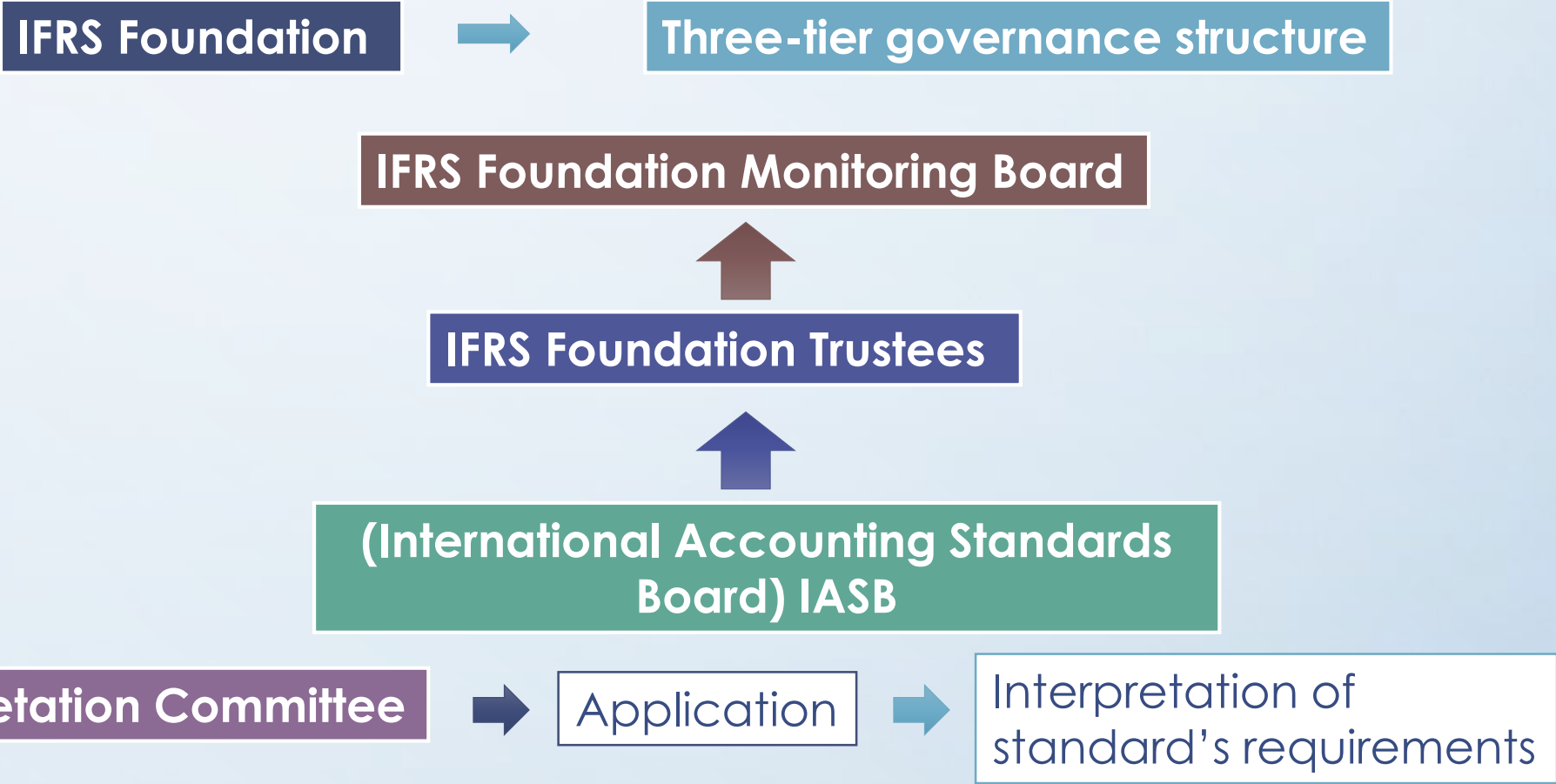
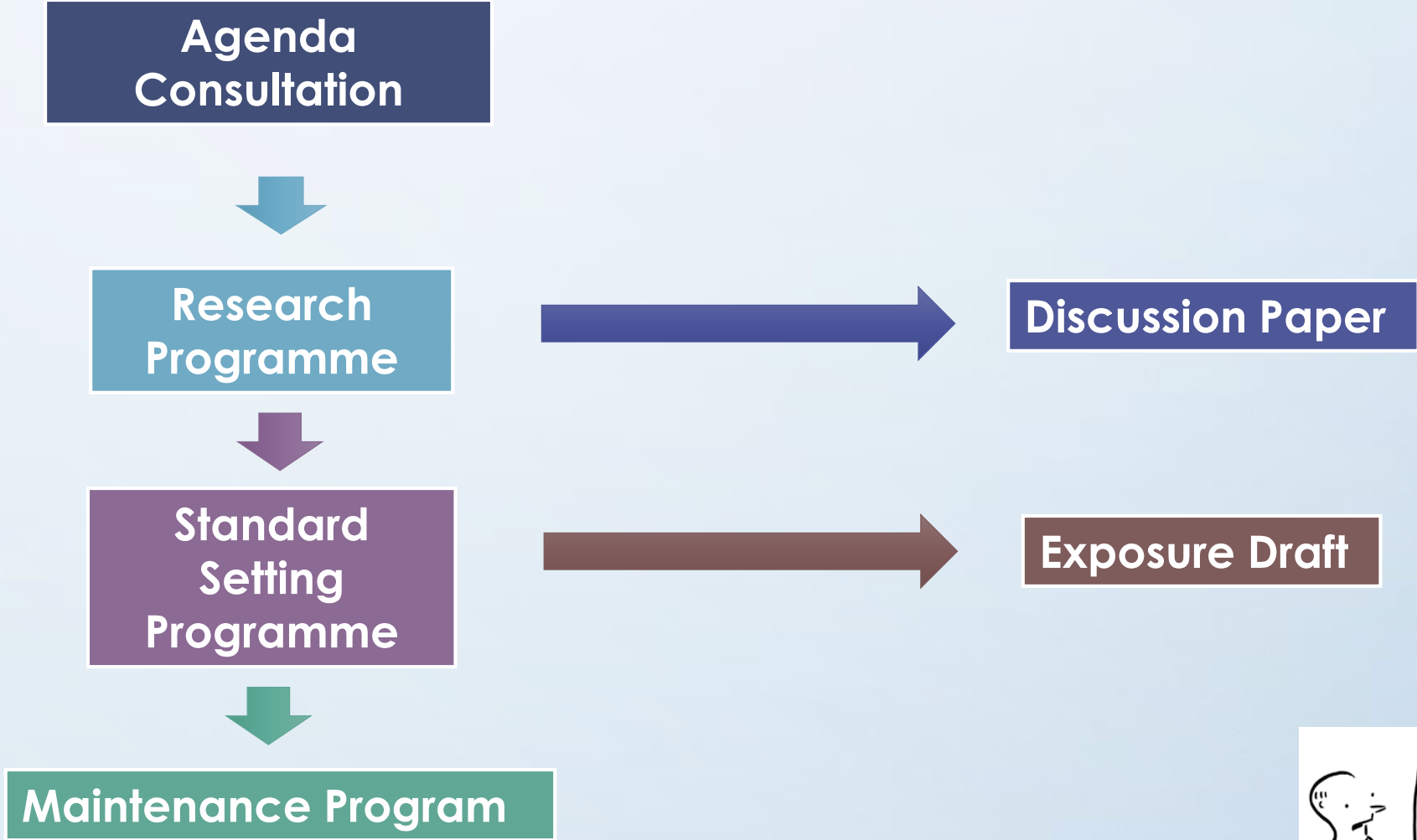


INTRODUCTION TO THE IFRS

Structure of International Standard Setters



PROCESS OF STANDARD SETTING



GENESIS OF IASB

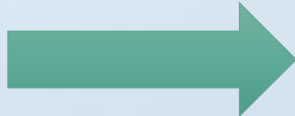


1973



International Accounting
Standard Committee
(IASC)

2000



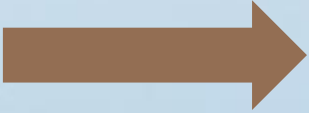
IASC was renamed as
IASB and a Group of
Trustees was appointed

IFRS



IASB

IAS



IASC

Conceptual Framework of Financial Reporting

A system of ideas and objectives



creation of a consistent set of rules and standards

The *Conceptual Framework* deals with:



The objective of financial reporting



The qualitative characteristics of useful financial information



The definition, recognition and measurement of the elements

10 Separate Groups



Introductory Standards

Foundation Standards

Property, Plant and Equipment

Remuneration Standards

Listed Company Standards

Disclosure Standards

Banking Standards

Consolidation Standards

Industry Specific Standards

Special case Standards



Group 1

Introductory Standards

IAS 1 Presentation of Financial Statements

IAS 7 Statement of Cash Flows

IAS 8 Accounting Policies, Changes in Accounting

Estimates and Errors

IAS 1 Presentation of Financial Statements

To show the results of management's stewardship of resources, financial statements must provide information on:

1. assets;
2. liabilities;
3. equity;
4. income and expenses, including gains and losses;
5. other changes in equity; and
6. cash flows.

A complete set of financial statements comprises:

1. Statement of Financial Position
2. Statement of Comprehensive Income;
3. Statement of changes in equity;
4. Statement of cash flows; and
5. Notes, comprising a summary of significant accounting policies, and other explanatory notes.

IAS 7 Statement of Cash Flows

IAS 7 requires the disclosure of information on changes in cash and cash equivalents by means of a cash flow statement.

IAS 7 classifies cash flows into:

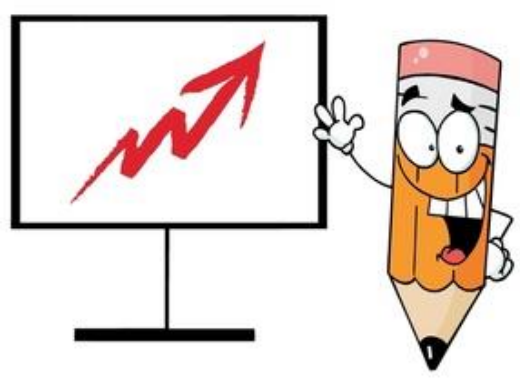
- operating,
- investing and
- financing activities.

Foreign currency cash flows are covered, as are Acquisitions and Disposals of Subsidiaries and Other Business Units.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

IAS 8 prescribes the criteria for selecting and changing accounting policies, and disclosing the effects of estimates and errors.





Group 2

Foundation Standards

IFRS 15 Revenue from Contracts with Customers

IAS 2 Inventories

IAS 37 Provisions, contingent Liabilities and Contingent Assets

IAS 12 Income Taxes

IFRS 15 Revenue from Contracts with Customers

IFRS 15 (Revenue from Contracts with Customers) has recently replaced two standards i.e. IAS 11 (Construction Contracts) and IAS 18 (Revenue).

IFRS 15 requires to record the revenue upon satisfaction of each performance obligation.

IAS 2 Inventories

Inventories are:

- 1. assets that are held for sale, or being prepared for sale,**
- 2. materials to be used in the production process or provision of services.**

In the case of the provision of services, inventories include the cost of unbilled services (similar to work in progress).

Valuation of inventory at cost, fair value and net realizable value are all discussed in the standard.

IAS 37 Provisions, contingent Liabilities and Contingent Assets

IAS 37 sets out recognition criteria and measurement bases for provisions, contingent liabilities and contingent assets and specify the information to be disclosed in the notes to the financial statements.

Provisions are used to provide for future liabilities that are uncertain.

Contingent assets are uncertain cash inflows that may be received.

Contingent liabilities (e.g. guarantees and warranties) do not appear on balance sheets, but need to be disclosed in financial statements to enable users to have a complete picture of the undertaking's financial position.

IAS 12 Income Taxes

IAS 12 prescribes the accounting treatment for income taxes, and the tax consequences of:

1. transactions of the current period; and
2. the future liquidation of assets and liabilities.

If liquidation of those assets and liabilities will make future tax payments larger or smaller, IAS 12 generally requires recording of a deferred tax liability (or deferred tax asset).

IAS 12 also covers:

1. recognition of deferred tax assets arising from unused tax losses or unused tax credits,
2. presentation of income taxes, and
3. disclosure of information relating to income taxes.



Group 3

Asset Related Standards

IAS 16 PPE

IAS 36 Impairment of Assets

IAS 40 Investment Property

IFRS 16 Lease

IAS 38 Intangible Assets

IAS 23 Borrowing Cost

IFRS 5 Non-Current Assets held for sale and Discontinued Operations

IAS 16 Property, Plant and Equipment

The main issues in accounting for property, plant and equipment are:

- 1. the recognition of the assets;**
- 2. the determination of their carrying amounts;**
- 3. the depreciation charges; and**
- 4. impairment losses to be recognised.**

IAS 36 Impairment of Assets

The objective of IAS 36 is to prescribe the procedures to ensure that assets are carried at no more than their recoverable amount and the disclosures that must be made.

IAS 36 requires the recording of an impairment loss.

An asset is described as impaired when its carrying amount exceeds the recoverable amount (amount to be recovered through use or sale).

IAS 40 Investment Property

Investment property can be:

1. land, or
2. a building, or
3. part of a building, or
4. both land and building.

It is held by the owner (or by the lessee, under a finance lease) to earn rent, or for capital appreciation, or both.

It does not include property:

1. for use in the production, supply of goods, services; or
2. for administrative purposes; or
3. for sale in the ordinary course of business.

IFRS 16 Leases

Leases involve the owner of an asset renting it to others for payment. IFRS 16 involves accounting for both Lessor and Lessee.

IAS 38 Intangible Assets

IAS 38 requires an undertaking to record an intangible asset only if:

1. future benefits of the asset will flow to the undertaking; and
2. the cost of the asset can be measured.

This requirement applies whether an intangible asset is acquired externally or generated internally.

IAS 23 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset.

Other borrowing costs are recognised as an expense.

A qualifying asset is one that takes a long time to prepare for its intended sale or use.

IFRS 5 Non-Current Assets held for sale and Discontinued Operations

IFRS 5 sets out requirements for the classification, measurement and presentation of non-current assets 'held for sale'.



Group 4

Remuneration Standards

IAS 19 Employee Benefits

IFRS 2 Share Based Payments

IAS 19 Employee Benefits

IAS 19 identifies, and provides guidance on the accounting for, five categories of staff benefits:

- 1. short-term staff benefits;**
- 2. post-employment benefits such as pensions;**
- 3. other long-term staff benefits, including long-service or sabbatical leave;**
- 4. termination benefits; and**
- 5. equity compensation benefits.**

IFRS 2 Share Based Payments

IFRS 2 covers settlements made in an entity's own equity instruments or in cash, if the amount payable depends on the price of the entity's shares (or other equity instruments, such as options).



Group 5

Listed Company Standards

IFRS 8 Operating Segments

IAS 34 Interim Financial Reporting

IAS 33 Earnings Per Share

IFRS 8 Operating Segments

IFRS 8 Operating Segments requires listed companies to disclose operations of reportable segments.

IAS 34 Interim Financial Reporting

IAS 34:

- 1. defines the minimum content of an interim financial report; and**
- 2. identifies the recognition and measurement principles that should be applied in an interim financial report.**

IAS 33 Earnings Per Share

The objective of IAS 33 is to prescribe principles for the calculation and presentation of earnings per share. This is to improve comparisons between different undertakings in the same reporting period, and between different reporting periods for the same undertaking.



Group 6

Disclosure Standards

IAS 24 Related Party

IAS 10 Events after the reporting Period

IAS 24 Related Party

The standard will be applied in:

1. identifying related party relationships and transactions;
2. identifying outstanding balances between an undertaking and related parties;
3. identifying when the disclosures should be made; and
4. determining what disclosures should be made.

IAS 10 Events after the reporting Period

IAS 10 details the post-balance-sheet events, when they should be recognised and how they should be recorded and disclosed.

Post-balance-sheet events happen in the period starting immediately after the balance sheet date and ending at the date of approval of the financial statements by the shareholders.



Group 7

Banking Standards

IFRS 7 Disclosure in Financial Statements of Banks and similar Financial Instruments

IFRS 9 Financial Instruments

IFRS 13 Fair Value Measurement

IFRS 7 Disclosure in Financial Statements of Banks and similar Financial Instruments

IFRS 7 requires banks to provide disclosures in their financial statements that enable users to evaluate:

- 1. the significance of financial instruments for the bank's financial position and performance;**
- 2. the nature and extent of risks arising from financial instruments to which the bank is exposed during the period and at the reporting date; and**
- 3. how the entity manages those risks.**

IFRS 9 Financial Instruments

IFRS 9 has recently superseded IAS 39. It explains accounting for financial instruments including Initial Recognition, De-recognition, Subsequent Recognition, Impairment and Hedge Accounting.

IFRS 13 Fair Value Measurement

IFRS 13 explains in detail the methods to measure the Fair Value.



Group 8

Consolidation Standards

IAS 27 Separate Financial Statements

IAS 28 Investments in Associates and Joint Ventures

IFRS 3 Business Combination

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interest in Other Entities

Consolidation Standards

These consolidation standards are for business groups and specify the techniques for combining the financial statements of the members of the group into a single consolidated set of financial statements, and list the required disclosures.



Group 9

Industry Specific Standards

IAS 41 Agriculture

IFRS 4 Insurance Contracts

IFRS 6 Exploration for and evaluation of Mineral resources

IAS 41 Agriculture

IAS 41 should be applied to the following agricultural activities:

1. biological assets;
2. agricultural produce at the point of harvest; and
3. certain government grants.

IFRS 4 Insurance Contracts

IFRS 4 specifies the financial reporting for insurance contracts for issuers of such contracts. In particular, IFRS 4 requires:

1. ascertain improvements to accounting, and
2. disclosure that identifies and explains the amounts in an insurer's financial statements, particularly in relation to:
 - amounts arising from insurance contracts and timing; and
 - uncertainty of cash flows.

IFRS 6 Exploration for and evaluation of Mineral resources

IFRS 6 is an interim solution, pending development of a comprehensive solution, to help companies deal with the IAS 16 and IAS 38 scope exclusions.



Group 10

Special case Standards

IAS 21 Effect of changes in Foreign Exchange Rates

IAS 29 Financial Reporting in Hyperinflationary Economies

IFRS1 First time Adoption of IFRS

IFRS 14 Regulatory Deferral Accounts

IAS 21 Effect of changes in Foreign Exchange Rates

Transactions in foreign currencies, investments and liabilities in foreign currencies are covered, as are financial statements of foreign operations.

The standard sets out how to recognise and record income, expenditure, assets and liabilities denominated in a foreign currency and how gains and losses are recognised.

IAS 29 Financial Reporting in Hyperinflationary Economies

IAS 29 is based on current purchasing power principles and requires that financial statements, prepared in the currency of a hyperinflationary economy, be stated in terms of the value of money at the reporting balance sheet date.

This straightforward requirement needs an understanding of complex economic concepts, a thorough knowledge of the enterprise's financial and operating patterns and a detailed series of procedures to implement.

IFRS 1 First time Adoption of IFRS

IFRS 1 sets out the requirements for first time adopters of IFRS. The standard allows companies to avoid some of the need for reconstructing old records by providing exemptions from other standards.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is only for first-time adopters whose tariffs are set by another organization.