

Contents

Introduction	1
The purpose of this text	1
Method of study and order of the sections	2
Why do we need Accounting Standards?	2
Why do YOU need to understand Accounting Standards?	2
Format of the section covering each Standard	3
Barriers to understanding	4
Order of chapters	5
ONE	
Summary objectives and requirements of the Standards	7
1.1 Accounting policies, financial statement formats and content	7
1.2 Accounting methods and conventions	9
1.3 Creative accounting	12
1.4 Disclosure	14
1.5 Accounting for groups and investments	16
1.6 Specialized industries	17
1.7 Other	18
TWO	
Statement formats and content	19
2.1 Presentation of financial statements – IAS 1	19
2.2 Accounting policies, changes in accounting estimates and errors – IAS 8	26
2.3 Discontinuing operations – IAS 35	31
2.4 First time adoption of international accounting standards – IFRS 1	35
2.5 Cash flow statements – IAS 7	38
2.6 Interim financial reporting – IAS 34	43

THREE

Accounting methods and conventions	47
3.1 Property, plant and equipment – IAS 16	47
3.2 Investment property – IAS 40	53
3.3 Inventories – IAS 2	57
3.4 Intangible assets – IAS 38	62
3.5 Accounting	64
3.6 Impairment of fixed assets – IAS 36	68
3.7 Construction contracts – IAS 11	73
3.8 Provisions, contingent liabilities and contingent assets – IAS 37	78
3.9 The effects of changes in foreign exchange rates – IAS 21	86
3.10 Income taxes – IAS12	90
3.11 Employee benefits – IAS19	95

FOUR

Creative accounting	105
4.1 Revenue – IAS18	105
4.2 Leases – IAS 17	110
4.3 Borrowing costs – IAS 23	118
4.4 Accounting for government grants and disclosure of government assistance – IAS 20	121

FIVE

Disclosure	127
5.1 Events after the balance sheet date – IAS 10	127
5.2 Related party disclosures – IAS 24	131
5.3 Problem areas and questions to ask about the accounts	133
5.4 Earnings per share – IAS 33	135
5.5 Financial instruments: Disclosure and presentation – IAS 32	140
5.6 Financial Instruments: Recognition and measurement – IAS 39	146

SIX

Accounting for groups and investments **155**

- 6.1 Business combinations – IAS 22 155
- 6.2 Consolidated and separate financial statements – IAS 27 161
- 6.3 Accounting for investments in associates – IAS 28 165
- 6.4 Financial reporting of interests in joint ventures – IAS 31 169
- 6.5 Key terms 171
- 6.6 Segment reporting – IAS 14 174

SEVEN

Specialized industries **179**

- 7.1 Accounting and reporting by retirement benefit plans – IAS 26 179
- 7.2 Disclosures in the financial statements of banks and similar financial institutions – IAS 30 183
- 7.3 Agriculture – IAS 41 188

EIGHT

Other **191**

- 8.1 Information reflecting the effects of changing prices – IAS 15 191
- 8.2 Financial reporting in hyperinflationary economies – IAS 29 194

NINE

Basic financial statements and other issues **197**

- 9.1 Financial statement components and other issues 197
- 9.2 Accounting ratios 213
- 9.3 Creative accounting 223
- 9.4 Off balance sheet items – the issues 225