



# International Financial Reporting Standards

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<http://www.iasplus.com/en/standards>



# Minority

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- the portion of a subsidiary corporation's stock that is not owned by the parent corporation.
- balance sheet of the owning company - to reflect the claim on assets belonging to other, non-controlling shareholders
- income statement - a share of profit belonging to minority shareholders

# Balance Sheet.

- Fixed assets
- Investment Property
- Intangible assets
- Financial assets
- Investment using the equity method
- Inventories
- Disposal assets of discontinued operations
- Accounts receivable long-and short-term
- Cash and cash equivalents
- Current tax assets
- Deferred tax assets
- Current tax liabilities
- Deferred tax liabilities
- Long-and short-term liabilities
- Provision for contingent liabilities
- Shareholders' equity
- Minority



## Fixed assets

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- a long-term tangible piece of property that a firm owns and uses in the production of its income and is not expected to be consumed or converted into cash any sooner than at least one year's time.



## Investment property (IAS 40)

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- **Investment property** is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both



## Intangible assets (IAS 38)

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- non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights).



## Financial assets (IAS 39, IFRS 9)

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- A financial asset is a tangible liquid asset that derives value because of a contractual claim of what it represents. Stocks, bonds, bank deposits and the like are all examples of financial assets. Unlike land, property, commodities or other tangible physical assets, financial assets do not necessarily have physical worth.



## Investment using the equity method

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- <http://www.investopedia.com/terms/e/equitymethod.asp?ad=dirN&qo=investopediaSiteSearch&qsrc=0&o=40186>





## Inventories (IAS 2)

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Inventories include:

- assets held for sale in the ordinary course of business (finished goods),
- assets in the production process for sale in the ordinary course of business (work in process),
- materials and supplies that are consumed in production (raw materials)



# Accounts receivable

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Accounts receivable refers to the outstanding invoices a company has or the money the company is owed from its clients. The phrase refers to accounts a business has a right to receive because it has delivered a product or service. Receivables essentially represent a line of credit extended by a company and due within a relatively short time period, ranging from a few days to a year.



## Cash and cash equivalents (IAS 7)

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Cash and cash equivalents refer to the line item on the balance sheet that reports the value of a company's assets that are cash or can be converted into cash immediately. These include bank accounts, marketable securities, commercial paper, Treasury bills and short-term government bonds with a maturity date of three months or less. Marketable securities and money market holdings are considered cash equivalents because they are liquid and not subject to material fluctuations in value.



# Deferred and current tax assets

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Deferred tax asset is an accounting term that refers to a situation where a business has overpaid taxes or taxes paid in advance on its balance sheet.



# Deferred and current tax liabilities

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A deferred tax liability is an account on a company's balance sheet that is a result of temporary differences between the company's accounting and tax carrying values, the anticipated and enacted income tax rate, and estimated taxes payable for the current year.



## Provision for contingent liabilities

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A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. A contingent liability is recorded in the accounting records if the contingency is probable and the amount of the liability can be reasonably estimated. If both of these conditions are not met, the liability may be disclosed in a footnote to the financial statements or not reported at all.



# Cash Flow Statement(s).

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- Operating activities
- Investment activities
- Financial activities

## METHODS



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graph TD; METHODS --> direct; METHODS --> indirect;
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direct

indirect



# Cash Flow Statement(s).

direct

*the specific cash flows associated with items that affect cash flow*

- Cash collected from customers
- Interest and dividends received
- Cash paid to employees
- Cash paid to suppliers
- Interest paid
- Income taxes paid



**Paul's Guitar Shop**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**



Cash received from customers	\$ 51,300
Cash paid for merchandise	(15,000)
Cash paid to employees	(10,000)
Cash paid for interest	(500)
Cash paid for income taxes	<u>(1,500)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>24,300</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(101,000)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(101,000)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from line of credit	-
Payments on line of credit	10,000
Proceeds from long-term debt	99,500
Payments on long-term debt	<u>-</u>
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<u>109,500</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>32,800</u>

BEGINNING CASH BALANCE	<u>-</u>
<b>ENDING CASH BALANCE</b>	<u><u>\$ 32,800</u></u>



# Cash Flow Statement(s).

indirect

*the sources and uses of cash by a business*

- the presentation of this statement begins with net income or loss, with subsequent additions to or deductions from that amount for non-cash revenue and expense items, resulting in net income provided by operating activities.
- **Cash flows from operating activities**
- **Cash flows from investing activities**
- **Cash flows from financing activities**

**Paul's Guitar Shop**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 12,950
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation on fixed assets	2,000
(Increase) decrease in current assets:	
Accounts receivable	(300)
Inventory	(39,800)
Prepaid expenses	(1,000)
Increase (decrease) in current liabilities:	
Accounts payable	49,000
Accrue expenses and unearned revenues	1,450
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>24,300</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	<u>(101,000)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(101,000)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from line of credit	-
Payments on line of credit	10,000
Proceeds from long-term debt	99,500
Payments on long-term debt	<u>-</u>
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<u>109,500</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	32,800

BEGINNING CASH BALANCE	<u>-</u>
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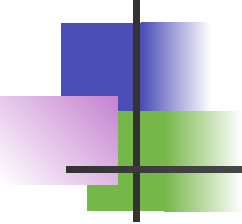
# Statement of Changes in Own Equity.

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## **Basic approach**

- Profit / loss for the period
- Profit / loss accumulated
- Shareholders' equity / share capital
- Capital reserves
- Income and expenses on capital
- Changes in accounting policies
- Effect of Errors
- Minority

# The task for teams.

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- Please, determine what approaches do your companies use in financial reports?