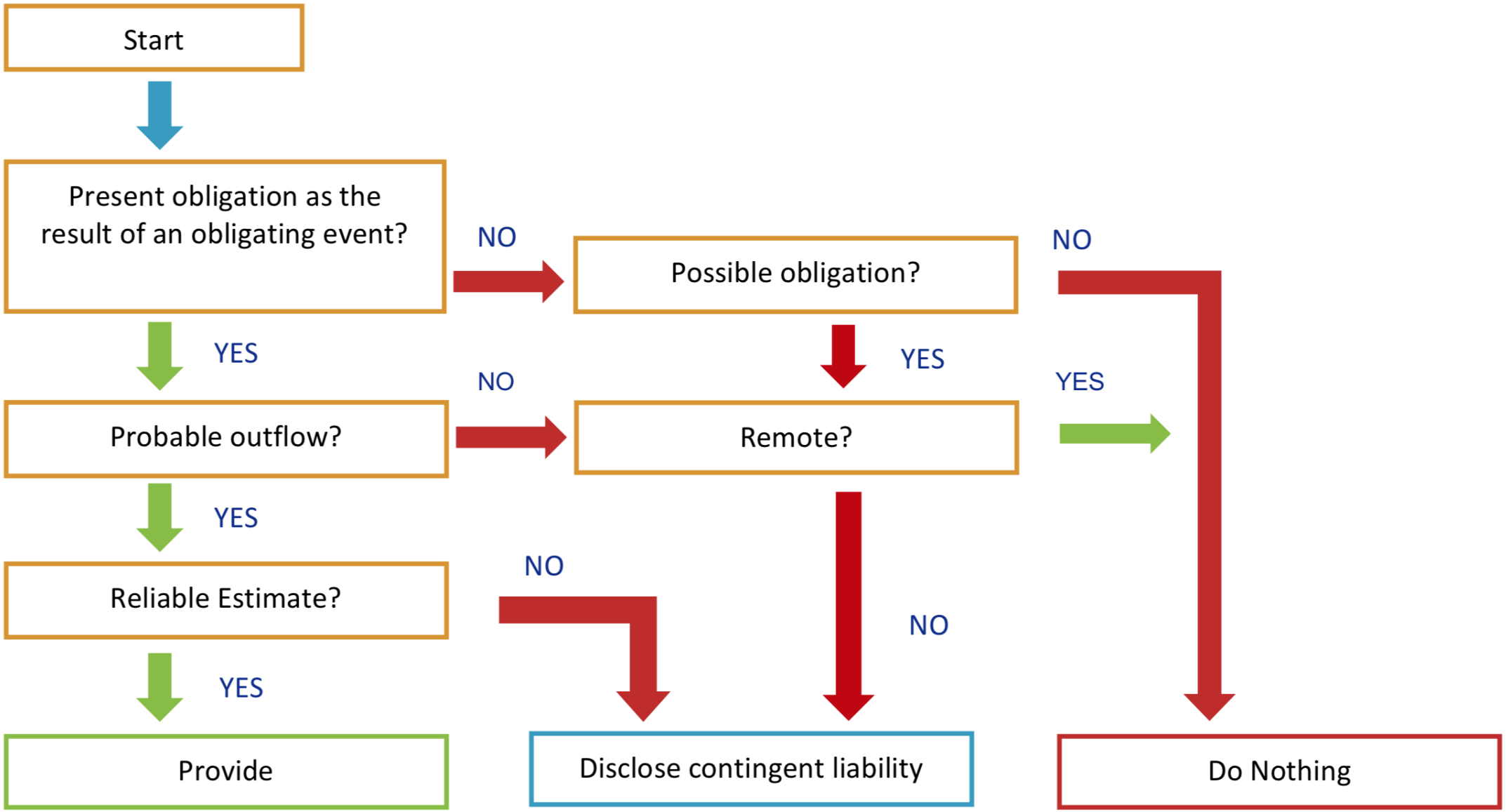
RESTRUCTURING

Restructuring provisions are only permitted to be recognized when an entity has:
- A detailed formal plan for the restructuring identifying: - The business or part of business concerned; principal locations affected; location, function, approximate number of employees to be compensated for termination of their services; expenditures that will be undertaken and when the plan will be implemented.
- Has raised a valid expectation in those affected that it would carry out the restructuring by starting to implement that plan or announcing (e.g. by a public announcement) its main features to those affected before the end of the reporting period;
- Restructuring provisions only include the direct expenditures arising from the restructuring – i.e. those that are both necessarily entailed by the restructuring and not associated with the entity's on-going activities.

Specific application:
- No provision for future operating losses.
- No obligation arises for the sale of an operation until there is a binding sale agreement.
- A provision for restructuring costs is recognised only when the general recognition criteria are met.
- Provisions should be made for onerous contracts

Presentation and Disclosure:
1. the carrying amount at the beginning and end of the period;
2. additional provisions made in the period, including increases to existing provisions;
3. amounts used (i.e. incurred and charged against the provision) during the period;
4. unused amounts reversed during the period; and
5. the increase in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Decision Tree



IAS 38 *Intangible Assets*

Effective date: Periods beginning on or after 31 Mar 2004

Scope:
Exclusions:
Financial and intangible assets covered by other IFRSs (IAS 2, IAS 12, IAS 17, IAS 19, IAS 32, IFRS 4, IFRS 5).

Definition:
1.Intangible assets:
Identifiable non-monetary assets, without physical.

Recognition and Measurements

Initial Measurement

Separate Acquisition

a. Probable – expected future economic benefits will flow to the entity; &

a. Cost can be reliably measured.

Recognition at cost.

Acquired in Business Combination

a. Probable – always met if FV can be determined; FV reflects expectation of future economic benefits.
b. Cost – FV at acquisition date. (a) Acquirer recognizes it separately from goodwill (b) Irrespective of whether the acquiree had recognized it before acquisition.

Internally Generated

Research Phase:
Expense costs as incurred.

Development Phase:
Capitalize if all criteria met:
i. Technical feasibility of completion of intangible asset;
ii. Intention to complete;
iii. Ability to use or sell the intangible asset;
iv. Adequate technical, financial and other resources to complete;
v. Probable future economic benefits;
vi. Expenditure measured reliably.

Exchange of:

- Measure acquired asset at its FV;
- If not possible, at carrying value of asset given up.

Internally Generated

Internally generated goodwill cannot be recognized as it is not an identifiable resource that can be measured reliably.

Examples include:
✓ Internally generated brands;
✓ Customer lists.

Government Grants

Initially recognized at either:
- Fair value;
- Nominal value plus direct expenses to prepare for use.

Examples include:
✓ License to operate national lottery;
✓ Radio station.

Subsequent Measurement

Choose either Cost Model or Revaluation Model

Indefinite useful life:

- Not amortized;
- Annual impairment review test.

IAS 40 *Investment Property*

Effective date: Periods beginning on or after 1 Jan 2005

Scope:
Applies in the recognition, measurement and disclosure of investment property.

Excludes:
1. Biological assets related to agriculture activity (IAS 41 & IAS 16); &
2. Mineral rights & reserves such as oil, natural gas, & similar non-regenerative resources.

Disclosure:
- Selected model;
- FV derived how?
- Classification criteria;
- Movement during period;
- and so on…

Recognition & Measurement

Measurement

Initial

- Initially measured at cost, including transaction costs;

Note:
Cost does not include start-up costs, abnormal waste, or initial operating losses incurred before the investment property achieves the planned level of occupancy.

- Investment property held by lessee as ROU asset shall be measured initially at cost.

Subsequent

Cost Model

Cost model as per IAS 16.

Fair Value Model

Entity can choose either; FV model or cost model.

Switching the Model ?
Entity can change from one model to other if and only if change results in the FS providing better, more reliable information about the Company's financial position, results & other events.

Recognition

- An owned investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the property will flow to the enterprise, and the cost of the property can be reliably measured.
- An investment property held by a lessee as a right-of-use asset shall be recognized in accordance with IFRS 16.

Transfer from & to Investment Property ?
Transfer is possible when there is a change in use or asset's purpose:
- Start renting out the property that previously used as office building (head-quarter) **(transfer to investment property from owner-occupied property under IAS-16)**.
- Stop renting out the building & entity start using for it-self;
- Entity held a land for undefined purpose & recently decided to construct an apartment house to sell when they are built **(transfer from investment property to inventory)**.

Derecognition

Two circumstances:
1. On disposal;
2. When investment property is permanently withdrawn from use & no future economic benefits are expected.

Classification

Inter-company rental:

Property related to related parties is not investment property in consolidated FS that include both lessor & lessee, because it is owner occupied from prospective of the group.

Transfers:

Only permits assets to be reclassified into or out of the investment property category when and only when there is a change in use and provides examples. In isolation, a change in management's intention does not provide evidence of a change in use.

IAS 41 *Agriculture*

Effective date: Periods beginning on or after 1 Jan 2003

Scope:

Applies to:

- Biological assets;
- Agriculture produce;
- Government grants related to biological assets.

Recognition & Measurement

Measurement

Agriculture Produce

- Produce harvested from biological assets is measured at FV less costs to sell at the point of harvest;
- Such measurement is the cost at the date when applying IAS 2 or other relevant IFRS.

FV Gain/Loss

The gain or loss on initial recognition is included in included in profit or loss in the period in which it arises.

Biological Assets

Initial Measurement

- At FV less estimated point-of-sale costs (except where fair value cannot be estimated reliably);
- f no reliable measurement of fair value, biological assets are stated at cost.

Subsequent Measurement

- At FV less estimated point-of-sale costs (except where fair value cannot be estimated reliably);
- If no reliable measurement of fair value, biological assets are stated at cost less accumulated depreciation and accumulated impairment losses (if any).

Recognition

Biological assets or agricultural produce are recognized when:

(a) Entity controls the asset as a result of a past event;

(b) Probable that future economic benefit will flow to the entity; &

(c) Fair value or cost of the asset can be measurement reliably.

FV Gain/Loss

- The gain or loss on initial recognition is included in P&L in the period in which it arises;
- Subsequent change in fair value is included in P&L in the period it arises.

Definitions:

1. Active market:
Exists when; the items traded are homogenous, willing buyers and sellers can normally be found at any time and prices are available to the public.

2. Agriculture activity:
The management of the transformation of a biological asset for sale into agricultural produce or another biological asset.

3. Biological assets:
A living animal or plant.

4. Agriculture produce:
The harvested produce of entity's biological assets.

5. Biological transformation:
The process of growth, degeneration, production & procreation that cause an increase in the value or quantity of the biological asset.

6. Harvest:
The process of detaching produce from biological asset or cessation of its life.

IAS 41 *Agriculture (continued)*

Effective date: Periods beginning on or after 1 Jan 2003

Government Grants

- Unconditional government grant related to a biological asset measured at FV less estimated point-of-sale costs is recognized as income when, and only when, the government grant becomes available;
- A conditional government grant, including where a government grant requires an entity not to engage in specified agricultural activity, is recognized as income when and only when, the conditions of the grant are met.

Inability to Measure FV

- A the FV of the biological asset becomes reliably measure-able, the FV must be used to measure the biological asset;
- Once a non-current biological asset meets the criteria to be defined as held for sale (or as part of a disposal group classified as held for sale) then it is presumed FV can be measured reliably.

Disclosure

- aggregate gain or loss from the initial recognition of biological assets and agricultural produce and the change in fair value less costs to 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;
- financial risk management strategies;
- reconciliation of changes in the carrying amount of biological assets, showing separately changes in value, purchases, sales, harvesting, business combinations, and foreign exchange differences.

IFRS 1 *First-time adoption of IFRSs*

Effective date: Periods beginning on or after 1 Jul 2009

Legends:
Balance sheet = SOFP
Financial Statements = FS
Financial Instruments = FI
Financial assets = FA
Financial liabilities = FL

Scope:
- Applies to first set of FS.
- Accounting polices should be apply for IFRSs effective and not yet effective but early adoption permit.
- Recognize/derecognize assets/liabilities where necessary, make reclassification where necessary to make FS as per IFRS.

Note applies when entity:
1. Stops presenting FS as per national requirements;
2. Presented FS in previous year as per national requirements;
3. Presented FS in previous compliance to IFRS (Despite of auditor qualifications).

Recognition and measurement

Exceptions (Choice):
- Business Combination;
- Borrowing costs;
- Joint arrangements;
- Leases;
- Share based payments;
- FV or revaluation as deemed cost;
- Compound FI;
- Investments in shares;
- Cumulative translation differences;
- Extinguishing FL with EI;
- Severe hyperinflations;
- Government loan & Stripping cost in production phase of surface mine;
- Insurance contracts;
- Embedded derivates.
- Designation of previously recognized FI;
- Decommission liabilities;
- Assets recognized as per IFRIC 12 (Service concession);

SOFP:
- Opening IFRS SOFP is made on transition date;
- Consistent applications of all IFRSs (including comparatives).

Policies:
- Same accounting policies in opening FS in first time adoption;
- Change in accounting policies for first year; IAS 8 do no applies.

Restriction for retrospective:
- Derecognition of FA & FL.;
- Hedge accounting;
- Estimates;
- NCI.

Presentation and Disclosure:
- First set of FS must present 3 column SOFP. E-g for 2019 FY (Opening 2018, YE 2018 & 2019)
- And below notes for first time adoption:

a) Reconciliation of equity under previous framework and under IFRS now;
b) Recon. of total comprehensive income under previous framework and under IFRS now;
c) In case of interim financial reports, the above recon. as well.;
d) Errors made previously should be separately distinguished;
e) Additional disclosure as set by IFRS 1.

Transition to IFRS:
Entity must explain the effect on FS from previous GAAP to IFRS and shall disclose:

1. Reason it stopped applying IFRSs; and
2. Reason it is resuming the application of IFRSs.

Restructuring of IFRS:
IFRS-1 has been amended many time.

Current Versions of IFRSs:
IFRS requires first time adopter to apply the current version of IFRSs, without considering superseded or amended versions. This:
- Enhances comparability;
- Avoids unnecessary costs.

Use of FV as deemed cost:
If the entity uses FV in its opening IFRS SOFP as deemed cost, it shall disclose for each line item in opening IFRS SOFP:
1. Aggregate of those FVs; and the
2. Aggregate adjustments to the carrying amount reported under previous GAAP.

Entity that has applied IFRSs in a previously, but whose recent FS do not contain statement of compliance with IFRSs, must either apply IFRS 1 or else apply IFRSs retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

IFRS 2 *Share-based payment*

Effective date: Periods beginning on or after 1 Jan 2005

Legends:
Net assets = NA
Joint venture = JV
Fair value = FV

Scope:
Applies to:
- Equity settled;
- Cash settled (by incurring liability to supplier) that is based on share price);
- Transaction in which entity received goods/services and either party has option to settle either in cash or equity.

IFRS 2 not applies to:
- When IFRS 3 or IFRS 11 applies (Acquires goods as part of NA or contribution in business in JV).
- Shared based payments under contract in scope of IAS 32 or IFRS 9.
- Transactions with employees.

Share-based payment Requirements

Vesting Conditions

Service condition

Require the counterparty to complete a specified period or service.

Performance condition

Require the counterparty to complete a specified period or service & Specified performance target to be met.

- **Excluded** from grant date FV calculation.
- Adjust to No. of share and/or vesting date amount for actual results.

Non-Vesting Conditions

- **Included** in grant date FV calculation
- No adjustment to No. of shares or vesting date amount for actual results.

Non-Mkt condition

Mkt condition

Disclosures

Nature & extent of share-based payment containing; (a) description of each type of arrangement, (b) no. & weighted avg. exercise option; (c) price on which option is exercise; (d) range of exercise price.

Recognition and measurement

Recognition

- **Recognize** when goods/services received.
- Increase an equity (equity settled).
- Record liability (cash settled).
- If goods/service received do not qualify for recognition as assets, recognize as expense.

Measurement

Definitions:

1. Vesting Conditions:
That determine whether entity receive services that entitle the counter party to receive shared-based payment and is either; a service condition or a performance condition.

2. Performance target:
Defined by reference to;
- Entity's own operations or the operations of another entity in the same group or
- The price of entity's EI or EI of another entity in the same group.

A Performance target might either relate to performance of entity as a whole or to some part of the entity (or part of group), such as division or employee.

Equity settled

Transaction with employee: Measure at FV of EI at grant date, FV never remeasured and grant date FV is recognized over vesting period. **Transaction with non-employee:** Measure at FV of goods/service received if FV of that cannot be measured than FV of EI granted.

Choice

Counter party has right to choose: Consider entity has issued compound EI.
Entity has right to choose: Entity will determine if they has present obligation to settle in cash than cash else vice versa.

Cash settled

Measure liability at FV, remeasure FV of liability each YE and settlement date, record change in P&L.

Group settled

Entity is required to record in separate FS: Who receive good/service regardless who settle. The term group mean as per IFRS 10 **(Parent & subsidiaries)**

IFRS 3 *Business Combinations*

Effective date: Periods beginning on or after 1 Jul 2009

Legends:
Non-controlling interests = NCI
Goodwill = GW

Scope:
Transaction or event in which acquirer obtains control over business
E-g: Acquisition of shares/net assets, mergers and reverse acquisition).

IFRS 3 not applies to:
- Formation of Joint arrangements.
- Acquisition of assets/group of assets not a business combination.
- Combination under common control.

Disclosure

Acquirer shall disclose; nature & financial effect of business combination occurs either;
1. During current period;
2. After period end but before FS authorized to issue.

Acquisition Method

Step#1

Identify the acquirer:
IFRS 10 identify the acquirer - Entity that obtains control of the acquiree.

Step#2

Determine acquisition date:
Date on which acquirer obtains control.

Step#3

Recognize & measuring the identifiable assets acquired, liabilities assumed & any NCI in the acquiree.

- At acquisition date, acquirer recognizes (separately from GW), the assets acquired, liabilities assumed and any NCI in acquiree;
- Assets/liabilities to be measured at acquisition date FV;
- Certain exceptions to be recognition: contingent liabilities, income tax, employee benefits, and so on;
- NCI measured at acquisition date at FV or under proportionate method.

Step#4

Recognize and measure GW or gain from bargain purchase

- GW is excess between total consideration transferred & any NCI VS net assets acquired (FV) including any deferred taxes;
- GW can be grossed up to include amounts attributable to NCI (If NCI is measured at FV);
- Gain from bargain purchase immediately recognized in P&L;
- Consideration transferred is measured at FV (including contingent);
- Contingent consideration is either classified as liability or EI (IAS 32);
- Contingent consideration measured as per IFRS 9 (FL) need to be remeasured at FV with changed reported in P&L.

Measurement period:
Applies when initial accounting is incomplete at end of YE of business combination. Measurement period ends when acquirer receives information about fact, not to exceed 1 year after acquisition.

Key Notes

Business combination achieved in stages:
- When acquirer obtain control on acquiree in which it held an equity interest immediately before acquisition date is known as business combination achieved in stages.
- Acquirer remeasure its previously held equity interest in acquiree at acquisition date FV, any resulting gain/loss record in P&L.

Business combination achieved without transfer of consideration:
- Acquisition method applies too.
- Such circumstances include:

✓ Acquiree repurchase sufficient no. of its own shares for existing investor to obtains control.
✓ The acquirer & acquiree agree to combine their business by contract alone.

What can be the part of Business Combination ?
Acquisition and other costs:
Cannot be capitalized and be expense in P&L in period incurred.
Cost to issue debt/equity are recognized as per IAS 32 & IFRS 9.

Pre-existing relationship:
In case of pre-existing relationship in b/w acquirer & acquiree, this must be accounted for separately from business combination.

Definitions:

1. Control:
Refer IFRS 10 for control definition.

2. Business:
Integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods/service to customer, generating investment income or generating other income from ordinary activities.

Subsequent measurement:
- Subsequently acquirer measures its assets & liabilities in accordance with other applicable IFRSs
- But, IFRS 3 includes accounting requirements for reacquired rights, contingent liabilities, contingent consideration & indemnification assets.

IFRS 3 Requires that assets & liabilities acquired need to constitute a Business!
Business should have;
1. Input; (2) Process; (3) Output.

IFRS 4 *Insurance Contracts*

Effective date: Periods beginning on or after 1 Jan 2005

Legends:
Financial Instruments = FI
Financial risk = FR
Insurance risk = IR
Financial asset = FA
Insurance liability = IL

Scope:

- **Insurance contracts** that an entity issues and reinsurance contracts that it holds
- FI that an entity issues with a discretionary participation features.

If insurance contracts include a deposit component, unbundling may be required.

Not insurance contracts:

- Investment contracts (do not expose issuer to significant risk).
- Contract that pass all significant risk back to policyholder.
- Self insurance.
- Gambling contracts.
- Derivates that expose one party to FR but not IR.
- Credit related guarantee.
- Product warranties.
- Financial guarantee-IAS 39.
- Does not address the accounting for FS held by issuers, but temporary exempt from IFRS 9 (until January 1, 2023).
- Overlay approach permitted for designated FA.

- Life insurance & prepaid funeral expenses;
- Life-contingent annuities and pensions;
- Disability and medical cover.
- Surety/fidelity/performance/bid bonds;
- Credit insurance;
- Product warranties (other than those issued directly by a manufacturer, dealer or retailer);
- Title insurance and Travel assistance;
- Catastrophe bonds that provide for reduced payments of principal, interest (or both) if a specified event adversely affects the issuer of the bond;
- Insurance swaps and other contracts that require a payment based on changes in climatic, geological or other physical variables that are specific to a party to the contract;
- Examples of contracts that are insurance contracts (if transfer of insurance risk is significant);
- Insurance against theft or damage to property;
- Insurance against product /professional/civil/legal liability expense;
- Reinsurance contracts.

Point to consider:
Accounting policies changes are restricted.

Recognition & Measurement

Liability Adequacy Test

Insurer is required to assess at each YE if its recognized IL are adequate, using current estimates of future cash flows under its insurance contracts. If it shows that the carrying amount of its IL is not sufficient, the liability is increased, and a corresponding expense is recognized in P&L.

Key Notes

IFRS provides additional guidance to:

- Change in accounting policies.
- Prudence.
- Insurance contract acquired in business. combinations or portfolio transfer.
- Discretionary participation features.

Its highly recommended that insurer gain a full understanding of IFRS 4 as requirements & disclosures are onerous.

Disclosure

Disclosures that identifies & explains amount arising from insurance contracts:

- Accounting policy & related assets/liabilities/income/expense.
- Recognized assets/liabilities/income/expense.
- Effect of change in assumptions.
- Recon. of changes in liabilities & assets.

Disclosures that enable users to evaluate the nature & extent of risk from insurance contracts:

- Objective, policies & processes for managing risk.
- Information about insurance/credit/liquidity/market risk.
- Exposure to mkt risk arising from embedded derivates.

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Legends:
Non-current asset = NCA
Current assets = CA
Cash generating unit = CGU
Financial asset = FA
Fair value = FV
Statement of comprehensive income = SOCI

Scope:

Applies to:

- All NCA & disposal groups of entity that are; held for sale or held for distribution to owners.
- Assets classified as NCA as per IAS 1 shall be only reclassified to CA if it meets criteria of IFRS 5.
- If entity disposed entire CGU, then IFRS 5 applies to the group as whole.

IFRS 5 doesn't applies to:

- Deferred tax assets (IAS 12).
- Asset arise from employee benefits (IAS 19).
- FA scope (IAS 39/IFRS 9)
- NCA accounted for FV.
- FA measured at FV less cost to sell as per IAS 41
- Contractual rights under insurance contract IFRS 4

Classification of NCA held for sale or distribution to owners

Classify as NCA as held for sale if it's carrying amount will be recovered principally through a sale transaction rather than through continuing use. Below criteria must met:

- Asset is available for immediate sale
- Term of sale must be usual & customary for sale of such assets
- Sale must be highly probable
- Mngt. is committed to a plan to sell
- Asset must be actively marketed for sale at reasonable price in relation to its FV.
- Sale should be complete with in 1 year
- Special rule for subsidiaries acquired with a view for resale

Reclassification from held for sale to held for distribution to owners is not a change to a plan and therefore not a new plan!

Measurement:

- Prior to classification assets measured with applicable IFRSs;
- After reclassification, assets are measured at lower of carrying amount & FV less cost to sell.;
- Impairment must be considered at time of classification as held for sale & subsequently;
- Subsequent increases in FV cannot be recognized in P&L in excess of cumulative impairment losses that have with this IFRS or IAS 36;
- NCA classified as held for sale are not depreciated;
- Adjustment of No. of shares and/or vesting date amount for actual result.

Disclosure:

- NCA held for sale are disclosed separately from other assets in SOFP;
- Gain/los arising from initial or subsequent FV measurement of disposal group or NCA held for sale if not presented separately in SOCI & line item that includes that gain/loss;
- Prior year balances in SOFP are not classified as held for sale;
- If applicable the reporting segment in which NCA or disposal group is presented.

Discontinued operations

Presentation:

- Classification depends when operations meets requirements of held for sale;
- Results are presented as single line item in SOCI;
- Disclosure for cashflows;
- Comparatives restated.

Disposal Group ?
A new concept introduced by IFRS-5 and it represents a group of assets and liabilities to be disposed of together as a group in a single transaction.

Definitions:

1. CGU:
The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

2. Discontinued operation:
Component of entity that either has disposed of or is classified as held for sale & either:

- Represent separate major line of business
- Is part of single plan to dispose separate major line of business
- Is a subsidiary acquired exclusively with a view to resale.

IFRS 6 *Exploration for and Evaluation of Mineral Resources*

Legends:
Exploration & Evaluation of Mineral Resources = E&EMR

Scope:
Applies to:
- Expenses incurs on E&EMR

IFRS 6 not applies to:
Expenses incurred:
- Before E&EMR (i-e Prior to obtain legal license to explore).
- After technical feasibility & commercial viability of extracting mineral resource are demonstrable.

Recognition and measurement

- **Initial**
  - Cost
    - Entity determine its policy to recognize expenses as E&EMR.
    - Below example might be included in initial measurement:
    - ✓ Acquisition of rights to explore;
    - ✓ Topographical, geological, geochemical & geophysical studies.
    - ✓ Exploratory drilling and trenching.
- **Subsequent**
  - Cost Model
  - Revaluation model

Impairment:
Entity should test for impairment If;
- ✓ Right to explore is expired or will expire soon (& entity has no intention to renew).
- ✓ Substantive expenses required on E&EMR is neither budgeted nor planned.
- ✓ E&EMR have not led to discovery of commercially viable quantities & entity decided to discontinue such activities
- ✓ CA of asset is unlikely to be recover in full-from successful development or sale.

Key Note:
IFRS 6 allows impairment to be assessed at a level higher than the CGU under IAS 36, but require measurement of the impairment in accordance with IAS 36.

Presentation & disclosure

- **Presentation**
  - Tangible
  - Intangible
- **Disclosure**
  - Accounting policies of E&EMR expenses & evaluation assets;
  - Amount of assets/liabilities/income/ expenses/operating & investing cashflows from E&EMR.
  - Discloses as separate class of assets either as per IAS 16 or IAS 38.

IFRS 7 *Financial Instruments: Disclosures*

Effective date: Periods beginning on or after 1 Jan 2007

Scope:
Applies to:
- All recognized/unrecognized FI (including contract to buy or sell NFA)

Exempt from IFRS 7:
- Interest in subsidiaries/Associates/JVs in case of IAS 27/28 or IFRS 10/11 permits accounting as per IAS 39/IFRS 9.
- Assets/liabilities arise under IAS 19.
- Insurance contracts.
- FI, contracts/obligation as per IFRS 2 except under scope of IAS 39/IFRS 9.
- Puttable instruments (IAS 32).

Fair Value Hierarchy:
All FI measured at FV must be classified into levels below:
Level-1: Quoted price in active marker.
Level-2: No quoted price but observable price from mkt.
Level-3: Input that are not based on observable market.

Legends:
Non-financial asset = NFA
Financial Instruments = FI
Statement of Financial Position = SOFP
Statement of comprehensive income = SOCI

Definitions:

1. Liquidity risk:
When entity encounter difficulty in meeting obligations associated FL.

2. Credit risk:
When one party to FI cause financial loss for other party by failing to discharge an obligation.

3. Market risk:
When FV or future cashflows of FI will fluctuate due to change in market prices.

Conditions

SOFP & performance

SOFP
- CV of each category of FI on face of SOFP & in notes.
- Info. Of FV of loans/receivables.
- FL designated FVTPL.
- FA reclassified.
- Detail of FA pledged.
- Recon. of allowance account for credit loss
- Compound FI
- Detail of default & loan breaches.

SOCI
- Gain/loss arising for each category of FI.
- Total interest income & interest expense.
- Fee income/fee
- Interest on impaired FA.
- Amount of impairment loss for each FA.

Others
- Accounting policies.
- Hedge accounting.
- FA for each class of FI. disclosure method & assumption to calculate FV and disclosure if FV cannot be determined.

Risk from FI

Quantitative

Liquidity risk
- Maturity analysis of FL.
- Time bands & interest rate as based on entity judgements.
- How this risk is managed.

Credit risk
- Maximum exposure to credit risk.
- Collateral held as security & other credit enhancement.
- Information on FA that are either past due or impaired.
- Information about collateral & other credit enhancement obtained.

Market risk
- Sensitivity analysis for each market risk and showing impact on P&L.
- In case sensitivity analysis is prepared, showing that interdependencies between risk variables and it is used to managed financial risk.

Qualitative

- Currency risk
- Interest rate risk
- Other price risk

Sensitivity Analysis

IFRS 8 *Operating Segments*

Effective date: Periods beginning on or after 1 Jan 2009

Legends:
Financial statements = FS
Non-current asset = NCA
Chief operating decision maker = CODM

Scope:

Applies to:
Annual & interim FS (separate/standalone or consolidated FS of group) with parent:

- Whose debt or EI are trade in public market; or
- Files FS to securities commission or other relevant regulatory body.

Core Principle

Entity required to disclose all to enable users of FS to evaluate nature & financial effect of business activities in which it engages.

Quantitative Thresholds

- Information must be disclosed about an operating segment if they meet any below:
  - ✓ Reported revenue is 10% or more of combined revenue of all operating segments.
  - ✓ Absolute profit is 10% or more of combined profit of all operating segments.
  - ✓ Assets are 10% or more of combined assets of all operating segments.
- If total external revenue by operating segment constitute less than 75% of total revenue, additional operating segment shall be identified as operating segments until at least 75% of entity revenue in included in reportable segments.

Operating Segments

An operating segment is a component:

- That engage in business activity (earn revenue & incur expenses).
- Whose operating results are regularly reviewed by CODM.
- For which discrete financial information is available.

Reportable Segments

Separate disclosure is required about each segment that exceed reporting threshold.

Reconciliation

Reconciliation of total assets to the entity's assets should only be provided if the segment assets are regularly provided to the Chief Operating Decision Maker.

Disclosures

Major disclosures:

- Measure of P/L & total assets of reportable segments (if information if provided regularly to **CODM**) .
- Judgement made by management for purpose of aggregating operating segments.
- Its not necessary IFRS compliant inf. as it is based on amount reported internally.
- Operating segment inf. disclosed must be reconciled to IFRS amount in FS.
- Following geographical inf. If available: (Revenue from external customer, NCA located in country local or outside.
- Extent of reliance on major customers. It will disclose if more than 10% revenue from one customer.

Aggregation Criteria

Two or more segments may be aggregated if they are similar in any of below:

- ✓ Nature of product/service.
- ✓ Nature of production. process.
- ✓ Type/class of customer.
- ✓ Method used to distribute their product/service.
- ✓ Nature of regulatory environment.

IFRS 9 *Financial Instruments*

Effective date: Periods beginning on or after 1 Jan 2018

Recognition & measurements

Initial

At FV

Subsequent

Financial Assets

- Amortized cost
  - *Assessment*
    - (1) Business Model → Overall business
    - (2) Contractual Cashflows → Instrument by instrument
- FVTPL
  - FA not meet amortized cost (included assets held for trade.
  - Option to designate is available if doing so eliminates/reduce inconsistencies.
  - **Note:** Option to designate if irrevocable.
  - **Subsequent:** FV, all gain/loss recognized in P&L.
- FVTOCI
  - DI
    - Meet SPPI contractual cashflows test.
    - Entity holds instrument to collect cashflow & to sell FA.
    - **Subsequent:**
      - FV, all gain/loss (not relating to impairment in P&L) recognized in OCI.
      - Change in FV recorded in OCI are recycled to P&L on derecognition or reclassification.
  - EI
    - Available for investments in EI (not held for trading).
    - Subsequently, FV gain/loss record in OCI.
    - Change in FV not recycled subsequently to P&L.
    - Dividends in P&L.
    - **Note:** Designation in initial recognition is optional & irrevocable.

Financial Liabilities

- Amortized cost
  - All FL with some exceptions like one on FVTPL, Financial guarantee & commitment to provide a loan.
- FVTPL
  - FL held for trading.
  - Derivates FL.
  - **Subsequent:** FV, all gain/loss recognized in P&L.

Impairment of FA

General Approach

Step#1

12-month ECL (gross interest):
- When no significant increase in credit risk.
- Interest on gross basis.

Step#2

Life-time ECL (gross interest):
- When significant increase in credit risk.
- Interest on gross basis.

Step#3

Life-time ECL (net interest):
- When credit impairment.
- Interest on net basis.

Simplified Approach

Short term receivables:
- Life-time ECL (stage#2) only.
- ECL on Trade receivable based on provision matrix.
- Adjustments of historical provision rates to reflect relevant information about current condition & reasonable & supportable forecasts about future expectations.

Practical Expedients: (30-days rebuttable presumptions):
- That credit risk has increased significantly when contract payments are more than 30 days due.
- Hence, FA is in stage#2 and life-time ECL would be recognized.
- It can be used when that "even payments are 30 days or more due, it does not have significant increase in credit risk of FI.

Legends:

Fair value = FV
Financial assets = FA
Financial liabilities = FL
Fair value through profit or loss = FVTPL
Fair value through other comprehensive income = FVTOCI
Equity instruments = EI
Debts Instruments = DI
Expected credit loss=ECL
Embedded derivates=ED
Non-financial asset = NFA
Hedging instrument = HI

IFRS 9 *Financial Instruments (continued)*

Legends:
Fair value = FV
Financial assets = FA
Financial liabilities = FL
Fair value through profit or loss = FVTPL
Fair value through other comprehensive income = FVTOCI
Equity instruments = EI
Debts Instruments = DI
Expected credit loss=ECL
Embedded derivates=ED
Non-financial asset = NFA
Hedging instrument = HI

Derecognition

Financial Assets

Have the right to cashflow from asset expired?
- YES → Derecognize asset
- NO ↓

Entity transferred its right to receive cash flow from asset?
- NO ↓

Entity assumed an obligation to pay cashflow from asset (IFRS 9)?
- NO → Continue recognize asset
- YES ↓

Entity transferred substantially all risk & reward?
- YES → Derecognize asset
- NO ↓

Entity retained control of asset?
- NO → Derecognize asset
- YES ↓

Continue to recognize asset?

Financial Liabilities

- FL derecognized when extinguished.
- Difference b/w CV of FL extinguished/transferred to 3rd party & consideration paid is recognized in P&L.

Embedded Derivates

ED within FA host contract

Whole contract in its entirety is accounted for a **single contract** as per IFRS 9.

ED within host contract that is FL

- Separated from host contract.
- Account for as per IFRS 9 (FVTPL) as derivate.

Note:
Host contract (NFA)is accounted for in relevant IFRSs.

Hedge Accounting

(1) Hedging relationship

Must consist of:
- ✓ Eligible HI.
- ✓ Eligible Hedge Item.

(2) Designation & documentation

Must finalize at inception:
- ✓ Hedge relation.
- ✓ Risk Mngt. Strategy & objective for undertaking the hedge.
- ✓ Hedge item & HI.
- ✓ How hedge will be assessed.

(3) All 3-hedge effectiveness requirements met:

(a) Economic relation exist b/w hedge item & HI.
(b) Credit risk doesn't dominate change in value.
(c) Hedge rate is same for both the:
- ➢ Hedge instruments;
- ➢ Qty of hedge item actually hedged, & Qty of HI used to hedge it.

Definition:

1. Embedded derivates:
These are components of hybrid contracts that cause some (or all) of contractual cashflows to be modified according to specified variables (e-g interest rate, commodity price, foreign exchange rate, index etc..).

IFRS 10 *Consolidated Financial Statements (presented as Group Accounts)*

Page#40

Legends:
Parent = P
Subsidiary = S
Non-controlling interest = NCI
Provision for unrealized profit = PURP

Group accounts (P+S)

Subsidiary: An entity that is **controlled** by another entity

Scope:
Applies to:
Parent to present consolidated financial statements.

IFRS 10 doesn't applies to:
1. Is not an ultimate Parent + unlisted entity + No SCA requirements + Its ultimate parent do consolidation.
2. An Investment entity.

Single entity concept applying **substance over form**

Legal form: Each company is a separate legal person.
Substance: Group is a single economic entity

Control and ownership

Disclosures:
Refer to IFRS 12 "Disclosures of interests in other entities"

Consolidated statement of profit or loss

Shows revenue and expenses under group control by the line-by-line addition of S's revenue and costs

And shows ownership split between

Parent company's share

Non-controlling interest share

of PAT

Consolidated statement of financial position

Shows resources under group control by the line-by-line addition of S's net assets

And shows ownership split between

Parent company's share

Non-controlling interest share

of equity

Definitions:

1. Control:

An investor control the entity if it has all of the following:
(a) Power over investee
(b) Exposure, or rights, to variable returns from its involvement with investee
(c) The ability to use its power, to effect amount of investor's return.

2. Investment entities:

- Obtains funds from one or more investors for purpose of providing them investment management services.
- Commits to its investors that its business purpose is to invest fund solely for return from capital appreciation, investment income, or both.
- Measure & evaluate performance of substantially all of its investments on FV basis.

IFRS 10 *Consolidated Financial Statements (presented as Group Accounts) (continued)*

Legends:
Parent = P
Subsidiary = S
Non-controlling interest = NCI
Provision for unrealized profit = PURP

Single entity concept

Control & ownership

If mid-year acquisition:
- ✓ Assume profits accrue over time;
- ✓ Usually assume dividends paid by S are paid out of post-acquisition profits.

Consolidated statement of financial position

Goodwill

Measured as the excess of the consideration transferred plus the NCI at acquisition over the fair value of the net identifiable assets and liabilities acquired

- Recognize as an intangible non-current asset
- - Annual impairment review

Gain on bargain purchase
- Recognize in profit or loss in period in which acquisition is made

Workings

1 Group structure
2 Net assets
3 Goodwill
4 Non-controlling interest
5 Retained earnings

Intra-group balances

Loans, debenture & redeemable preference shares

Intra-group trading

Cancel credit balance in one company against debit balance in the other.

Unrealized profit

Inventories
- Consolidate at lower of cost and NRV to the group

Transfer of non-current assets
- Consolidate at cost to group less depreciation

If the subsidiary makes the sale the NCI bears its share.

Fair value adjustments

Adjust net assets working for fair value increase/decrease

Other adjustments

Loss-making subsidiary/negative reserve
- Consolidate group share of post-acquisition loss/negative reserve

Other reserves
-Recognize group share of post-acquisition increase/decrease.

Accounting policy alignments
- Adjust S to reflect accounting policies of Parent.

IFRS 10 *Consolidated Financial Statements (presented as Group Accounts) (continued)*

Legends:
Parent = P
Subsidiary = S
Non-controlling interest = NCI
Provision for unrealized profit = PURP

Consolidated Statement of Profit or Loss

Workings
- 1-Groupstructure
- 2-Consolidation schedule
- 3-NCI

Intra-group trading
- Remove sale from revenue and cost of sales
  - Doesn't affect NCI
- Create PURP (increase cost of sales of selling company)
  - Affects NCI if S is selling company

Transfer of non-current assets
- Eliminate Profit/Loss on transfer against seller's books
- Adjust increase/ decrease in dep'n against seller's books

Mid-year acquisition
- Consolidated post-acquisition profits only
  - Time-apportion results of S then deduct post-acquisition intra-group items
  - Recognize goodwill impairment as expense(if any).

Dividends
- P's dividend income from S is not consolidated in S dividend is shown in CSCE

Other Intra-group transactions
- Redeemable preference shares
  - Distributions treated as a finance cost
    - Cancel on consolidation.
- Interest/ management charges
  - Cancel on consolidation.

Consolidated Statement of Changes in Equity

Owners of the parent
- Separate analysis columns for each type of share capital and reserve

Non-controlling interest
- Changes presented in a single column
  - NCI b/f = NCI%*S's share capital plus reserves b/f.
  - If S is acquired in the year, NCI added on acquisition is amount included in goodwill calculation.
  - NCI share of TCI for the year from SCPLOCI.

IFRS 11 *Joint Arrangements*

Effective date: Periods beginning on or after 1 Jan 2013

Scope:
Applies to:
All parties subject to JA.

Recognition & measurement

Joint Operations

Consolidated/individual FS:
A joint operator recognizes in relation to interest in JO;
(a) Its assets/liabilities, including its share of assets/liabilities held jointly.
(b) Its revenue/expenses from sale of its share of output/expenses arising from JO.
Above are accounted as per applicable IFRSs.
Separate FS:
Same treatment as for consolidated/individual FS as above.

Joint Arrangement Decision Tree

Not a separate vehicle

Joint operation

NO

Separate vehicle

Following should be check:
(a) Legal form;
(b) Contractual terms;
(c) Other facts

YES

Joint Venture

Joint Ventures

Consolidated/individual FS:
Apply equity method IAS 28.

Separate FS:
Recognize interest either;
(a) At cost;
(b) FV (IFRS-9/IAS-39);
(c) Equity method (IAS 28).

Disclosures:
Refer to IFRS 12 "Disclosures of interests in other entities"

Note:
The acquisition of an interest in a joint operation in which the activity constitutes a business should be accounted for using the principles of IFRS 3.

Legends:
Joint arrangements = JA
Joint operation = JO
Joint venture = JV
Financial statements = FS

Definitions:

1. Joint arrangements:
A joint arrangement:
(a) Binds parties by contractual agreement;
(b) Gives two (or more) parties joint controls.

2. Joint venture:
A joint arrangement in which the venturers have rights to the net assets of the venture.

3. Joint operation:
A joint arrangement whereby each joint operator has rights to assets and obligations for the liabilities of the operation.

IFRS 12 *Disclosure of Interests in Other Entities*

Effective date: Periods beginning on or after 1 Jan 2013

Scope:

Applies by entities that have interest in :

- Subsidiaries, JA, Associates & Unconsolidated structured entities.

IFRS 12 not applies to:

- Employee benefits IAS 19
- Separate FS IAS 27.
- Interest held by entity that participates in but doesn't have JC or significant influence over a JA.
- Interest accounted for as per IFRS 9 except for interest measured in associates or JV at FV as required by IAS 28.

Note:

Some, but not all, disclosure requirements apply to interests classified as held for sale as per IFRS 5.

Required Disclosures

Interest in Subsidiaries

Information that enable users to understand & evaluate:

(a) Composition of group & NCI interest
(b) Nature & extent of significant restriction on ability to access or use assets, & settle liabilities, of group (carrying amount of assets/liabilities to which those restriction applies).
(c) Nature of & changes in risk associated with interest in CSE.
(d) Consequences of changes in ownership interest in subsidiary that do not result in loss of control.
(e) Consequences of losing control of a subsidiary during financial period.

Interest in JA & Associates

Information that enable users to evaluate:

(a) Nature of & changes in risk associated with interests held.
(b) Nature, extent, & financial effects of interest in JA & associates (including contractual relationships with other investors & JC or significant influence).

Interest in UCSE

Information that enable users to understand & evaluate:

(a) Nature & extent of its interest in UCSE.
(b) Nature of & changes in risk associated with its interest in UCSE. Including information about exposure to risk from involvement in previous periods (even if entity no longer has any contractual involvement with entity at financial period).

Significant Judgments & Assumptions

Disclosure in determining:

- Control over entity.
- JC over arrangement.
- Significance influence over another entity;
- When JA is structured through separate vehicle, its classification (e-g JO or JV)

Legends:

Joint arrangements = JA
Joint control = JC
Joint venture = JV
Structured entity = SE
Unconsolidated structured entity = UCSE
Consolidated structured entity = CSE
Non-controlling interest = NCI

Definitions:

1. Structured entities:
Entity that has been designated so that voting or similar rights are not the dominant factor in deciding who control the entity.

2. Income from SE:
Includes fee, interest, dividend, gain/loss on remeasurement or derecognition of interest in SE & gain/loss from transfer of asset & liabilities to SE.

3. Interest in another entity:
Contractual/non-contractual environment that exposes an entity to variability of returns from the performance of other entity.

IFRS 13 *Fair Value Measurement*

Legends:
Fair value = FV
Fair value measurement = FVM
Non-financial asset = NFA
Equity instruments = EI
Highest & best use = HBU
Financial asset = FA
Financial liability = FL

Scope:
Applies when other IFRS requires or permit FVM.

Exemption to above scope from measurement & disclosure (both):
- Share base payment IFRS 2
- Leases under IFRS 16
- Measurement that have some similarities to FV but are not FV, such as:
  (a) NRV (IAS-2)
  (b) Value in use (IAS-36)

Exemption to above scope from disclosure only:
- Plan assets measured at FV under IAS-19.
- Retirement benefits plan investments measured at FV under IAS 26.
- Assets for which recoverable amount is FV less cost to sell in IAS 36.

Definition:
1. Fair Value:
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction b/w mkt participants at measurement date.

Application to NFA

Highest & best use:
FV measurement of NFA consider mkt. participant's ability to either:
(a) Generate economic benefits by using asset in its HBU.
(b) Sell asset to another mkt. participant who would then use asset in its HBU.

- Physically possible
- Legally permissible
- Financially viable

Application to liabilities

It is assumed that these would remain outstanding & mkt participant transferee would be required to fulfill the obligation. It wouldn't be settled/extinguished on measurement date.

Application to entity's own EI

It is assumed that these would remain outstanding & mkt participant transferee would take on rights & responsibilities associated with instruments. It wouldn't be cancelled/extinguished at measurement date.

Application to FA & FL with offsetting position

- (i) Market risk
- (ii) Credit risk

Offsetting exemption

FV would be based on price:
- Received to sell net long position (i-e an asset) for particular risk exposure.
- To transfer a net short position (i-e a liability) for a particular risk exposure in orderly transaction b/w mkt participants.

FV of this "offset group" of FA & FL is made consistently with how mkt. participants would price the net exposure.

Disclosure

Depend on the nature of FV measurement & the level in which it is classified.

Disclosure requirements are most extensive when level 3 inputs are used, including sensitivity analysis.

Valuation techniques:
Must use appropriate techniques. Change in valuation technique or its application are accounted for as per IAS 8.

Input to valuation techniques:
- Must aim to maximize the use of relevant observable inputs.
- If any asset/liability measured at FV has both a bid & ask price, the price within the bid-ask spread that is most representative of FV is used, regardless of where the input is categorized within the FV hierarchy.

FV Hierarchy

- Level-1 → Quoted price
- Level-2 → No quoted price but observable mkt data
- Level-3 → Unobservable inputs

IFRS 14 *Regulatory Deferral Accounts*

Effective date: Periods beginning on or after 1 Jan 2016

Legends:
Financial statements = FS
Financial position = FP
Financial performance = FP.

Scope:
Applies to:
- Entities conduct rate regulatory activities.

IFRS 14 not applies to:
Entity has not recognized regulatory deferral balances that it has previously elected to recognize in accordance with IFRS **(Not on first annual IFRS FS)**.

Recognition and measurement

First IFRS FS

YES

Voluntary irrevocable election whether to recognize deferral as per IFRS 14 or not **(option)**.

If opted to follow in first IFRS FS

Must apply all requirements as per previous GAAP to all its regulatory deferral accounts balances

Changes are permitted if it results more relevant & reliable FS!

Not First IFRS FS

Irrevocable election (Whatever opted from option 1)

Presentation & disclosure

Presentation

SOFP

Must be presented in total (Total regulatory deferral (Dr.)/(Cr.). *No split in to current & non-current.*

SOCI

Net movement in regulatory deferral to:
- P&L (related to P&L).
- OCI (related to OCI).

Disclosure

Disclosures on:
- Nature & risk associated with rate regulation the entity is exposed to.
- Effect of that rate regulations of entity's FP & FP.

Definitions:

1. Rate regulated Activities:
Activities that are subject to rate regulations.

2. Rate regulation:
A framework that establishes prices for goods/services that are subject to oversight/approval of 'rate regulator'.

3. Regulatory deferral:
Accounts balance:
A balance that wouldn't otherwise be recognized in accordance with other IFRS but qualify for deferral as it is (expected to be) included in establishing (range of) rates.

IFRS 15 *Revenue from Contracts with Customers*

Scope:

Applies to all contracts with customers **except:**

- Lease contracts (IFRS 16).
- Insurance contracts IFRS 4 / IFRS 17.
- FI & other contractual rights & obligations (IFRS 9 / IAS 39, IFRS 10, IFRS 11, IAS 27 & IAS 28).
- Certain non-monetary exchanges.

5 – Steps Model

Step # 1

Identify the Contact

Step # 2

Identify the **PO(s)**

Distinct goods/services

I. Customer can benefit from goods on its own;
II. Goods/ service are separable from each other

Step # 3

Determine Transaction price

- Variable consideration **e-g discount, rebates, refund, credits, concession, incentive, bonus, penalties, contingent payments.**
  - (i). Expected value method
  - (ii). Most likely method
- Significant FC (Record on PV)
- Consideration payable to customer → Entity should a/c for this as reduction in transaction price (ONLY if not in exchange for distinct goods/services).
- Non-cash consideration → Accounted for at FV

Step # 4

Allocate the Transaction price to PO

Standalone price

- **YES** → Based on SSP (observable)
- **NO**
  - 1. Adjusted market assessment approach
  - 2. Expected cost-plus margin approach
  - 3. Residual approach

Step # 5

Recognize revenue when each PO is satisfied

Contract modifications

(i) Distinct Goods & Service; **(ii)** SSP

- **YES** → Separate contracts
- **NO** → Not a Separate contracts
  - Replacement of original contract with new contract → Prospective modification
  - Continuation of modification in existing contract → Catch up basis modification

Combination of multiple contracts

IF

Either;

I. Contracts are negotiated as package;
II. Consideration for each contract is interdependent
III. Overall goods/services of contracts represent single PO.

Legends:

Performance Obligations = PO
Financial Instruments = FI
Standalone Selling Price = SSP
Financing component=FC
Present value = PV

Definition:

1. Performance obligations:

A promise to transfer to the customer either;

(a) A distinct good(s) or service(s);
(b) A series of substantially the same distinct goods or services that have the same pattern of transfer to the customer, and the pattern of transfer is both over time and represents the progress towards complete satisfaction of the performance obligation.

IFRS 15 *Revenue from Contracts with Customers (continued)*

Legends:
Performance Obligations = PO
Financial Instruments = FI
Standalone Selling Price = SSP
Financing component=FC
Present value = PV
Contract asset = CA
Contract liability = CL

5 – Steps Model

Step # 5

Recognize revenue when each PO is satisfied

Point in Time

Immediately as sales occurred (controlled transferred). E-g: Delivery of tangible goods, let say selling of laptops, mobile phones, grocery items.

Over the Time

Below 3 criteria must meet:

1. Customer simultaneously receives & consumes all benefits (e-g recurring service contract such as cleaning services).
2. Entity's work creates/enhances asset controlled by customer (e-g work in progress & could be tangible or intangible).
3. Entity's performance doesn't create an asset with alternative use to entity, & entity has enforceable right to payment for performance completed to date.

Input Method (e-g Milestone reached, units produced/delivered, survey of performance complete to date).

Output Method (e-g Resources consumed, cost incurred, time lapse)

Presentation & Disclosure

Presentation

Statement of Financial Position

- Contract asset & contract liabilities to be presented separately.
- Unconditional rights to consideration are presented separately as receivable.

Statement of Comprehensive Income

- Line item (revenue & impairment) are presented separately in accordance with IAS 1.

Disclosure

Disclosure of sufficient info. about nature, amount, time, & uncertainty of revenue & cashflows arising from contract with customer:

➢ **Contract with customer:**
- Disaggregation of revenue;
- CA & CL & PO.

➢ **Use of practical expedient (related to):**
- Significance FC (12 month)
- Contract costs (12 month)

➢ **Significant judgement:**
- PO satisfaction.
- Transaction price.
- Determining contract cost capitalized.

➢ **Contract cost capitalize:**
- Method of amortization.
- Closing balance by asset type.
- Amortization & impairment.

IFRS 16 *Leases*

Effective date: Periods beginning on or after 1 Jan 2019

Scope:

All arrangements that meet the definition of lease **except for**:
(a) Leases to explore mineral, oil, natural gas & similar non-regenerative resources (b) Leases of biological assets within the scope of IAS 41. (c) Service concession arrangements within the scope of IFRIC 12
(d) Licenses of intellectual property granted by a lessor within IFRS 15. (e) Rights held by a lessee under a licensing agreement within IAS 38 (e.g. Rights to motion pictures, video recordings, plays, patents & copyrights, etc.)
A lessee is also permitted, but not required, to apply IFRS 16 to leases of intangible assets other than those described in (e) above.

Lessee

Lease Liability

Initial

Recognize for unpaid portion of payments, discounted at IR, or if IR not available, the IBR, comprising:
(a) Fixed payments, less any lease incentive;
(b) VLP based on index or rate;
(c) RVG;
(d) Exercise price of reasonably certain purchase option.
(e) Lease termination penalties (if any).

Subsequent

Subsequently, lessee remeasure:
(a) Increasing carrying amount to reflect interest on LL.
(b) Reducing carrying amount to reflect LP made &
(c) Remeasuring carrying amount to reflect any reassessment, lease modification or revised in substance lease fixed payment.

Variable Lease payment:
Variable lease payment not included initially in LL are record in P&L in period it occurs.

ROU asset

Initial

Recognize at cost, comprising:
(a) LL recognized;
(b) Lease payment made at/before commencement date, less any incentive;
(c) Initial direct cost;
(d) Dismantling cost (if any).

Subsequent

- Cost Model (IAS 16)
- RV Model (IAS 16)
- IP (IAS 40)

Lessor

Operating Lease

- Lessor retains leased asset in its SOFP.
- Lease income is recognized normally on straight line basis over lease term.

Finance Lease

- Lease asset is derecognized & gain/loss is recorded.
- Lessor recognizes receivable in SOFP equal to net investments in lease.
- Finance income is recognized based on pattern reflecting constant periodic rate of return on net investment in the lease.

Legends:
Right-of-use = ROU
Implicit rate in lease = IR
Incremental borrowing rate = IBR
Variable lease payment = VLP
Lease payment = LP
Residual value guarantee = RVG
Lease liability = LL
Revaluation model = RM
Investment property = IP
Statement of Financial Position = SOFP

Definitions:

1. Lease:
A contract or part of a contract that conveys the ROU an asset (**the underlying asset**) for a period in exchange for consideration.

2. Lease term:
The non-cancellable period for which a lessee has the ROU an underlying asset, together with both (a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; & (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

IFRS 16 *Leases (continued)*

Effective date: Periods beginning on or after 1 Jan 2019

Sale & lease back

For Lessee

IFRS 15 guidance:

In case transfer is a sale:

- ROU asset is recorded in proportion to previous carrying amount of asset that relate to ROU retained.
- Gain/loss limited to amount relate to rights transferred.
- Adjust if sale not at FV or LP not at mkt rates.

If transfer is not a sale:

- Asset continue to be recognized & FL is recognized equal to proceed transferred.
- FL is accounted for as per IFRS 9.

For Lessor

IFRS 15 guidance:

In case transfer is a sale:

- Account for purchase of asset as per applicable IFRS.
- Account for lease under lessor accounting as per IFRS 16.

If transfer is not a sale:

- Do not recognize transferred asset & recognize a FL equal to transfer proceed.
- FA is accounted for as per IFRS 9.

Presentation & disclosure

Presentation

For Lessee

- SOCF
  - Principal payment on LL as Financing activities.
  - Interest paid as per IAS 7.
  - Short term/low value asset leases & VLP are classified in operating activities.
- SOFP

ROU Assets:

(a) Present ROU asset separately from other asset; or

(b) Include ROU asset within same line item as underlying assets.

Lease liabilities:

(a) Present separately from other liabilities or disclose line item in which they are included.

- SOCI

Interest exp. on LL is presented separately from depreciation of ROU asset, as component of finance cost.

Disclosure

For Lessee

Extensive disclosure including qualitative information on the lessee's leasing activities & the rights & obligations arising from its major lease contracts, as well as significant quantitative disclosure on lease commitments, VLP, extension and termination options, RVG, & whether the option to exclude short-term and low-value leases has been used.

For Lessor

IFRS 16 requires significantly enhanced disclosure compared to IAS 17. Lessor must disclose qualitative & quantitative information about its leasing activities including the nature of the lessor's leasing activities, how the lessor manages risks associated with any retained rights in assets, a maturity analysis of lease payments receivable and a reconciliation of the discounted lease payments receivable to the net investment in the lease.

Legends:

Right-of-use = ROU
Implicit rate in lease = IR
Incremental borrowing rate = IBR
Variable lease payment = VLP
Lease payment = LP
Residual value guarantee = RVG
Lease liability = LL
Revaluation model = RM
Investment property = IP
Statement of Financial Position = SOFP
Statement of cashflows = SOCF
Financial asset = FA
Financial liability = FL

IFRS 16 *Leases (continued)*

Effective date: Periods beginning on or after 1 Jan 2019

COVID – 19 Related Rent Concessions

Conditions:

1. Change in lease payment is substantially the same, or less than consideration immediately preceding the change.
2. Reduction in lease payment original due on or before June 30, 2021.
3. No other substantive change in terms & conidiations of lease.

- (1) Rent waiver
- (2) Rent deferral
- (3) Rent deferral with extended lease term

What is the accounting relief ??

Accounting relief is from Lease Modification.

Periods beginning on or after 1 Jun 2020

Transition Approaches

- Fully Retrospective
- Modified
  - Option – 1 (Modified retrospective)
  - Option – 2 (Simplified approach)

Practical Expedients & cost of Implementation

Availability of practical expedients in transition options and monitory and non-monitory benefits comparison	Full retrospective	Modified retrospective	Simplified
Discount rates (The lessee has the option to apply a portfolio discount rate)	✓	✓	✓
Impairment and onerous leases (The lessee can use IAS 37 impairment assessment instead of IAS 36)	✓	✓	✓
Leases with a short remaining term (The lessee can elect to account for leases ending in less than 12 months on transition as short term leases)	X	✓	✓
Initial direct costs (The lessee can exclude initial direct costs from the measurement of the right of use asset)	✓	✓	X
Use of hindsight (The lessee may limit the judgement of renewal and termination options of lease contracts)	X	✓	X
Comparison to last year financial statements (using the transition option comparability with last year financial statements)	✓	X	X
Cost of implementation (Monitory and non-monitory resources required for implementation of the option)	High	Low	Low
Impact on retained earnings (Effects previous years or opening retained earnings)	✓	✓	X

How to adopt IFRS 16 Leases?

	Fully retrospective approach	Modified retrospective approach (Alternative - 1)	Modified retrospective approach (Alternative - 2)
Current period (2019)	IFRS 16	IFRS 16	IFRS 16
Comparative (2018)	IFRS 16	IAS 17	IAS 17
Restatement	(Restatement)	(No Restatement)	(No Restatement)
Lease Liability	From the beginning	January 1, 2019	January 1, 2019
Right of use asset	From the beginning	From the beginning	January 1, 2019
Adjustment to equity	January 1, 2018	January 1, 2019	N/A
Prepayment (if any)	---	Opening equity	Add to R.O.U
Accruals (if any)	---	Opening equity	Deduct from R.O.U
Cost	$$$$$	$$	$$
Comparability	✓ ✓ ✓	X	X

IFRS 17 *Insurance Contracts*

Effective date: Periods beginning on or after 1 Jan 2023

Scope:

Compulsory:

- Insurance contracts that an entity issues and reinsurance contracts that it holds
- Insurance contracts with discretionary feature if entity also issue insurance contract

Others:

- FG contracts if entity has asserted it regard such contracts as insurance contracts.
- Some service contracts, such as separately priced warranties on consumer goods that are serviced by third party rather than manufacturer.

Legends:
Financial guarantee = FG
Financial instrument = FI
Non-financial risk = NFR
Contractual service margin = CSM

Models

- General Model
- Premium Allocation Approach
- Variable fee Approach

General Model

- Incurred claim
- Remaining coverage

Component:

PV of future cashflows:
Estimate of all cashflow within boundary of each contract in the group.

Risk adjustment for NFR:
Compensation an entity requires for bearing uncertainty about amount & time of cashflow that arise from NFR as entity fulfil insurance contract.

Contractual service margin (CSM):
Represent unearned profit entity will recognize as it provides insurance contracts in group/

- Initial measurement
- Subsequent measurement
- Other comprehensive income effect

Initial measurement

For PV of future cashflows:
Estimate must be unbiased & reflect prospective of entity, no undue cost/efforts (should be reasonable).

For risk adjustment for NFR:
It should be entity specific & explicit, it should be amount of compensation entity would require to make itself indifferent b/w fixed series of cashflows & uncertain cashflows in group of contracts.

For contractual service margin (CSM): (Not for Incurred Claims)
CSM is set an amount that make group insurance contract zero at time of initial recognition, loss immediately recognize & no CSM exist.

Subsequent measurement

For PV of future cashflows:
Update each period with effect of discount unwind over time.

For risk adjustment for NFR:
Update each period with effect of discount unwind over time. The release from risk may occur evenly over time or not depend on nature of risks insured.

For contractual service margin (CSM): (Not for Incurred Claims)
It is updated for unwind discount effect & CSM unwinding as insurance contract service are provided in future based on CSM allocation over current & remaining period coverage.

Other comprehensive income effect

- Incurred claim
- Remaining coverage

For PV of future cashflows:
Accretion of discount in P&L or OCI.

For risk adjustment for NFR:
Release of risk overtime in insurance revenue, unless elected (accounting policy choice) in reflect in insurance finance expense.

For contractual service margin (CSM):
Accretion of discount in P&L or OCI effect of change in estimate are recorded in insurance service exp.

Remaining coverage

For PV of future cashflows:
Accretion of discount in P&L or OCI with movement related to service provided.

For risk adjustment for NFR:
Effect of change in estimate record in insurance service expense.

Premium Allocation Approach

- Incurred claim
- Remaining coverage

Initial & subsequent measurements is consistent with general model, However discounting is not required, if cashflow on incurred claim is expected to be pain in one year or less from date of claim incurred.

For PV of future cashflows:
Accretion of discount in P&L or OCI.

For risk adjustment for NFR:
Release of risk overtime in insurance revenue, unless elected (accounting policy choice) in reflect in insurance finance expense.

For contractual service margin (CSM):
Accretion of discount in P&L or OCI effect of change in estimate are recorded in insurance service exp.

Definitions:

1. Insurance risk:
Other than financial risk, transfer from holder to issuer

2. Financial risk:
Risk of possible change in one or more specified interest rate, FI price, commodity price, currency ex. rate, index of price, credit rate/index or other variable provided in case of non-financial variable that variable is not specific to a party to a contract.

3. Insurance contract:
When one party accept significant insurance risk from another party; (a) coverage for insured event; (b) insurance contract without direct participation, generation of investment return for policy holder & (c) insurance contract for direct participation feature, the management pf underlying item on behalf of policy holder.

4. Reinsurance contract:
Issued by one party to compensate another for claim arise from one or more insurance contract issued by that other party.

IFRS 17 *Insurance Contracts (continued)*

Legends:
Financial guarantee = FG
Financial instrument = FI
Non-financial risk = NFR
Contractual service margin = CSM

Models

- **General Model** → Explained on previous page!
- **Premium Allocation Approach**
  - Incurred claim → Explained on previous page!
  - Remaining coverage
    - Initial measurement
    - Subsequent measurement
- Variable fee Approach
  - Incurred claim → Measurement is consistent with general model.
  - Remaining coverage → Like the general model, except that changes in estimates relating to the future fees an entity expects to earn from direct participating contract policyholders are adjusted against the contractual service margin.

  The contractual service margin on direct participating contracts is recognized in profit or loss as part of insurance service results based on the passage of time.

  The accretion of interest relating to the contractual service margin is based on a current rate included in balance sheet measurements of specific assets, rather than a locked in rate as required in the general model.

Initial measurement

If certain conditions met, simplified measurement equal to:

a) Premium received at initial recognition;
b) Minus insurance acquisition cashflows; ***plus**
c) Plus or minus amount arise from derecognition at date of any pre-coverage period contract acquisition cash flows; & any other asset liability previously recognized for cashflows related to the group of contracts are required by IFRS 17.

*** May elect to expense as incurred.

Conditions required to be met:

1. There is reasonable expectation that measurement of the liability will not be materially different from measurement using full model in IFRS 17; and
2. The coverage period of each contract in the group (including insurance contract services arising from all premium within contract boundary) is 1 year or less.

Subsequent measurement

If certain conditions met, simplified measurement equal to:

a) Carrying amount at start of period;
b) Plus premium received in the period;
c) Minus insurance acquisition cashflows; **AAA**
d) Plus any amount relating to periodic amortization of insurance acquisition cashflows recognized as expense;
e) Plus adjustment for financing component;
f) Minus amount recognized as insurance revenue for services provided in that period; **BBB**

AAA May expense acquisition cashflows as incurred.

BBB Expected premiums are allocated to revenue on the basis of passage of time unless the expected pattern of release risk during coverage period differs significantly from the passage of time.

TRANSITIONS APPROACHES:

1. **Fully retrospective;**
2. **Modified retrospective;**
3. **Fair value approach.**

Effective from period beginning on or after Jan 1, 2023.

Note:
Early adoption is permitted if entity has adopted IFRS 15, IFRS 9 before date of initial application of IFRS 17.

IFRS 17 *Insurance Contracts (continued)*

Effective date: Periods beginning on or after 1 Jan 2023

Legends:
Financial guarantee = FG
Financial instrument = FI
Non-financial risk = NFR
Contractual service margin = CSM

Investment Contracts with Discretionary Participation Features

General model is modified as follows:

a) The date of initial recognition is the date the entity become party to the contract;
b) the contract boundary is modified so that cash flows are within the contract boundary if they result from a substantive obligation of the entity to deliver cash at a present or future date. The entity has no substantive obligation to deliver cash if it has the practical ability to set a price for the promise to deliver cash that fully reflects the amount of cash promised & related risks.
c) the allocation of the CSM is modified so that it is recognized over the duration of the group of contracts in a systematic way that reflects the transfer of investment services under the contract.

Reinsurance Contracts Held

General model is modified as follows:
Group of reinsurance contracts held recognized from earlier of following:

a) The beginning of the coverage period of the group of reinsurance contracts held; &
b) The date the entity recognizes an onerous group of underlying contracts, if the entity entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The net cost or net gain from a group of reinsurance contracts is deemed to be the CSM, unless the reinsurance covers underlying onerous contracts. In this case, the gain is recognized immediately if the reinsurance contract held is recognized before or at the same time as the loss arising on the underlying contracts.

Presentation & disclosure

Presentation

SOFP

- Insurance contracts issued that are assets;
- Insurance contracts issued that are liabilities.

SOCI

- Insurance revenue;
- Insurance service expense;
- Insurance finance income/expense.

Disclosure

Disclosure should include qualitative & quantitative info. about amount recognized in SOFP, SOCI, SOCF, including recon. of amounts & component comprise insurance contract assets/liabilities & significant judgement concerning their recognition & valuation.

Modifications

Derecognize original capital if one of the following apply;
(a) Had the modified terms been included at contract inception:
(i) It would have been outside IFRS 17;
(ii) Different components would have been separated from the host contract;
(iii) It would have had a substantially different contract boundary; or
(iv) It would have been included in a different group of insurance contracts.

(b) The original, but not modified, contract met the definition of an insurance contract with direct participation features (or vice versa).

(c) The premium allocation approach was applied to the original contract, but the eligibility criteria for that approach is not met for the modified contract.

If none of the above apply, do not derecognize the contract and instead treat changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows .

Note:
The CSM is subsequently measured as the previous carrying amount adjusted for:
(a) The effect of any new contracts;
(b) Interest accrued on the CSM;
(c) Changes in the fulfilment cash flows;
(d) The effect of any foreign exchange; and
(e) The allocation of the CSM.

Changes in fulfilment cash flows that result from changes in the risk of non-performance by the issuer of the reinsurance contracts held do not relate to future service and therefore do not adjust the CSM.

The premium allocation approach may be used for reinsurance contracts held if certain criteria are met.

About the Author



Adil Khan is a Chartered Accountant and currently associated with Mazars Abu Dhabi, UAE as a Manager Audit & Assurance Services. He is also a member of the IIA-USA, ACFE-USA, IFC-Canada & IPSAS Certified from ACCA. He is a Commerce Graduate and holds a Master degree in Economics and Finance.

Driven by his passion to share his expertise and knowledge to his fellow professionals, he has created the **"IFRS Glimpse (IG)"**.

IG is created with the purpose of assisting professionals in the field of auditing and accounting to have a high-level overview of International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

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