

A86045 Accounting and Financial Reporting (2016/2017)

Session 1

Financial reporting under IFRS

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Session 1 Overview

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INTRODUCTIONS

Introductions

- Briefly introduce yourself (Max 2 minutes)
 - Name
 - Where you are from
 - Where you live
 - Interests/hobbies
 - What you want to do after LIUC
 - Experiences of using financial statements
 - Any special requests/needs
 - What you hope to get out of this course

COURSE OVERVIEW

Course Objectives

At the end of this course students will be able to:

- ***Read and perform a high level interpretation*** of the financial statements of companies applying international accounting standards
- ***Identify and evaluate*** the impact on a company's accounts of alternative accounting methods
- ***Carry out a high level assessment*** of the economic- financial position of a company reporting under IAS/IFRS.

Course Overview

- | | |
|--|-------------------------------------|
| 1. Financial reporting under IFRS | 14. Mid term test |
| 2. Financial analysis and ratios | 15. Accounts receivable |
| 3. Financial analysis and ratios - cont'd | 16. Inventories |
| 4. Revenues | 17. Construction contracts |
| 5. Costs and expenses | 18. Review session |
| 6. Non-current assets - Intangible assets | 19. Taxation (direct and indirect) |
| 7. Review session | 20. Other Non-financial liabilities |
| 8. Non-current assets - Tangible assets | 21. Cash Flow Statement |
| 9. Financial leases | 22. Review session |
| 10. Review session | 23. Group accounts |
| 11. Impairment of assets | 24. Review session |
| 12. Non-current financial assets/liabilities | 25. Business combinations |
| 13. Review session | 26. Final test |

Reference materials

Required

A L A N M E L V I L L E

Fifth Edition

INTERNATIONAL FINANCIAL REPORTING

A Practical Guide



E-book £37.99
Paperback £44.09

Strongly recommended



Part A
Standards (IFRS/IAS)
Interpretations (IFRIC/SIC)
£72 (before student discount)

2014

Technical Summary

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

as issued at 1 January 2014. Includes IFRSs with an effective date after 1 January 2014 but not the IFRSs they will replace.

This extract has been prepared by IFRS Foundation staff and has not been approved by the IASB. For the requirements reference must be made to International Financial Reporting Standards.

The objective of this IFRS is to ensure that an entity's *first IFRS financial statements*, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that:

- (a) is transparent for users and comparable over all periods presented;
- (b) provides a suitable starting point for accounting in accordance with *International Financial Reporting Standards (IFRSs)*; and
- (c) can be generated at a cost that does not exceed the benefits.

An entity shall prepare and present an *opening IFRS statement of financial position at the date of transition to IFRS*. This is the starting point for its accounting in accordance with IFRSs.

An entity shall use the same accounting policies in its opening IFRS statement of financial position and throughout all periods presented in its first IFRS financial statements. Those accounting policies shall comply with each IFRS effective at the end of its *first IFRS reporting period*.

In particular, the IFRS requires an entity to do the following in the opening IFRS statement of financial position that it prepares as a starting point for its accounting under IFRSs:

- (a) recognise all assets and liabilities whose recognition is required by IFRSs;
- (b) not recognise items as assets or liabilities if IFRSs do not permit such recognition;
- (c) reclassify items that it recognised in accordance with previous GAAP as one type of asset, liability or component of equity, but are a different type of asset, liability or component of equity in accordance with IFRSs; and
- (d) apply IFRSs in measuring all recognised assets and liabilities.



www.ifrs.org

40% student discount

Other reference materials



IFRS Learning Resources

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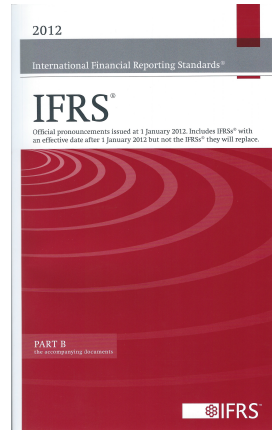
Updated November 2015

This is a list of some English language IFRS resources available to accounting academicians, students, and others. Most of the Internet resources are available without charge (purchased access is indicated).

This list is not copyrighted and may be freely reproduced and distributed (without alteration). The latest version may be downloaded here:

<http://www.ifrs.org/Use-around-the-world/Education/Pages/Learning-Resources.aspx>

Important: This information in this list is provided for your convenience only. Neither the IASB nor the IFRS Foundation has reviewed or approved the contents of any of the external information sources cited. It is the responsibility of the user to evaluate the content and usefulness of the information.



Part B
Basis for conclusions (BC)
Illustrative examples (IE)
Implementation guidance (IG)

Good Group Illustrative IFRS Financial Statements



Teaching methods

- Pre-reading
- Research
- Lecture
- Discussion
- Exercises
- Assignments
- Q&A
- Mid-term and final tests
- Office hour each week

Ground Rules

1. Be on time and don't leave early
2. Mobiles and laptops off
3. Don't come and go
4. Hand in assignments on time



Document

Memo - Rules



Please text or e-mail for an appointment beforehand

WHAT ARE IAS/IFRS?

Objectives of Session 1

At the end of this session students will be able to:

- **Understand** why there is a need for consistent international financial reporting
- Be able to **identify** the international accounting standards currently in force
- **Know** what the 5 components of financials statements required by IAS1 are, the alternate presentations available and, understand the purpose of each of these
- **Understand** how the 4 financial statements interlink with each other.

The development of accounting standards– a response to the evolution of business

- Cash accounting
- Accruals accounting
- Mergers and acquisitions/Joint ventures
- International trade
- International stakeholders
- Inflation/hyperinflation
- Foreign investments/Operations
- Investment incentives
- Venture capital/Private Equity
- Diversification/Conglomerates
- Leasing/Corporate Finance/Global Capital Markets
- Pensions and OPEBS
- Stock options
- Corporate failures/restructurings
- Financial instruments/Risk Management
- Multiple elements
- Governments' need for tax revenues
- **Accounting scandals**

Growing need for consistency and comparability for the various stakeholders:
Performance
Financial Position
Cash Flows

Accounting Scandals

Session 1 SM 6 Accounting Fraud and Scandals

Year	Company	Country	Estimated Amount \$ billion	Nature of fraud or scandal
2001	Enron	USA	74.0	Hid debt in SPVs
2008	Bernie Madoff	USA	64.8	Ponzi scheme
2008	Lehman Brothers	USA	50.0	Loans disguised as sales
2008	Anglo Irish Bank	Ireland	15.0	Impairment losses
2003	Parmalat	Italy	10.6	Falsification of earnings, assets and debts
2012	Autonomy	USA	8.8	HP acquisition Software sales accounting
2003	Freddi Mac	USA	5.0	Misstaed earnings
2005	AIG	USA	3.9	Recorded loans as revenues,
2011	Sino-Forest	Canada/China	3.0	Fraudulent inflation of assets and earnings
2002	Worldcom	USA	3.0	Capitalized expenses
2000	Xerox	USA	2.0	Equipment sales revenues on leased copiers
2004	Chiquita Brands	USA	1.7	Illegal payments to paramilitary groups
1998	Waste Management	USA	1.7	Increased useful life of assets
2009	Saytam	India	1.5	Falsified revenues, margins and cash.
2003	Healthsouth	USA	1.4	Staff ordered to make up transactions
2011	Olympus	Japan	1.0	Takeover fees used to hide losses
2003	Nortel	Canada	0.5	Release of reserves to boost earnings
2002	Royal Ahold	Netherlands	0.5	Accelerated recognition of vendor rebates
2002	Tyco	USA	0.5	Capitalized costs and officer loans
2014	Tesco	UK	0.3	Overstated supplier rebates

Users of IFRS - Stakeholder needs

Stakeholder	Needs
Shareholders	Stewardship of management, Returns
Creditors	Safe to sell to?
Banks	Safe to lend to? Need to recall loan?
Customers	Safe source of supply?
Tax authorities	Share of profits, Sales taxes
Employees	Profit sharing, job stability
Management	Bonus calculation
Sales force	Commissions
Credit rating agencies	Assign rating
Potential investors	Future prospects

How do you think that you might need to use published financial statements in the future?