## **Contents**

	Prefa Publi	ace sher's acknowledgements	xx xxvi
Pa	rt I		
		DUCTION TO ACCOUNTING ON A CASH FLOW AND IAL ACCOUNTING BASIS	I
ı	Acco	ounting and reporting on a cash flow basis	3
	1.1	Introduction	3
	1.2	Shareholders	3
	1.3	What skills does an accountant require in respect of external reports?	4
	1.4	Managers	4
	1.5	What skills does an accountant require in respect of internal reports?	5
	1.6	Procedural steps when reporting to internal users	5
	1.7	Agency costs	8
	1.8	Illustration of periodic financial statements prepared under the cash	_
		flow concept to disclose realised operating cash flows	8
	1.9	Illustration of preparation of statement of financial position	13
	01.1 11.1	Treatment of non-current assets in the cash flow model What are the characteristics of these data that make them reliable?	14
	1.12	Reports to external users	15 16
	Summ	•	17
		w questions	18
	Exerci	·	18
	Notes		20
2	Acco	unting and reporting on an accrual accounting basis	21
	2.1	Introduction	21
	2.2	Historical cost convention	22
	2.3	Accrual basis of accounting	22
	2.4	Mechanics of accrual accounting – adjusting cash receipts and payments	23
	2.5	Reformatting the statement of financial position	24
	2.6	Accounting for the sacrifice of non-current assets	24
	2.7	Published statement of cash flows	27

Summary			28
			28
		v questions	29
	Exerci Notes		30
	ivores		
p <sub>a</sub>	rt 2		
PR	EPAF	RATION OF INTERNAL AND PUBLISHED FINANCIAL	
		MENTS	31
3	Prep	aration of financial statements of comprehensive income,	
	chan	ges in equity and financial position	33
	3.1	Introduction	33
	3.2	Preparing an internal statement of income from a trial balance	33
	3.3	Reorganising the income and expenses into one of the	
		formats required for publication	36
	3.4	Format 1: classification of operating expenses and other income	_
		by function	37
	3.5	Format 2: classification of operating expenses according to their nature	40
	3.6	Other comprehensive income	40
	3.7	How non-recurring or exceptional items can affect operating income	41
	3.8	How decision-useful is the statement of comprehensive income?	43
	3.9	Statement of changes in equity	43
	3.10	The statement of financial position	44
	3.11	The explanatory notes that are part of the financial statements	45
	3.12	Has prescribing the formats meant that identical transactions are	
		reported identically?	48
	3.13	Fair presentation	51
	3.14	What does an investor need in addition to the primary financial	
		statements to make decisions?	52
	Summ	•	56
		v questions	57
	Exerci		58
	Notes		68
1	Annı	In reports additional forms to U.S.	
7	4.1	Ial report: additional financial disclosures Introduction	70 70
	4.2	·· - · · · · · · · · · · · · · · · · ·	70
	4.3	IAS 10 Events after the Reporting Period	70
	4.4	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	73
	4.5	What do segment reports provide?	<b>75</b>
	4.6	IFRS 8 Operating Segments	<b>75</b>
	4.7	Benefits and continuing concerns following the issue of IFRS 8	79
	7.7	Discontinued operations – IFRS 5 Non-current Assets Held for	
	4.8	Sale and Discontinued Operations	82
	1.0	Held for sale – IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	
	4.9		83
	Summ	IAS 24 Related Party Disclosures	85
		ary V questions	90
	Exerc		90
	Notes		91
	140168		101

5	State	ements of cash flows	102
	5.1	Introduction	102
	5.2	Development of statements of cash flows	102
	5.3	Applying IAS 7 (revised) Statements of Cash Flows	103
	5.4	Step approach to preparation of a statement of cash flows –	
		indirect method	106
	5.5	Additional notes required by IAS 7	109
	5.6	Analysing statements of cash flows	110
	5.7	Approach to answering questions with time constraints	116
	5.8	Preparing a statement of cash flows when no statement of income is	
		available	811
	5.9	Critique of cash flow accounting	120
	Summ	ary	120
	Revie	w questions	121
	Exerc	ises	121
	Notes		128
Pa	rt 3		
		ATORY FRAMEWORK - AN ATTEMPT TO ACHIEVE	
Uľ	<b>VIFO</b>	RMITY	129
_			
6		ncial reporting – evolution of global standards	131
	6.1	Introduction	131
	6.2	Why do we need financial reporting standards?	131
	6.3	Why do we need standards to be mandatory?	132
	6.4	Arguments in support of standards	134
	6.5	Arguments against standards	135
	6.6	Standard setting and enforcement by the Financial Reporting	125
	, 7	Council (FRC) in the UK The International Associating Standards Reserve	135
	6.7 6.8	The International Accounting Standards Board Standard setting and enforcement in the European Union (EU)	138
	6.9	Standard setting and enforcement in the US	139 142
	6.10	Advantages and disadvantages of global standards for publicly	142
	0.10	accountable entities	144
	6.11	How do reporting requirements differ for non-publicly	177
	0.11	accountable entities?	145
	6.12	IFRS for SMEs	146
		Why have there been differences in financial reporting?	146
	6.14	Move towards a conceptual framework	150
	Summ		151
		v questions	151
	Exerci	·	152
	Notes		153
7	Conc	epts – evolution of an international conceptual	
		ework	155
	7.1	Introduction	155
	7.2	Different countries meant different financial statements	155
	7.3	Historical overview of the evolution of financial accounting theory	156

	7.4	Framework for the Preparation and Presentation of Financial Statements	158
	7.5	Conceptual Framework for Financial Reporting 2010	159
	7.6	Chapter 4 content	163
	7.7	The Conceptual Framework for Financial Reporting – latest developments	164
	7.8	Current developments – concept of materiality	167
	Summa		169
	Reviev	v auestions	170
	Exercis		170
	Notes		172
8	Ethic	al behaviour and implications for accountants	173
_	8.1	Introduction	173
	8.2	The meaning of ethical behaviour	173
		The accounting standard-setting process and ethics	174
		The IFAC Code of Ethics for Professional Accountants	175
		Implications of ethical values for the principles – versus rules-based	
		approaches to accounting standards	178
	8.6	Ethics in the accountant's work environment – a research report	181
	8.7	Implications of unethical behaviour for stakeholders using the financial	
		reports	183
	8.8	The increasing role of whistle-blowing	188
	8.9	Legal requirement to report – national and international regulation	190
	8.10		191
	Summa		192
	Reviev	y questions	193
	Exerci	ses	195
	Notes		197
a	rt 4		
N	COM	E AND ASSET VALUE MEASUREMENT	
5 Y	STEM	is	199
9	Incor	ne and asset value measurement: an economist's	
	appro		20 I
	9.1	·	201
	9.2	Role and objective of income measurement	201
	9.3		204
	9.4		207
	9.5		208
	9.6	C	214
	9.7	Income, capital and changing price levels	214
	Summa	ary	216
		y questions	216
	Exerci	ses	217
	Notes		219
	Bibliog	raphy	219

10	Acco	ounting for price-level changes	220
	10.1	Introduction	220
	10.2	Review of the problems of historical cost accounting (HCA)	220
	10.3	Inflation accounting	221
	10.4	The concepts in principle	221
	10.5	The four models illustrated for a company with cash	
		purchases and sales	222
	10.6	Critique of each model	226
	10.7	Operating capital maintenance – a comprehensive example	229
	10.8		240
	10.9	Measurement bases	241
	10.10	The IASB position where there is hyperinflation	241
		Future developments	242
	Summ	ary	244
	Reviev	v questions	245
	Exerci	ses	245
	Notes		252
	Bibliog	graphy	252
П	Reve	nue recognition	253
•	11.1		253
		IAS 18 Revenue	254
		The issues involved in developing a new standard	255
		The challenges under both IAS 18 and IFRS 15	256
		IFRS 15 Revenue from Contracts with Customers	257
	11.6	Five-step process to identify the amount and timing of revenue	258
	11.7	Disclosures	269
	Summ	ary	270
		v questions	270
	Exerci	·	272
	Notes		276
Pa	rt 5		
		MENT OF FINANCIAL POSITION – EQUITY, TY AND ASSET MEASUREMENT AND DISCLOSURE	277
12	Share	e capital, distributable profits and reduction of capital	279
	12.1	Introduction	279
	12.2	Common themes	279
	12.3	Total owners' equity: an overview	280
	12.4	Total shareholders' funds: more detailed explanation	281
	12.5	Accounting entries on issue of shares	283
	12.6	Creditor protection: capital maintenance concept	284
	12.7	Creditor protection: why capital maintenance rules are necessary	284
	12.8	Creditor protection: how to quantify the amounts available to meet	
		creditors' claims	285
	12.9	Issued share capital: minimum share capital	286

12.10 Distributable profits: general considerations 12.11 Distributable profits: how to arrive at the amount using relevant accounts 12.12 When may capital be reduced? 12.13 Writing off part of capital which has already been lost and is not represented by assets 12.14 Repayment of part of paid-in capital to shareholders or cancellation of unpaid share capital 12.15 Purchase of own shares 294 Summary 296 Summary 296 Review questions 297 Notes 298 13.1 Introduction 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision 13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.9 Contingent liabilities 13.1 ED/2010/1 Measurement of Liabilities 13.1 ED/2010/1 Measurement of Liabilities 13.1 Introduction 14.2 Financial instruments 14.1 Introduction 14.2 Financial instruments 14.1 Introduction 14.2 Financial Instruments 14.1 Introduction 14.2 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure and Presentation 13.5 Summary 14.6 IFRS 9 Financial Instruments: Disclosure and Presentation 13.6 Employee benefits 15.1 Introduction 15.2 Greater employee interest in pensions 15.9	12.	286
relevant accounts  12.12 When may capital be reduced? 12.13 Writing off part of capital which has already been lost and is not represented by assets 12.14 Repayment of part of paid-in capital to shareholders or cancellation of unpaid share capital 12.15 Purchase of own shares 294 12.15 Purchase of own shares 294 Summary 296 Exercises 297 Notes  13 Liabilities 303 13.1 Introduction 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision 13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.9 Contingent liabilities 13.10 ED IAS 37 Non-financial Liabilities 13.11 ID/2010/I Measurement of Liabilities in IAS 37 Summary Review questions Exercises Notes  14 Financial instruments 14.1 Introduction 14.2 Financial instruments 14.1 Introduction 14.2 Financial instruments: Disclosure and Presentation 14.3 IAS 32 Financial Instruments: Disclosure 305 306 307 308 309 309 309 300 300 300 301 302 303 303 303 303 303 303 303 303 303	12.	
12.12 Writing off part of capital which has already been lost and is not represented by assets 12.14 Repayment of part of paid-in capital to shareholders or cancellation of unpaid share capital 12.15 Purchase of own shares 294 12.15 Purchase of own shares 296 Review questions 297 Review questions 298 Exercises 297 Notes  13.1 Introduction 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision 13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 Summary Review questions Exercises 14 Financial instruments 14.1 Introduction 14.2 Financial instruments 14.1 Introduction 14.2 Financial instruments 14.3 IAS 32 Financial Instruments 14.4 IFRS 9 Financial Instruments: Disclosure and Presentation 14.9 IFRS 7 Financial Instruments: Disclosure and Presentation 15.1 Introduction 16.2 Employee benefits 16.1 Introduction 17.5 Employee benefits 18.1 Introduction 18.5 Introduction		
12.14   Repayment of part of paid-in capital to shareholders or cancellation of unpaid share capital   294     12.15   Purchase of own shares   294     12.16   Purchase of own shares   294     12.17   Purchase of own shares   295     13.10   Introduction   303     13.10   Introduction   303     13.20   Provisions — a decision tree approach to their impact on the statement of financial position   304     13.30   Treatment of provisions   305     13.40   The general principles that IAS 37 applies to the recognition of a provision   305     13.50   Management approach to measuring the amount of a provision   306     13.60   Application of criteria illustrated   308     13.70   Provisions for specific purposes   308     13.80   Contingent liabilities   311     13.90   Contingent assets   311     13.90   ED IAS 37 Non-financial Liabilities   312     13.11   ED/2010/1 Measurement of Liabilities in IAS 37   319     Summary   Review questions   320     Exercises   320     Notes   325     14   Financial instruments   the IASB's problem child   326     14.11   Introduction   326     14.22   Financial instruments   Disclosure and Presentation   329     14.41   IFRS 9 Financial Instruments: Disclosure and Presentation   329     14.52   IFRS 7 Financial Instruments: Disclosure   345     Summary   351     Review questions   352     Summary   351     Review questions   351     Exercises   352     Notes   358     15   Employee benefits   15.1   Introduction   359     15.1   Introduction   359	12.	288
12.14 Repayment of part of paid-in capital to shareholders or cancellation of unpaid share capital 12.15 Purchase of own shares 294 Summary Review questions 296 Exercises Notes 297 Notes 297 Notes 298  13.1 Introduction 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision 13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 Summary Review questions Exercises Notes 296 14 Financial instruments 14.1 Introduction 296 14.2 Financial instruments 297 298 299 297 297 208 209 209 209 209 209 209 209 209 209 209	12.	
of unpaid share capital 12.15 Purchase of own shares 294 Summary Review questions Exercises Notes 302  13 Liabilities 303 13.1 Introduction 303 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 304 13.3 Treatment of provisions 305 13.4 The general principles that IAS 37 applies to the recognition of a provision 305 13.5 Management approach to measuring the amount of a provision 306 13.6 Application of criteria illustrated 307 13.7 Provisions for specific purposes 308 13.8 Contingent liabilities 311 13.9 Contingent assets 311 13.10 ED IAS 37 Non-financial Liabilities 311 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 319 Summary Review questions Exercises Notes 320 Notes 326  14 Financial instruments 14.1 Introduction 326 14.2 Financial instruments 327 328 329 320 320 321 326 327 337 338 338 338 338 339 339 339 339 339 339		288
12.15   Purchase of own shares   294	12.	20.4
Summary   Summ		
Review questions   296		
Exercises   297		
Notes  13 Liabilities  13.1 Introduction  13.2 Provisions – a decision tree approach to their impact on the statement of financial position  13.3 Treatment of provisions  13.4 The general principles that IAS 37 applies to the recognition of a provision  13.5 Management approach to measuring the amount of a provision  13.6 Application of criteria illustrated  13.7 Provisions for specific purposes  13.8 Contingent liabilities  13.10 ED IAS 37 Non-financial Liabilities  13.11 ED/2010/1 Measurement of Liabilities in IAS 37  Summary  Review questions  Exercises  Notes  14.1 Introduction  14.2 Financial instruments  14.3 IAS 32 Financial Instruments  14.4 IFRS 9 Financial Instruments  14.5 IFRS 7 Financial Instruments  14.5 IFRS 7 Financial Instruments  Summary  Review questions  Exercises  Notes  15 Employee benefits  15.1 Introduction  15.2 Control of the decision of the provision		
13 Liabilities 13.1 Introduction 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision 13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.9 Contingent assets 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/I Measurement of Liabilities in IAS 37 13.12 ISD/2010/I Measurement of Liabilities in IAS 37 13.19 Review questions 13.10 Exercises 13.11 Introduction 13.12 Exercises 13.13 Introduction 14.1 Introduction 14.2 Financial instruments 14.1 Introduction 14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 13.5 IFRS 7 Financial Instruments: Disclosure 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure 14.6 IFRS 9 Financial Instruments: Disclosure 15.1 Introduction 15.2 Construction 15.3 Construction 15.3 Construction 15.4 Construction 15.5 Construction 15.6 Construction 15.7 Construction 15.7 Construction 15.8 Construction 15.9 Construction 15.9 Construction 15.9 Construction 15.0 Con		
13.1 Introduction 13.2 Provisions – a decision tree approach to their impact on the statement of financial position 13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision 13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.1 I 3.9 Contingent assets 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 Summary Review questions Exercises Notes 14 Financial instruments 14.1 Introduction 14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure Summary Review questions Exercises Summary Review questions 14.5 IFRS 7 Financial Instruments: Disclosure 15.1 Introduction 15.2 Continual Instruments 15.5 Introduction 15.6 Continual Instruments 15.7 Introduction 15.9 Introduction 15.1 Introduction 15.1 Introduction 15.2 Introduction 15.3 Introduction 15.4 Continual Instruments 15.5 Introduction 15.6 Continual Instruments 15.7 Introduction 15.9 Introduction 15.9 Introduction 15.0 Continual Instruments 15.1 Introduction 15.2 Introduction 15.2 Introduction 15.3 Introduction 15.5 Introduction 15.5 Introduction 15.6 Introduction 15.7 Introduction 15.8 Introduction 15.9 Introduction 15.9 Introduction 15.0 Introdu	No	302
13.2 Provisions – a decision tree approach to their impact on the statement of financial position  13.3 Treatment of provisions  13.4 The general principles that IAS 37 applies to the recognition of a provision  13.5 Management approach to measuring the amount of a provision  13.6 Application of criteria illustrated  13.7 Provisions for specific purposes  13.8 Contingent liabilities  13.10 ED IAS 37 Non-financial Liabilities  13.11 ED/2010/1 Measurement of Liabilities in IAS 37  Summary  Review questions  Exercises  Notes  14.1 Introduction  14.2 Financial instruments  14.1 Introduction  14.2 Financial instruments – the IASB's problem child  14.3 IAS 32 Financial Instruments: Disclosure and Presentation  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  Exercises  Summary  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  Exercises  Notes  15 Employee benefits  15.1 Introduction  15.2 Constitution  309  309  305  307  308  308  308  308  308  308  308	13 Lia	303
the statement of financial position  13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision  13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.9 Contingent assets 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 13.19 Review questions 13.20 Exercises 13.20 Notes  14 Financial instruments 14.1 Introduction 14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure 14.5 Summary 15.1 Introduction 15.2 Consents and Presentation 15.3 Sources 15.5 Employee benefits 15.1 Introduction 15.1 Introduction 15.2 Consents and Presentation 15.3 Sources 15.5 Employee benefits 15.1 Introduction 15.6 Consents and Presentation 15.7 Consents and Presentation 15.8 Sources 15.9 Sources 15.9 Consents and Presentation 15.0 Sources 15.1 Introduction 15.1 Introduction 15.1 Introduction 15.2 Consents and Presentation 15.3 Sources 15.4 Employee benefits 15.5 Introduction 15.6 Consents and Presentation 15.7 Consents and Presentation 15.8 Sources 15.9 Sources 15.9 Sources 15.1 Introduction 15.0 Consents and Presentation 15.0 Consents and Presentation 15.0 Consents and Presentation 15.1 Introduction 15.2 Consents and Presentation 15.3 Sources 15.5 Employee benefits 15.7 Consents and Presentation 15.8 Sources 15.8 Sources 15.8 Sources 15.9 Sources 15.9 Sources 15.1 Introduction 15.0 Consents and Presentation 15.0 Consents and Presentat	13.	303
13.3 Treatment of provisions 13.4 The general principles that IAS 37 applies to the recognition of a provision  13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 13.7 Provisions for specific purposes 13.8 Contingent liabilities 13.9 Contingent assets 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/1 Measurement of Liabilities in IAS 37  Summary Review questions Exercises Notes  14.1 Introduction 14.2 Financial instruments 14.1 Introduction 14.2 Financial instruments — the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.5 IFRS 7 Financial Instruments: Summary Review questions Summary Review questions 14.5 IFRS 7 Financial Instruments: Disclosure 14.5 IFRS 7 Financial Instruments: Disclosure 15 Employee benefits 15.1 Introduction 15.1 Introduction 15.1 Introduction 15.1 Introduction 15.1 Introduction 15.5 Constitution 15.5 Constitution 15.6 The constitution in the provision of the provision in th	13.	
13.4 The general principles that IAS 37 applies to the recognition of a provision  13.5 Management approach to measuring the amount of a provision  13.6 Application of criteria illustrated  13.7 Provisions for specific purposes  13.8 Contingent liabilities  13.9 Contingent assets  13.10 ED IAS 37 Non-financial Liabilities  13.11 ED/2010/I Measurement of Liabilities in IAS 37  Summary  Review questions  Exercises  Notes  14 Financial instruments  14.1 Introduction  14.2 Financial instruments — the IASB's problem child  14.3 IAS 32 Financial Instruments: Disclosure and Presentation  14.5 IFRS 9 Financial Instruments  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  14.5 IFRS 7 Financial Instruments: Disclosure  325  14.5 Summary  Review questions  Exercises  Notes  15.1 Introduction  359  15.1 Introduction  308  308  308  308  308  308  308  30		
of a provision  13.5 Management approach to measuring the amount of a provision  13.6 Application of criteria illustrated  13.7 Provisions for specific purposes  13.8 Contingent liabilities  13.1 I S.9 Contingent assets  13.1 I ED/2010/1 Measurement of Liabilities  13.1 I ED/2010/1 Measurement of Liabilities in IAS 37  Summary  Review questions  Exercises  Notes  14.1 Introduction  14.2 Financial instruments  14.3 IAS 32 Financial Instruments: Disclosure and Presentation  14.4 IFRS 9 Financial Instruments  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  Exercises  Notes  15.1 Introduction  359  15.2 Constitution  308  308  308  308  308  308  308  30	13.	305
13.5 Management approach to measuring the amount of a provision 13.6 Application of criteria illustrated 308 13.7 Provisions for specific purposes 308 13.8 Contingent liabilities 311 13.9 Contingent assets 311 13.10 ED IAS 37 Non-financial Liabilities 312 13.11 ED/2010/1 Measurement of Liabilities in IAS 37 319 Summary 319 Review questions 320 Exercises 320 Notes 325  14 Financial instruments 14.1 Introduction 326 14.2 Financial instruments - the IASB's problem child 326 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 329 14.4 IFRS 9 Financial Instruments 335 14.5 IFRS 7 Financial Instruments: Disclosure 345 Summary 351 Review questions Exercises Notes 358  15 Employee benefits 15.1 Introduction 379	13.	
13.6 Application of criteria illustrated  13.7 Provisions for specific purposes  13.8 Contingent liabilities  13.9 Contingent assets  13.10 ED IAS 37 Non-financial Liabilities  13.11 ED/2010/1 Measurement of Liabilities in IAS 37  Summary  Review questions  Exercises  Notes  14 Financial instruments  14.1 Introduction  14.2 Financial instruments — the IASB's problem child  14.3 IAS 32 Financial Instruments: Disclosure and Presentation  14.4 IFRS 9 Financial Instruments  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  Exercises  Notes  15 IFRS 7 Financial Instruments: 359  Its Employee benefits  15.1 Introduction  308  308  308  308  308  308  308  30		
13.7 Provisions for specific purposes  13.8 Contingent liabilities 13.9 Contingent assets 13.10 ED IAS 37 Non-financial Liabilities 13.11 ED/2010/1 Measurement of Liabilities in IAS 37  Summary Review questions Exercises Notes  14.1 Introduction 14.2 Financial instruments — the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure Summary Review questions Exercises Notes  15.1 Introduction 369 17.1 Introduction 37.2 Indicate Instruments and Ins		
13.8 Contingent liabilities       311         13.9 Contingent assets       311         13.10 ED IAS 37 Non-financial Liabilities       312         13.11 ED/2010/I Measurement of Liabilities in IAS 37       319         Summary       319         Review questions       320         Exercises       320         Notes       325         14 Financial instruments       326         14.1 Introduction       326         14.2 Financial instruments – the IASB's problem child       326         14.3 IAS 32 Financial Instruments: Disclosure and Presentation       329         14.4 IFRS 9 Financial Instruments       335         14.5 IFRS 7 Financial Instruments: Disclosure       345         Summary       351         Review questions       351         Exercises       352         Notes       358         15 Employee benefits       359         15.1 Introduction       359		
13.9   Contingent assets   311   13.10   ED   IAS 37   Non-financial Liabilities   312   13.11   ED/2010/1   Measurement of Liabilities in IAS 37   319   Summary   319   Review questions   320   Exercises   320   Notes   325    14   Financial instruments   326   14.1   Introduction   326   14.2   Financial instruments – the IASB's problem child   326   14.3   IAS 32   Financial Instruments: Disclosure and Presentation   329   14.4   IFRS 9   Financial Instruments   335   14.5   IFRS 7   Financial Instruments: Disclosure   345   Summary   351   Review questions   351   Exercises   352   Notes   358    15   Employee benefits   359   15.1   Introduction   359   15.2   Constant of the Introduction   359   15.3   150		
13.10 ED IAS 37 Non-financial Liabilities       312         13.11 ED/2010/I Measurement of Liabilities in IAS 37       319         Summary       319         Review questions       320         Exercises       320         Notes       325         14 Financial instruments       326         14.1 Introduction       326         14.2 Financial instruments – the IASB's problem child       326         14.3 IAS 32 Financial Instruments: Disclosure and Presentation       329         14.4 IFRS 9 Financial Instruments       335         14.5 IFRS 7 Financial Instruments: Disclosure       345         Summary       351         Review questions       351         Exercises       352         Notes       358         15 Employee benefits       359         15.1 Introduction       359		
13.11 ED/2010/1 Measurement of Liabilities in IAS 37       319         Summary       319         Review questions       320         Exercises       320         Notes       325         14 Financial instruments       326         14.1 Introduction       326         14.2 Financial instruments – the IASB's problem child       326         14.3 IAS 32 Financial Instruments: Disclosure and Presentation       329         14.4 IFRS 9 Financial Instruments       335         14.5 IFRS 7 Financial Instruments: Disclosure       345         Summary       351         Review questions       351         Exercises       352         Notes       358         15 Employee benefits       359         15.1 Introduction       359		
Summary       319         Review questions       320         Exercises       320         Notes       325         14 Financial instruments       326         14.1 Introduction       326         14.2 Financial instruments – the IASB's problem child       326         14.3 IAS 32 Financial Instruments: Disclosure and Presentation       329         14.4 IFRS 9 Financial Instruments       335         14.5 IFRS 7 Financial Instruments: Disclosure       345         Summary       351         Review questions       351         Exercises       352         Notes       358         15 Employee benefits       359         15.1 Introduction       359		
Review questions Exercises Notes  14 Financial instruments 14.1 Introduction 14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure Summary Review questions Exercises Notes  15 Employee benefits 15.1 Introduction 320 326 326 327 328 328 329 329 329 320 320 320 320 320 320 320 321 322 323 324 325 326 327 327 328 329 329 329 320 320 320 320 320 320 320 320 320 320		
Exercises Notes  14 Financial instruments 14.1 Introduction 14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure Summary Review questions Exercises Notes  15 Employee benefits 15.1 Introduction 15.2 Constant of the IASB's problem child 326 326 327 328 328 329 329 329 329 320 320 320 320 320 321 322 323 324 325 326 327 327 328 328 329 329 320 320 320 320 320 320 321 321 322 323 323 324 325 326 327 327 328 328 329 329 320 320 320 320 320 320 320 320 320 320		
Notes  14 Financial instruments 14.1 Introduction 14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure Summary Review questions Exercises Notes  15 Employee benefits 15.1 Introduction 15.2 Constant of the IASB's problem child 15 26 15 Employee benefits 15.1 Introduction 15 26 15 Employee benefits 15.1 Introduction 15 326 16 Introduction 17 326 18 327 18 326 18 326 18 326 18 326 18 326 18 326 18 326 18 326 18 326 18 326 18 326 326 327 328 328 329 329 320 320 321 321 322 323 323 324 325 326 326 327 327 328 328 329 329 329 320 320 320 320 320 320 320 320 320 320		
14 Financial instruments  14.1 Introduction  14.2 Financial instruments – the IASB's problem child  14.3 IAS 32 Financial Instruments: Disclosure and Presentation  14.4 IFRS 9 Financial Instruments  14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  Exercises  Notes  15 Employee benefits  15.1 Introduction  326  326  327  328  329  339  340  351  352  353  353  359  359		
14.1Introduction32614.2Financial instruments – the IASB's problem child32614.3IAS 32 Financial Instruments: Disclosure and Presentation32914.4IFRS 9 Financial Instruments33514.5IFRS 7 Financial Instruments: Disclosure345Summary351Review questions351Exercises352Notes358 15.1 Introduction 359	1/10	325
14.2 Financial instruments – the IASB's problem child 14.3 IAS 32 Financial Instruments: Disclosure and Presentation 14.4 IFRS 9 Financial Instruments 14.5 IFRS 7 Financial Instruments: Disclosure 345 Summary 351 Review questions Exercises Notes 352 Notes 358  15 Employee benefits 15.1 Introduction 356	14 Fir	326
14.3IAS 32 Financial Instruments: Disclosure and Presentation32914.4IFRS 9 Financial Instruments33514.5IFRS 7 Financial Instruments: Disclosure345Summary351Review questions351Exercises352Notes358 15.1 Introduction 359		326
14.4 IFRS 9 Financial Instruments33514.5 IFRS 7 Financial Instruments: Disclosure345Summary351Review questions351Exercises352Notes358 15.1 Introduction 359	14.	326
14.5 IFRS 7 Financial Instruments: Disclosure  Summary  Review questions  Exercises  Notes  15 Employee benefits  15.1 Introduction  15.2 Constant of the state o	14.	329
Summary       351         Review questions       351         Exercises       352         Notes       358         15 Employee benefits       359         15.1 Introduction       359         15.2 Constant       359		335
Summary       351         Review questions       351         Exercises       352         Notes       358         15 Employee benefits       359         15.1 Introduction       359         15.2 Constant       359		345
Exercises 352 Notes 358  15 Employee benefits 359 15.1 Introduction 359		
Notes 352 358  15 Employee benefits 359 15.1 Introduction 359		351
15 Employee benefits 15.1 Introduction 359		352
15.1 Introduction 359	No	358
15.1 Introduction 359	l5 En	250
15.2 Course 1		
IE 2 Einemeitel	15.	
15.4 Types of scheme 360	15.	
15.3 Financial reporting implications 360	15. 15. 15.	359 359 360

	15.5 Defined contribution pension schemes	363
	15.6 Defined benefit pension schemes	363
	15.7 IAS 19 (revised 2011) Employee Benefits	364
	15.8 The asset or liability for pension and other post-retirement costs	364
	15.9 Changes in the pension asset or liability position	365
	15.10 Comprehensive illustration	368
	15.11 Multi-employer plans	369
	15.12 Disclosures	369
	15.13 Other long-service benefits	370
	15.14 Short-term benefits	370
	15.15 Termination benefits	371
	15.16 IFRS 2 Share-based Payment	372
	15.17 Scope of IFRS 2	373
	15.18 Recognition and measurement	373
	15.19 Equity-settled share-based payments	373
	15.20 Cash-settled share-based payments	376
	15.21 Transactions which may be settled in cash or shares	377
	15.22 IAS 26 Accounting and Reporting by Retirement Benefit Plans	377
	Summary	380
	Review questions	380
	Exercises	381
	Notes	385
16	Taxation in company accounts	386
	16.1 Introduction	386
	16.2 Corporation tax	386
	16.2 Corporation tax	386
	<ul><li>16.2 Corporation tax</li><li>16.3 Corporation tax systems – the theoretical background</li></ul>	386 387 388 389
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> </ul>	386 387 388 389 393
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> </ul>	386 387 388 389 393 394
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> </ul>	386 387 388 389 393
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> </ul>	386 387 388 389 393 394 402 404
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> </ul>	386 387 388 389 393 394 402
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> <li>16.9 Value added tax (VAT)</li> </ul>	386 387 388 389 393 394 402 404
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> <li>16.9 Value added tax (VAT)</li> <li>Summary</li> </ul>	386 387 388 389 393 394 402 404 405 405 406
	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> <li>16.9 Value added tax (VAT)</li> <li>Summary</li> <li>Review questions</li> </ul>	386 387 388 389 393 394 402 404 405 405
17	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> <li>16.9 Value added tax (VAT)</li> <li>Summary</li> <li>Review questions</li> <li>Exercises</li> <li>Notes</li> </ul>	386 387 388 389 393 394 402 404 405 405 406
17	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> <li>16.9 Value added tax (VAT)</li> <li>Summary</li> <li>Review questions</li> <li>Exercises</li> </ul>	386 387 388 389 393 394 402 404 405 405 406 409
177	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE) 17.1 Introduction	386 387 388 389 393 394 402 404 405 405 406 409
17	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE)	386 387 388 389 393 394 402 404 405 405 406 409
17	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE) 17.1 Introduction 17.2 PPE – concepts and the relevant IASs and IFRSs	386 387 388 389 393 394 402 404 405 405 406 409 <b>410</b> 410
17	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE) 17.1 Introduction 17.2 PPE – concepts and the relevant IASs and IFRSs 17.3 What is PPE?	386 387 388 389 393 394 402 404 405 405 406 409 410 410 411
17	<ul> <li>16.2 Corporation tax</li> <li>16.3 Corporation tax systems – the theoretical background</li> <li>16.4 Corporation tax and dividends</li> <li>16.5 Corporation tax systems – avoidance and evasion</li> <li>16.6 IAS 12 – accounting for current taxation</li> <li>16.7 Deferred tax</li> <li>16.8 A critique of deferred taxation</li> <li>16.9 Value added tax (VAT)</li> <li>Summary</li> <li>Review questions</li> <li>Exercises</li> <li>Notes</li> <li>Property, plant and equipment (PPE)</li> <li>17.1 Introduction</li> <li>17.2 PPE – concepts and the relevant IASs and IFRSs</li> <li>17.3 What is PPE?</li> <li>17.4 How is the cost of PPE determined?</li> </ul>	386 387 388 389 393 394 402 404 405 405 406 409 410 410 411 412
17	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE) 17.1 Introduction 17.2 PPE – concepts and the relevant IASs and IFRSs 17.3 What is PPE? 17.4 How is the cost of PPE determined? 17.5 What is depreciation?	386 387 388 389 393 394 402 404 405 405 406 409 410 410 411 412 414
17	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE) 17.1 Introduction 17.2 PPE – concepts and the relevant IASs and IFRSs 17.3 What is PPE? 17.4 How is the cost of PPE determined? 17.5 What is depreciation? 17.6 What are the constituents in the depreciation formula?	386 387 388 389 393 394 402 404 405 405 406 409 410 410 411 412 414 415
17	16.2 Corporation tax 16.3 Corporation tax systems – the theoretical background 16.4 Corporation tax and dividends 16.5 Corporation tax systems – avoidance and evasion 16.6 IAS 12 – accounting for current taxation 16.7 Deferred tax 16.8 A critique of deferred taxation 16.9 Value added tax (VAT) Summary Review questions Exercises Notes  Property, plant and equipment (PPE) 17.1 Introduction 17.2 PPE – concepts and the relevant IASs and IFRSs 17.3 What is PPE? 17.4 How is the cost of PPE determined? 17.5 What is depreciation? 17.6 What are the constituents in the depreciation formula? 17.7 Calculation of depreciation	386 387 388 389 393 394 402 404 405 405 406 409 410 410 411 412 414 415 417

	1711	Disclosure requirements	429
		Government grants towards the cost of PPE	430
		Investment properties	432
	17.13	Effect of accounting policy for PPE on the interpretation of	
	17.17	the financial statements	433
	Cumm		435
	Summ	v questions	435
	Exerci		436
	Notes		442
	IAOLES		
Я	Leasi	$n\sigma$	443
U		Introduction	443
	18.2		444
	18.3		447
	18.4	Reason for a replacement standard for IAS 17	448
	18.5	IFRS 16 Leases – the criteria that determine whether it's a lease	449
	18.6	Leases in the financial statements of lessees	451
	18.7	Leases in the financial statements of lessors	455
	18.8	Sale and leaseback transactions	457
	18.9	An evaluation of the new IFRS 16	460
	Summ		460
		v questions	461
	Exerci	•	462
	Note		464
9	Intan	gible assets	465
		Introduction	465
	19.2	Intangible assets defined	465
	19.3		468
	19.4		469
	19.5	Capitalising development costs	470
	19.6	Disclosure of R&D	47 I
	19.7	IFRS for SMEs' treatment of intangible assets	471
	19.8	Internally generated and purchased goodwill	472
	19.9	The accounting treatment of goodwill	472
	19.10	Critical comment on the various methods that have	
		been used to account for goodwill	474
	19.11	Negative goodwill/badwill	476
	19.12	Brands	477
	19.13	Accounting for acquired brands	479
		Intellectual capital disclosures (ICDs) in the annual report	480
		Review of the implementation of IFRS 3	481
		Review of the implementation of identified intangibles under IAS 38	481
	Summ		483
	Revie	v questions	483
	Exerc	ises	485
	Notes		491

20	inve	ntories	493
	20.1	Introduction	493
	20.2	Inventory defined	493
	20.3 The impact of inventory valuation on profits		
	20.4 IAS 2 Inventories		
	20.5 Inventory valuation		
	20.6 Work in progress		
		Inventory control	502 504
		Creative accounting	505
		Audit of the year-end physical inventory count	507
		Published accounts	509
	20.11	Agricultural activity	510
	Summ	ary	513
	Revie	v questions	513
	Exerci		514
	Notes		518
21	Cons	truction contracts	519
	21.1	Introduction	519
	21.2	The need to replace IAS 11 Construction Contracts	519
		Identification of contract revenue under IAS II	521
	21.4	Identification of contract costs under IAS 11	521
21.5 IFRS 15 treatment of construction contracts		524	
21.6 An approach when a contract can be separated into components		526	
21.7 Accounting for a contract – an example		527	
	21.8	Illustration - loss-making contract using the step approach	529
	21.9	Public-private partnerships (PPPs)	531
	Summa	ary	534
	Reviev	v questions	535
	Exerci	ses	535
	Notes		542
Par CO		LIDATED ACCOUNTS	543
	_	ar e a de data de la tra	
		unting for groups at the date of acquisition	545
		Introduction	545
		Preparing consolidated accounts for a wholly owned subsidiary IFRS 10 Consolidated Financial Statements	545
			545
		Fair values	547
		Illustration where there is a wholly owned subsidiary	548
		Preparing consolidated accounts when there is a partly owned subsidiary	549
		The treatment of differences between a subsidiary's fair	,
		value and book value	552
		The parent issues shares to acquire shares in a subsidiary	553
		IFRS 3 Business Combinations treatment of goodwill at the	
		date of acquisition	554

	22.10	When may a parent company not be required to prepare consolidated accounts?	554
	22.11	When may a parent company exclude or not exclude	
	22.11	a subsidiary from a consolidation?	555
	22.12	IFRS 13 Fair Value Measurement	555
	22.12	What advantages are there for stakeholders from	
	22.13	requiring groups to prepare consolidated accounts?	557
		•	557
	Summ	•	557
		w questions	558
	Exerc		564
	Notes		
23	Prep	aration of consolidated statements of financial	
	posit	ion after the date of acquisition	565
		Introduction	565
	23.2	Uniform accounting policies and reporting dates	565
		Pre- and post-acquisition profits/losses	565
	23.4		
		transactions	566
	23.5	Inter-company transactions	568
	23.6	The Prose Group — assuming there have been inter-group transactions	569
	Summ	· -	57 I
		w questions	572
	Exerc	·	572
	Note		578
24	Dwan	paration of consolidated statements of income, changes	
47		uity and cash flows	579
		Introduction	579
	24.2		579
	24.3	Preparation of a consolidated statement of income – the Ante Group	580
	24.4	The statement of changes in equity (SOCE)	582
	24.5	Other consolidation adjustments	
	24.6	A subsidiary acquired part-way through the year	582
	24.7	Published format statement of income	584
	24.8	Consolidated statements of cash flows	586
			587
	Summ	•	589
	Exerc	w questions	589
	Note		590
	Note		600
25	Acco	ounting for associates and joint arrangements	601
	25.1	Introduction	601
	25.2	Definitions of associates and of significant influence	601
	25.3	The treatment of associated companies in consolidated accounts	602
	25.4	The Brill Group – group accounts with a profit-making associate	602
	25.5	The Brill Group – group accounts with a loss-making associate	605
	25.6	The acquisition of an associate part-way through the year	607
		i associate part-way through the year	607

	25.7	Joint arrangements	608
	25.8	Disclosure in the financial statements	612
	25.9	Parent company use of the equity method in its separate	
		financial statements	613
	Summ	ary	615
	Reviev	v questions	615
	Exerci		616
	Notes		626
26	Intro	duction to accounting for exchange differences	627
	26.1	Introduction	627
	26.2	How to record foreign currency transactions in a company's	
		own books	628
	26.3	Boil plc – a more detailed illustration	630
	26.4	IAS 21 Concept of Functional and Presentation Currencies	631
	26.5	Translating the functional currency into the presentation currency	633
	26.6	Preparation of consolidated accounts	633
	26.7	How to reduce the risk of translation differences	637
	26.8	Critique of the use of presentational currency	638
	26.9	IAS 29 Financial Reporting in Hyperinflationary Economies	638
	Summ		640
		v questions	640
	Exerci		641
	Notes		648
	rt 7 TERP	RETATION	649
	_		<b>7</b> - 1
27		ings per share	651
		Introduction	651
	27.2		651
	27.3		652 653
	27.4	The use to shareholders of the EPS	654
	27.5	Illustration of the basic EPS calculation	654
	27.6	Adjusting the number of shares used in the basic EPS calculation	657
	27.7		637
	27.8	Adjusting the earnings and number of shares used in the diluted EPS calculation	662
		Procedure where there are several potential dilutions	664
		Exercise of conversion rights during the financial year	666
	27.11	Disclosure requirements of IAS 33	666
		The Improvement Project	668
		The Convergence Project	668
	27.13	The Convergence Project	
	27.13 Summ		669
	Summ		669 669
	Summ	ary v questions	669

20	David	ew of financial ratio analysis	677	
20		Introduction	677	
	28.1 28.2	Overview of techniques for the analysis of financial data	678	
	28.3	Ratio analysis – a case study	679	
	28.4	Introductory review	680	
	28.5	Financial statement analysis, part 1 – financial performance	683	
	28.6	Financial statement analysis, part 2 – liquidity	690	
	28.7	Financial statement analysis, part 3 – financing	693	
	28.8	Peer comparison	695	
	28.9	Report based on the analysis	696	
		Caution when using ratios for prediction	697	
	Summ		699	
		w questions	699	
	Exerc	•	700	
	Note	262	712	
	14016			
29	Δnal	ysis of published financial statements	713	
~,	29.1	Introduction	713	
	29.2	Improvement of information for shareholders	714	
	29.3	Published financial statements – their limitations for		
	27.0	interpretation purposes	716	
	29.4	Published financial statements – additional entity-wide cash-based		
		performance measures	717	
	29.5	Ratio thresholds to satisfy Shariah compliance	720	
	29.6	Use of ratios in restrictive loan covenants	721	
	29.7	Investor-specific ratios	724	
	29.8	Determining value	727	
		Predicting corporate failure	732	
		Professional risk assessors	736	
	29.11	Valuing shares of an unquoted company – quantitative process	737	
		Valuing shares of an unquoted company – qualitative process	740	
		Possible effect of 'Brexit' on financial statements	742	
	Summ		743	
		w questions	744	
	Exerc	·	745	
	Notes		753	
			7.55	
30	An i	ntroduction to digital financial reporting	755	
	30. I	Introduction	755	
	30.2	The objectives of financial reporting	755	
	30.3	Reports and the flow of information pre-XBRL	757	
	30.4	What are HTML, XML and XBRL?	758	
	30.5	Reports and the flow of information post-XBRL	759	
	30.6	Why are companies adopting XBRL?	760	
	30.7	What are the processes followed to adopt XBRL for outputting	700	
		information?	763	
	30.8	What is needed when receiving XBRL output information?	766	
	30.9	Progress of XBRL development for internal accounting	766 771	
	30.10	Real-time reporting	77 l	
		·	* * *	

	Stakeh	nolder interaction with XBRL data	772
	Summ	ary	77
	Reviev	v questions	774
	Exercises		77-
	Notes		77.
	Bibliography		776
	rt 8		
AC	COU	INTABILITY	779
31	Corporate governance		78
		Introduction	78
		A systems perspective	78
	31.3	Different jurisdictions have different governance priorities	783
	31.4	Pressures on good governance behaviour vary over time	785
		Types of past unethical behaviour	785
		The effect on capital markets of good corporate governance	786
		Risk management	787
	31.8	The role of internal control, internal audit and audit committees in	
		corporate governance	789
		External audits in corporate governance	790
	31.10	Executive remuneration in the UK	796
		Corporate governance, legislation and codes	800
		Corporate governance – the UK experience	80 I
	Summa	•	810
		v questions	811
	Exercis		813
	Notes		815
		rated reporting: sustainability, environmental and social	817
		Introduction	817
		Environmental and social disasters and the adverse consequences	
		that can follow	818
		Management accountability for environmental and social responsibility	821
		Integrated reporting concepts	825
		The historical context of the evolution of integrated reporting	
		including the drivers of this movement	828
		The efforts on which integrated reporting builds	832
		The contribution of accountants	837
		Integrated reporting – its impact on the future development of	- 4-
		financial reporting and accounting	843
		y questions	844
	Exercis	ies	846
	Notes		851
	Index		853