Republic Of Sudan

The Accountancy & Audit Professional Council

IAS (1), IAS (2), IAS (8), IAS (10), IAS (16), IAS (23),IAS (40) IAS (41) & IFRS(1)

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IAS 1 Presentation of FS

معيار المحاسبة الدولي رقم (1) عرض البيانات المالية

Objective

This Standard prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

Scope

IAS 1 prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. Entities are required to apply IAS 1 in preparing and presenting general purpose financial statements in accordance with IFRS. The objective of general purpose financial statements is to provide a clear understanding about the financial position, performance, and cash flows of a certain entity which can be useful to a wide range of users in making sound and accurate economic decisions.

A complete set of financial statements comprises:

- A statement of financial position for the period;
- A statement of profit or loss and other comprehensive income for the period;
- A statement of changes in equity for the period;
- A statement of cash flows for the period;
- Notes, comprising a summary of significant accounting policies and other explanatory information;
- Comparative information in respect of the previous period; and
- A statement of financial position as at the beginning of the previous period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

General features

IAS 1 provides guidance on the general principles underlying the preparation of financial statements, such as:

- Fair presentation and compliance with IFRS (including the application of the true and fair view override);
- Going concern principle;
- Accrual basis of Accounting principle except for cash flow information;
- Materiality and Aggregation;
- Offsetting of Assets/Liabilities and Income/Expenses (Not allowed unless permitted by a specific IFRS);
- Frequency of Reporting;

- Comparative Information (Clarification that two complete sets of financial statements should be presented at minimum. Refer to IAS 1.40A-40D on the requirements for comparative information where there is a change in accounting policy, retrospective restatement or reclassification); and
- Consistency of presentation.
- An entity shall not offset assets and liabilities or income and expenses unless required or permitted by an IFRS standard.
- An entity shall present a complete set of financial statements (including comparative information) at least annually.

Except when IFRS permits or requires otherwise, an entity shall disclose comparative information in respect to the previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Fair Presentation

Financial statements shall fairly present the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework. An entity shall make an explicit and unreserved statement of compliance with IFRS. Financial statements shall not be described as complying with IFRS unless they meet all the requirements of applicable IFRS (including the IFRSs, IASs, and IFRIC & SIC interpretations).

Statement of Financial Position

IAS 1 does not prescribe layouts for the statement of financial position, but lists those line items that, as a minimum, shall be shown on the face of the statement of financial position (IAS 1.54).

An entity shall present current and non- current assets, and current and non-current liabilities, as separate classifications on the face of its statement of financial position in accordance with IAS 1.66-76, except when presentation based on liquidity provides information that is reliable and more relevant.

Deferred tax assets and liabilities shall not be classified as current assets and liabilities under IFRS.

An entity shall disclose, either in the statement of financial position or in the notes:

Further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations;

Statement of Profit or Loss and Other Comprehensive Income

An entity may elect to present all items of income and expense recognised in a period either:

- In a single statement of profit or loss and other comprehensive income, or
- In two statements: a separate statement of profit or loss and a second statement of other comprehensive income.

If an entity presents in a single statement, the sections shall be presented together, with the profit or loss section presented first followed directly by the other comprehensive income section.

If an entity presents the profit or loss section in a separate statement, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss.

IFRS does not prescribe layouts for the profit or loss section of the statement of comprehensive income (or the statement of profit or loss respectively), but IAS 1.81A-82 lists those line items that, as a minimum, shall be shown on the face of the statement.

The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other IFRSs:

(a) will not be reclassified subsequently to profit or loss; and

(b) will be reclassified subsequently to profit or loss when specific conditions are met.

An entity shall not present any items of income and expense as extraordinary items, neither on the face of the statement(s) presenting profit or loss and other comprehensive income, nor in the notes.

An entity shall not present any items of income and expense as extraordinary items, neither on the face of the statement(s) presenting profit or loss and other comprehensive income, nor in the notes.

An entity shall present components of other comprehensive income as required by other IFRSs. The components of other comprehensive income are limited to:

- Changes in revaluation surplus (see IAS 16 and IAS 38);
- Actuarial gains and losses on defined benefit plans recognised in accordance with paragraph 93A of IAS 19;
- Gains and losses arising from translating the financial statements of a foreign operation (see IAS 21);
- Gains and losses on re-measuring available-for-sale financial assets (see IAS 39); and
- The effective portion of gains and losses on hedging instruments in a cash flow hedge (see IAS 39).

An entity shall disclose the amount of income tax relating to each item of other comprehensive income, including reclassification adjustments, either in the statement of profit or loss and other comprehensive income or in the notes.

An entity shall disclose reclassification adjustments relating to components of other comprehensive income.

Classification of expenses

An entity shall present an analysis of expenses using a classification based on either the nature of expenses (raw materials, depreciation costs, ..) or their function (cost of sales, general and administrative, selling, ..) within the entity, whichever provides information that is reliable and more relevant.

Statement of changes in equity

An entity shall present a statement of changes in equity showing on the face of the statement as a minimum those items listed in IAS 1.106.

Statement of Cash Flow

IAS 1 requires the inclusion of a cash flow statement in every set of financial statements. Detailed guidance is provided in IAS 7.

Notes to the Financial Statements

The notes to the financial statements should include:

- A statement of compliance with IFRS;
- A summary of significant accounting policies;
- Information required by other IFRSs
- Reclassifications of puttable financial instruments and obligations arising on liquidation between financial liabilities and equity; and
- Supporting information not included on the face of the financial statements but relevant to an understanding of any of them.

An entity shall disclose information about the assumptions it makes about the future, and other major sources of uncertainty estimation at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect to those assets and liabilities, the notes shall include details of:

- Their nature; and
- Their carrying amount as at the end of the reporting period.

Information that enable the users of an entity’s financial statements to evaluate its objectives, policies and processes for managing capital shall be disclosed.

IFRS 1 Exemptions or Exceptions;

There are no specific mandatory exceptions or optional exemptions from the ‘general principle’ in IFRS 1 First-time Adoption of International Financial Reporting Standards that apply to the requirements of IAS 1 for first-time adopters.

See chapter 1 of the IAC on IFRS 1 for more details.

Amendments issued but not effective;

IFRS 15 Revenue from Contracts with Customers;

In May 2014, the IASB issued IFRS 15, which contains consequential amendments to IAS 1. An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Agriculture: Bearer Plants;

In June 2014, the IASB issued Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41), which contains consequential amendments to IAS 1, where it clarifies that the biological assets presented as a separate line item on the statement of financial position are those that are within the scope of IAS 41 Agriculture.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

IFRS 9 Financial Instruments;

In July 2014, the IASB issued IFRS 9, which contains consequential amendments to IAS 1. An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact and apply all of the requirements in IFRS 9 (See Chapter 4.4 and Appendix C of IFRS 9).

IAS (2) Inventories

معيار المحاسبة الدولي (2) المخزون

Objective

The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognised as an asset and carried forward until the related revenues are recognised. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write–down to net realisable value. It also provides guidance on the cost formulas that are used to assign costs to inventories

Scope

IAS 2 applies to all inventories except work in progress arising under construction contracts, financial instruments, and biological assets.

Certain other industry specific items such as agricultural produce at the point of harvest and commodities of broker-traders are exempt from the measurements provisions of IAS 2.

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There is guidance in IAS 16 on identifying whether an item of equipment falls within the scope of IAS 2 or IAS 16. Spare parts and servicing equipment are usually carried as inventory and recognised in profit or loss as they are consumed within a year. Major spare parts qualify for PPE as they provide benefit over different reporting periods.
Major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

Recognition

Inventories are assets:

►Held for sale in the ordinary course of business
►In the process of production for sale
►In the form of materials or supplies to be used in the production process or rendering of services.

Measurement

Inventories should be valued at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred to bring the inventories to their present location and condition.

Selling costs, abnormal production costs, most storage costs and general administrative costs are specifically excluded from the cost of inventories

IAS 23 provides guidance on when borrowing costs are included in the cost of inventories.

The cost of inventories is allocated using the first in, first out (FIFO) or weighted average cost formulas for items that are ordinarily interchangeable. Last in, first out (LIFO) is prohibited under IFRS.

The same cost formula shall be applied to all inventories having a similar nature or use to the entity.

IAS 2 permits techniques to be used for the measurement of cost such as the standard cost method or the retail margin method, provided that the results approximate one of the cost formulas permitted.

Any write-down to net realisable value (NRV) should be recognised as an expense for the period. Any reversal of the write-down should be recognised as a reduction in the amount of inventories, recognised as an expense in the period in which the reversal occurs.

Presentation

The statement of financial position includes a separate line item for inventories.

Derecognition

When inventories are sold, the carrying amount is recognised in the period in which the related revenue is recognised.

Write-downs and losses of inventories are recognised as an expense in the period that the loss occurs.

IFRS 1 exemptions and exceptions

There are no specific mandatory exceptions or optional exemptions from the 'general principle' in IFRS 1 First-time Adoption of International Financial Reporting Standards to recognise and measure all assets and liabilities in an entity's first IFRS financial statements as if the entity had always applied IFRSs that were applicable at the end of its first IFRS reporting period (i.e. the latest period covered by the entity's first IFRS financial statements).

Amendments issued but not yet effective

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which contains consequential amendments to IAS 2.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9, which contains consequential amendments to IAS 2.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply all of the requirements in IFRS 9 (see Chapter 4.4 and Appendix C of IFRS 9).

IAS 8 Accounting Policies, Changes in Accounting Estimates &Errors

معيار المحاسبة الدولي رقم (8) السياسات المحاسبية، التقديرات والأخطاء

Objective

The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

Disclosure requirements for accounting policies, except those for changes in accounting policies, are set out in IAS 1 Presentation of Financial Statements.

Scope

This Standard shall be applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and corrections of prior period errors.

The tax effects of corrections of prior period errors and of retrospective adjustments made to apply changes in accounting policies are accounted for and disclosed in accordance with IAS 12 Income Taxes.

Definitions

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

A change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of error

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

(a) was available when financial statements for those periods were authorised for issue; and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

Retrospective restatement is correcting the recognition, measurement and disclosure of amounts of elements of financial statements as if a prior period error had never occurred.

Impracticable Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

(a) the effects of the retrospective application or retrospective restatement are not determinable;

(b) the retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

(c) the retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that: (i) provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognised, measured or disclosed; and (ii) would have been available when the financial statements for that prior period were authorised for issue from other information.

Prospective application of a change in accounting policy and of recognizing the effect of a change in an accounting estimate, respectively, are:
(a)applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and
(b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.

Selection and application of accounting policies

When an IFRS specifically applies to a transaction, other event or condition, the accounting policy or policies applied to that item shall be determined by applying the IFRS.

In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:
relevant to the economic decision-making needs of users; and
(b) reliable, in that the financial statements:
(i) represent faithfully the financial position, financial performance and cash flows of the entity;
(ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;

(iii) are neutral, ie free from bias;
(iv) are prudent; and
(v) are complete in all material respects.

In making the judgement described in paragraph above , management shall refer to, and consider the applicability of, the following sources in descending order:

(a)the requirements in IFRSs dealing with similar and related issues; and
(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework

Consistency of Accounting Policies

An entity shall select and apply its accounting policies consistently for similar transactions, other events and conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. If an IFRS requires or permits such categorisation, an appropriate accounting policy shall be selected and applied consistently to each category.

Changes in accounting policies

An entity shall change an accounting policy only if the change:

(a) is required by an IFRS; or

(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

The following are NOT changes in accounting policies:

(a)the application of an accounting policy for transactions, other events or conditions that differ in substance from those previously occurring; and

(b) the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.

The initial application of a policy to revalue assets in accordance with IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets *is a change in an accounting policy to be dealt with as a revaluation in accordance with IAS 16 or IAS 38, rather than in accordance with this Standard.*

Applying changes in accounting policies

an entity shall account for a change in accounting policy resulting from the initial application of an IFRS in accordance with the specific transitional provisions, if any, in that IFRS; and

(b) when an entity changes an accounting policy upon initial application of an IFRS that does not include specific transitional provisions applying to that change, or changes an accounting policy voluntarily, it shall apply the change retrospectively.

Retrospective application

22 Subject to paragraph 23, when a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Limitations on retrospective application

- When retrospective application is required by paragraph 19(a) or (b), a change in accounting policy shall be applied retrospectively except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.
- When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.
- When it is impracticable to determine the cumulative effect, at the beginning of the current period, of applying a new accounting policy to all prior periods, the entity shall adjust the comparative information to apply the new accounting policy prospectively from the earliest date practicable

Disclosure

When initial application of an IFRS has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a)the title of the IFRS;

(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;

(c) the nature of the change in accounting policy;

(d) when applicable, a description of the transitional provisions;

(e) when applicable, the transitional provisions that might have an effect on future periods;

(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

(i) for each financial statement line item affected; and

(ii) if IAS 33 Earnings per Share applies to the entity, for basic and diluted earnings per share;.

(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

Financial statements of subsequent periods need not repeat these disclosures.

When a voluntary change in accounting policy has an effect on the current period or any prior period, would have an effect on that period except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

   (i) for each financial statement line item affected; and

   (ii) if IAS 33 applies to the entity, for basic and diluted earnings per share;

(d) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(e) if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied

When an entity has not applied a new IFRS that has been issued but is not yet effective, the entity shall disclose:

(a) this fact; and

(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.

Changes in accounting estimates

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision but can only be estimated. Estimation involves judgements based on the latest available, reliable information. For example, estimates may be required of:

(a) bad debts;

(b) inventory obsolescence;

(c) the fair value of financial assets or financial liabilities;

(d) the useful lives of, or expected pattern of consumption of the future economic benefits embodied in, depreciable assets; and

(e) warranty obligations.

A change in the measurement basis applied *is a change in an accounting policy, and is not a change in an accounting estimate*. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate

The effect of a change in an accounting estimate, other than a change to which next paragraph applies, shall be recognised prospectively by including it in profit or loss in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

Disclosure

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

Errors

An entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

Limitations on retrospective restatement

A prior period error shall be corrected by retrospective restatement except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable (which may be the current period).

When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively from the earliest date practicable.

Disclosure of prior periods errors

An entity shall disclose the following:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction:

(i) for each financial statement line item affected; and

(ii) if IAS 33 applies to the entity, for basic and diluted earnings per share;

(c) the amount of the correction at the beginning of the earliest prior period presented; and

(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected. Financial statements of subsequent periods need not repeat these disclosures.

IAS 10 – Events after the reporting Period

معيار المحاسبة الدولي رقم 10 – الاحداث بعد فترة إعداد التقارير

objective

The objective of this Standard is to prescribe: (a) when an entity should adjust its financial statements for events after the reporting period; and (b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting period. The Standard also requires that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.

Scope

This Standard shall be applied in the accounting for, and disclosure of, events after the reporting period.

Definitions

Events, both favourable and unfavourable, that provide evidence of conditions that

(a) existed at the end of the reporting period (adjusting events) and

(b) those that are indicative of conditions that arose after the reporting period and before the date when the financial statements are authorised for issue (non-adjusting events).

Financial statements are to be adjusted to reflect adjusting events but no adjustments are to be made in respect of non-adjusting events (although there are disclosure requirements for such events).

Recognition and measurement

Adjusting events after the reporting period

An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period. Examples are:

►The settlement after the reporting period of a court case

►The receipt of information indicating that an asset was impaired

►The discovery of fraud or errors

The process involved in authorising the financial statements for issue will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.

In some cases, an entity is required to submit its financial statements to its shareholders for approval after the financial statements have been issued. In such cases, the financial statements are authorised for issue on the date of issue, not the date when shareholders approve the financial statements.

<u>Example</u>

The management of an entity completes draft financial statements for the year to 31 December 20X1 on 28 February 20X2. On 18 March 20X2, the board of directors reviews the financial statements and authorises them for issue. The entity announces its profit and selected other financial information on 19 March 20X2. The financial statements are made available to shareholders and others on 1 April 20X2. The shareholders approve the financial statements at their annual meeting on 15 May 20X2 and the approved financial statements are then filed with a regulatory body on 17 May 20X2.

<u>The financial statements are authorised for issue on 18 March 20X2 (date of board authorisation for issue).</u>

In some cases, the management of an entity is required to issue its financial statements to a supervisory board (made up solely of non-executives) for approval. In such cases, the financial statements are authorised for issue when the management authorises them for issue to the supervisory board.

Example

On 18 March 20X2, the management of an entity authorises financial statements for issue to its supervisory board. The supervisory board is made up solely of nonexecutives and may include representatives of employees and other outside interests. The supervisory board approves the financial statements on 26 March 20X2. The financial statements are made available to shareholders and others on 1 April 20X2. The shareholders approve the financial statements at their annual meeting on 15 May 20X2 and the financial statements are then filed with a regulatory body on 17 May 20X2.

<u>*The financial statements are authorised for issue on 18 March 20X2 (date of management authorisation for issue to the supervisory board).*</u>

Events after the reporting period include all events up to the date when the financial statements are authorised for issue, even if those events occur after the public announcement of profit or of other selected financial information.

An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting period.

The following are examples of adjusting events after the reporting period that require an entity to adjust the amounts recognised in its financial statements, or to recognise items that were not previously recognised:

(a) the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period. The entity adjusts any previously recognised provision related to this court case in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets or recognises a new provision. The entity does not merely disclose a contingent liability because the settlement provides additional evidence that would be considered in accordance with paragraph 16 of IAS 37.

(b) the receipt of information after the reporting period indicating that an asset was impaired at the end of the reporting period, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted. For example: (i) the bankruptcy of a customer that occurs after the reporting period usually confirms that the customer was credit-impaired at the end of the reporting period;

(ii) the sale of inventories after the reporting period may give evidence about their net realisable value at the end of the reporting period.

(c) the determination after the reporting period of the cost of assets purchased, or the proceeds from assets sold, before the end of the reporting period.
(d) the determination after the reporting period of the amount of profit-sharing or bonus payments, if the entity had a present legal or constructive obligation at the end of the reporting period to make such payments as a result of events before that date (see IAS 19 Employee Benefits).
(e) the discovery of fraud or errors that show that the financial statements are incorrect.

Non-adjusting events after the reporting period

An entity shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting period. An example of a non-adjusting event is the decline in market value of investments as this reflects circumstances that have arisen subsequent to the end of the reporting period.

An example of a non-adjusting event after the reporting period is a decline in fair value of investments between the end of the reporting period and the date when the financial statements are authorised for issue.

The decline in fair value does not normally relate to the condition of the investments at the end of the reporting period, but reflects circumstances that have arisen subsequently. Therefore, an entity does not adjust the amounts recognised in its financial statements for the investments. Similarly, the entity does not update the amounts disclosed for the investments as at the end of the reporting period, although it may need to give additional disclosure under paragraph 21.

Dividends

If a dividend is declared (i.e. it is appropriately authorised and no longer at the discretion of the entity) after the reporting period, it is not recognised as a liability at the end of the reporting period

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Going concern

An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so.

Deterioration in operating results and financial position after the reporting period may indicate a need to consider whether the going concern assumption is still appropriate. If the going concern assumption is no longer appropriate, the effect is so pervasive that this Standard requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognised within the original basis of accounting.

***IAS 1 specifies required disclosures if*:**

(a)the financial statements are not prepared on a going concern basis; or

(b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.

IFRS 1 exemptions and exceptions

IFRS 1 does not provide specific exemptions in relation to events after the reporting period.

Amendments issued but not yet effective

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9, which contains consequential amendments to IAS 10.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply all of the requirements in IFRS 9 (see Chapter 4.4 and Appendix C of IFRS 9)

IAS 16 Property, Plant & Equipment
معيار المحاسبة الدولي (16) الممتلكات، والتجهيزات والمعدات

Objective

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, the determination of their carrying amounts and the depreciation charges and impairment losses to be recognised in relation to them.

Scope

IAS 16 applies to all property, plant and equipment except for:

(i) property, plant and equipment classified as held for sale in accordance with IFRS 5;

(ii) biological assets related to agricultural activity, which is addressed by IAS 41;

(iii) the recognition and measurement of exploration and evaluation assets (addressed by IFRS 6); or

(iv) mineral rights and minerals reserves such as oil, natural gas and similar non-regenerative resources.

In addition, IAS 16 applies to:

- Property, plant and equipment used to develop or maintain the assets described in (i) – (iv) above
- Investment property accounted for under the cost model under IAS 40.

Aspects of IAS 16 also apply to property, plant and equipment recognised under other standards.

For example, IAS 17 will prescribe the recognition method for property, plant and equipment under lease. However, other aspects, such as depreciation, are prescribed by IAS 16.

Recognition

The cost of an item of property, plant and equipment should initially be recognised as an asset if and only if:

i) it is probable that future economic benefits associated with the item will flow to the entity; and

ii) the cost of the item can be measured reliably.

Cost is defined in IAS 16 as the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Major spare parts and stand-by equipment may qualify as property, plant and equipment if the entity expects to use them in more than one period. Otherwise, such items are considered as inventory.

Subsequent costs

Subsequent costs incurred on an asset may only be recognised if they meet the recognition principles of IAS 16. Therefore, an entity would not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of PPE. Parts of some items of property, plant and equipment may require replacement at regular intervals.

The cost of replacing part of an item of property, plant and equipment is capitalised when that cost meets the recognition criteria. The carrying amount of those parts that are replaced is de-recognised in accordance with the de-recognition provisions of IAS 16.

The cost of a major inspection or overhaul is capitalised and depreciated provided that the recognition criteria are satisfied. IAS 16 requires the cost of any previous major inspection or overhaul to be de-recognised at the same time. This applies even if the cost of a major inspection or overhaul was not previously separately analysed out from the cost of the physical parts of the item of property, plant and equipment. In this case an estimate of similar major inspection or overhaul costs should be made to determine its depreciated value and this amount should be written off when the additional costs are capitalised.

Measurement

Measurement at recognition:

An item of property, plant and equipment that qualifies for recognition as an asset shall be initially measured at its cost.

Elements of cost

The cost of an item of property, plant and equipment comprises:

i) its purchase price (including duties, non-refundable taxes, discounts and rebates);

ii) any costs directly attributable to bringing the asset into its operating manner; and

iii) an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. IAS 37 contains guidance on how to measure decommissioning, restoration and similar liabilities. IFRIC 1 addresses changes in these liabilities. and it is addressed below.

Pre-opening/start-up costs

Start-up and similar pre-production costs do not form part of the cost of an asset unless they are necessary to bring the asset to its working condition. Initial operating losses incurred prior to an asset achieving planned performance are recognised as an expense.

Exchanges of assets

All exchange transactions are measured at the fair value of the asset given up (or where this is not able to be determined reliably, the fair value of the asset received) unless the transaction has no commercial substance or the entity cannot reliably determine the fair value of the asset received or asset given up.

Measurement after recognition

Assets may be carried at cost (less accumulated depreciation and accumulated impairment losses) or at revalued amount. The policy selection must be applied to the entire class of PPE.

Cost model

After initial recognition, an item of PPE should be carried at cost less any accumulated depreciation and any accumulated impairment model.

Revaluation model:

If a policy to revalue is adopted, assets are revalued to fair value. The guidance in IAS 16 requires:

- Regular revaluation to ensure that the carrying amount at the balance sheet date does not differ materially from fair value; revaluation surpluses to be recognised in other comprehensive income and accumulated in equity except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss;
- Revaluation deficits to be charged to the profit or loss, except to the extent that it reverses an increase previously taken to the revaluation reserve; and
- If an item of property, plant and equipment is revalued, the entire class to which that asset belongs shall be revalued.

External valuations are not required although IAS 16 states that the fair values of land and buildings are ‘usually’ determined by appraisal ‘normally’ undertaken by professional qualified valuers.

Depreciation

Each part of an item of property, plant and equipment that has a cost that is significant in relation to the cost of the item shall be depreciated separately.

An entity allocates the amount initially recognised for an item of PPE into its significant parts and depreciates separately each part. For example, an entity may depreciate the airframe separately from the engine of an aircraft.

The depreciation charge for each period should be recognised in profit or loss unless it is included in the carrying amount of another asset.

The depreciable amount of an asset is the cost (or deemed cost) less residual value, which is allocated on a systematic basis over its useful life.

The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. The method applied shall be reviewed at least at each financial year-end.

Depreciation commences when the asset is ready for use. Depreciation ceases when the asset is either classified as held for sale in accordance with IFRS 5 or de-recognised. Depreciation does not cease when an asset is idle.

Residual value of assets

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

The residual value and the useful life of an asset shall be reviewed at least annually and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimates.

De-recognition

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on de-recognition

The gain or loss on de-recognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

The gain or loss arising from the de-recognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

ii) an increase in the liability shall be recognised in profit or loss, except that it shall be recognised in other comprehensive income and reduce the revaluation surplus within equity to the extent of any credit balance existing in the revaluation surplus in respect to that asset.
iii) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess shall be recognised immediately in profit or loss.

IFRS 1 exemptions and exceptions

There are no specific mandatory exceptions from the 'general principle' in IFRS 1 First-time Adoption of International Financial Reporting Standards. However, there is an optional exemption in IFRS 1 that allows a deemed cost to be used for individual items of property, plant and equipment.

Measurement

If the related asset is measured using the cost model, the changes in the liability are accounted for as follows:

i) added or deducted from the cost of the related asset in the current period;

ii) the amount deducted from the cost of the asset cannot exceed the carrying amount. Any decrease in the liability that exceeds the carrying amount is recognised in profit or loss immediately; and

iii) if the adjustment results in an addition to the cost of the asset, this may be an indicator of impairment, requiring an impairment test in accordance with IAS 36.

If the related asset is measured using the revaluation model, the changes in the liability are accounted for as follows:

i) a decrease in the liability is to be recognised in other comprehensive income and increase the revaluation surplus within equity, except that it shall be recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss;

IFRS 1 exemptions and exceptions

A first-time adopter may elect to measure an item of property, plant and equipment at the date of transition to IFRSs at fair value (which becomes the item's deemed cost at that date). Alternatively, a first-time adopter may elect to use a previous GAAP revaluation at, or before, the date of transition to IFRS for an item (which becomes the item's deemed cost) if the revaluation was comparable to fair value at the date it was recorded or it reflects cost or depreciated cost that is broadly comparable to that determined by IFRS as adjusted by a relevant price index.

This optional exemption, if utilised, does not, however, result in the entity having to apply the revaluation model to the asset (and its class of asset) for which the election was made after the date of transition. The cost model may be applied to the asset if it is applied to the class of asset to which the asset belongs.

Further guidance on applying this optional exemption, and limited additional options, are contained in IFRS 1 for specific scenarios. Some optional exemptions apply to the requirements specified in IFRIC 1 for changes in liabilities of this type that occurred before the date of transition to IFRS—in some instances this will affect the amount recognised for the relevant item of property, plant and equipment on the date of transition to IFRS.

There is also an optional exemption in IFRS 1 for the treatment of borrowing costs, which may affect items of property, plant and equipment. If the entity uses a deemed cost for an item of property, plant and equipment, the entity may not capitalise borrowing costs incurred before the date of the measurement that sets up the deemed cost.

Another optional exemption allows a first-time adopter to elect to apply the transitional provisions in IFRIC 18 Transfer of Assets from Customers (to substitute the effective date with the date of transition). This provides first-time adopters with optional relief from establishing the carrying amount (by determining historical fair values) for assets transferred before the date of transition.

Amendments issued

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which contains consequential amendments to IAS 16.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendment for an earlier period it shall disclose that fact.

Agriculture: Bearer Plants

In June 2014, the IASB issued Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41), which amended IAS 16. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 Agriculture measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The produce growing on bearer plants will remain within the scope of IAS 41.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Disclosure

The financial statements shall disclose, for each class of property, plant and equipment:

(a) the measurement bases used for determining the gross carrying amount;

(b) the depreciation methods used;

(c) the useful lives or the depreciation rates used;

(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and

(e) a reconciliation of the carrying amount at the beginning and end of the period showing:

(i) additions;

(ii) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;

(iii) acquisitions through business combinations;

(iv) increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36;

(v) impairment losses recognised in profit or loss in accordance with IAS 36;

(vi) impairment losses reversed in profit or loss in accordance with IAS 36;
(vii) depreciation; (viii) the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and
(ix) other changes.

The financial statements shall also disclose:

(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities;
(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;
(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and

(d) if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.
If items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed in addition to the disclosures required by IFRS 13:
the effective date of the revaluation;
(b) whether an independent valuer was involved;
(c) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and
(f) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

IAS (23) Borrowing cost
معيار المحاسبة الدولي (23) تكاليف الاقتراض

Core principle

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.

Scope

An entity shall apply this Standard in accounting for borrowing costs.

The Standard does not deal with the actual or imputed cost of equity, including preferred capital not classified as a liability.

An entity is not required to apply the Standard to borrowing costs directly attributable to the acquisition, construction or production of:

(a)a qualifying asset measured at fair value, for example a biological asset; or

(b) inventories that are manufactured, or otherwise produced, in large quantities on a repetitive basis

Recognition

An entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognise other borrowing costs as an expense in the period in which it incurs them.

To the extent that an entity borrows funds specifically for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset.

The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

Commencement of capitalisation

Entities can begin to capitalise borrowing costs on the commencement date. The commencement date is when the entity meets all of the following conditions:

a) It incurs expenditures for the asset

b) It incurs borrowing costs and

c) It undertakes activities necessary to prepare the asset for its intended use or sale.

Suspension of capitalisation

If an entity suspends active development of a qualifying asset, it shall also suspend capitalisation of the borrowing costs.

Cessation of capitalisation

When substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete, an entity shall cease capitalisation of borrowing costs.

IFRS 1 exemptions and exceptions

IFRS 1 First-time Adoption of International Financial Reporting Standards provides an optional relief from the 'general rule' of IFRS transition to first-time adopter. Upon transition to IFRS, a first-time adopter is allowed to retain its previously capitalised borrowing costs, without adjustment. After transition, borrowing costs, including those incurred for assets under construction, are recognised in accordance with IAS 23.

Consequently, a first-time adopter can choose to apply IAS 23 after the transition date, or it can choose to designate another date earlier than the transition date, from which to apply the provisions of IAS 23.

Agriculture: Bearer Plants

In June 2014, the IASB issued Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41), which contains consequential amendments to IAS 23 in the scope paragraph and specifies that bearer plants may be qualifying assets under certain circumstances.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued IFRS 9, which contains consequential amendments to IAS 23.

An entity shall apply these amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact and apply all of the requirements in IFRS 9

IAS (40) Investment Property

معيار المحاسبة الدولي (40) العقارات الاستثمارية

Objective

The objective of this Standard is to prescribe the accounting treatment for investment property and related disclosure requirements.

Scope

This Standard shall be applied in the recognition, measurement and disclosure of investment property.

Among other things, this Standard applies to the measurement in a lessee's financial statements of investment property interests held under a lease accounted for as a finance lease and to the measurement in a lessor's financial statements of investment property provided to a lessee under an operating lease.

This Standard does not deal with matters covered in IAS 17 Leases, including:

(a)classification of leases as finance leases or operating leases;

(b) recognition of lease income from investment property (see also IFRS 15 Revenue from Contracts with Customers); (c) measurement in a lessee's financial statements of property interests held under a lease accounted for as an operating lease;

(d) measurement in a lessor's financial statements of its net investment in a finance lease;
(e) accounting for sale and leaseback transactions; and (f) disclosure about finance leases and operating leases.

This Standard does not apply to:

(a) biological assets related to agricultural activity (see IAS 41 Agriculture); and
(b) mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources

Definitions

The following terms are used in this Standard with the meanings specified:

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other IFRSs, eg IFRS 2 Share-based Payment.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. (See IFRS 13 Fair Value Measurement).

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, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. *Owner-occupied property* is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

Classification of property as investment property or owner-occupied property

A property interest that is held by a lessee under an operating lease may be classified and accounted for as investment property if, and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model set out in paragraphs 33–55 for the asset recognised.

This classification alternative is available on a property-by property basis. However, once this classification alternative is selected for one such property interest held under an operating lease, all property classified as investment property shall be accounted for using the fair value model. When this classification alternative is selected, any interest so classified is included in the disclosures required by paragraphs 74–78.
Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods or services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production or supply process. IAS 16 Property, Plant and Equipment applies to owner-occupied property.

The following are examples of investment property:

(a) land held for long-term capital appreciation rather than for short-term sale in the ordinary course of business.

(b) land held for a currently undetermined future use. (If an entity has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation.)

(c) a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases.

(d) a building that is vacant but is held to be leased out under one or more operating leases. (e) property that is being constructed or developed for future use as investment property.

The following are examples of items that are not investment property and are therefore outside the scope of this Standard:

(a) property intended for sale in the ordinary course of business or in the process of construction or development for such sale (see IAS 2 Inventories), for example, property acquired exclusively with a view to subsequent disposal in the near future or for development and resale.

(b) owner-occupied property (see IAS 16), including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal.

(c) property that is leased to another entity under a finance lease.

In some cases, an entity provides *ancillary or supportive services* to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building.

In other cases, the services provided are significant. For example, if an entity owns and manages a hotel, services provided to guests are significant to the arrangement as a whole. Therefore, an owner-managed hotel is owneroccupied property, rather than investment property.

It may be difficult to determine whether ancillary services are so significant that a property does not qualify as investment property. For example, the owner of a hotel sometimes transfers some responsibilities to third parties under a management contract. The terms of such contracts vary widely. At one end of the spectrum, the owner's position may, in substance, be that of a passive investor. At the other end of the spectrum, the owner may simply have outsourced day-to-day functions while retaining significant exposure to variation in the cash flows generated by the operations of the hotel.

Judgement is needed to determine whether a property qualifies as investment property. An entity develops criteria so that it can exercise that judgement consistently in accordance with the definition of investment property and "with the related guidance in paragraphs 7–13. Paragraph 75(c) requires an entity to disclose these criteria when classification is difficult.

In some cases, an entity owns property that is leased to, and occupied by, its parent or another subsidiary. The property does not qualify as investment property in the consolidated financial statements, because the property is owner-occupied from the perspective of the group. However, from the perspective of the entity that owns it, the property is investment property if it meets the definition in paragraph 5. Therefore, the lessor treats the property as investment property in its individual financial statements

Recognition

Investment property shall be recognised as an asset when, and only when:
(a)it is probable that the future economic benefits that are associated with the investment property will flow to the entity; and
(b) the cost of the investment property can be measured reliably.

Under the recognition principle mentioned above , an entity does not recognise in the carrying amount of an investment property the costs of the day-to-day servicing of such a property. Rather, these costs are recognised in profit or loss as incurred. Costs of day-to-day servicing are primarily the cost of labour and consumables, and may include the cost of minor parts. The purpose of these expenditures is often described as for the ‘repairs and maintenance’ of the property.

Measurement at recognition

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.

The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. Directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

The cost of an investment property is not increased by:

(a) start-up costs (unless they are necessary to bring the property to the condition necessary for it to be capable of operating in the manner intended by management),

(b) operating losses incurred before the investment property achieves the planned level of occupancy, or

(c) abnormal amounts of wasted material, labour or other resources incurred in constructing or developing the property

Subsequent Measurement (Measurement after Recognition)

The entity must choose as an accounting policy one of two models for all investment properties: the fair value model or the cost model. An entity may have liabilities that pay a return linked directly to the fair value or returns from assets that include the investment property. In these cases, an entity can choose to apply either the cost model or the fair value model for all such investment properties, and then choose either the cost model or the fair value model for all remaining investment properties.

Fair Value Model

After initial recognition, an entity that chooses to use the fair value model shall measure its investment properties at fair value, and include the transaction costs incurred. All gains and losses shall be included in profit or loss in the period in which they arise.

Cost Model

If an entity chooses to measure its investment property using the cost model, it shall treat the property as property, plant and equipment and apply the requirements under IAS 16. The entity needs to disclose the fair values of all investment properties even if it decides to apply this model.

Transfers

Transfers to, or from an investment property are made only when there is a change in use evidenced by:

(a) Transfer from an investment property to an owner-occupied property which stand for a commencement of owner-occupation;

(b) Transfer from an investment property to inventories, which means a commencement of development with a view to sale;

(c) Transfer from an owner-occupied property to an investment property, meaning the end of owner-occupation; or

(d) Transfer from inventories to an investment property, illustrating a commencement of an operating lease to another party.

For a transfer from inventories to investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

The treatment of transfers from inventories to investment property that will be carried at fair value is consistent with the treatment of sales of inventories.

When an entity completes the construction or development of a self-constructed investment property that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in profit or loss.

IFRS 1 Exemptions and Exceptions

IFRS 1 provides specific exemptions in relation to using fair value as deemed cost, which may be applied to investment properties.

Amendments Issued

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which contains consequential amendments to IAS 40.

An entity shall apply the amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Agriculture: Bearer Plants

In June 2014, the IASB issued *Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)*, which contains consequential amendments to IAS 40 in the scope paragraph. An entity shall apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact.

Disposals

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss (unless IAS 17 requires otherwise on a sale and leaseback) in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up shall be recognised in profit or loss when the compensation becomes receivable.

Disclosure

An entity shall disclose:

(a) whether it applies the fair value model or the cost model.

(b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property.

(c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.

(d) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

(e) the amounts recognised in profit or loss for:
(i) rental income from investment property;
(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period;
(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period; and
(iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C).
(f) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal
(g) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

IAS (41) Agriculture

معيار المحاسبة الدولي (41) الزراعة

Objective

The objective of this Standard is to prescribe the accounting treatment and disclosures related to agricultural activity.

Scope

This Standard shall be applied to account for the following when they relate to agricultural activity: (a) biological assets, except for bearer plants; (b) agricultural produce at the point of harvest; and (c) government grants covered by paragraphs 34 and 35.

This Standard does not apply to:

(a) land related to agricultural activity (see IAS 16 Property, Plant and Equipment and IAS 40 Investment Property).

(b) bearer plants related to agricultural activity (see IAS 16). However, this Standard applies to the produce on those bearer plants.

(c) government grants related to bearer plants (see IAS 20 Accounting for Government Grants and Disclosure of Government Assistance).

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d) intangible assets related to agricultural activity (see IAS 38 Intangible Assets).

This Standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, at the point of harvest. Thereafter, IAS 2 Inventories or another applicable Standard is applied. Accordingly, this Standard does not deal with the processing of agricultural produce after harvest; for example, the processing of grapes into wine by a vintner who has grown the grapes. While such processing may be a logical and natural extension of agricultural activity, and the events taking place may bear some similarity to biological transformation, such processing is not included within the definition of agricultural activity in this Standard.

Some plants, for example, tea bushes, grape vines, oil palms and rubber trees, usually meet the definition of a bearer plant and are within the scope of IAS 16. However, the produce growing on bearer plants, for example, tea leaves, grapes, oil palm fruit and latex, is within the scope of IAS 41.

The table below provides examples of biological assets, agricultural produce, and products that are the result of processing after harvest:

Biological assets	Agricultural produce	Products that are the result of processing after harvest
Sheep	Wool	Yarn , carpet
Trees in a timber plantation	Felled trees	Logs, lumber
Dairy cattle	Milk	Cheese
Cotton plants	Harvested cotton	Thread, clothing
Sugarcane	Harvested cane	Sugar
Tobacco plants	Picked leaves	Cured or treat tobacco
Tea bushes	Picked leaves	Tea
Grape vines	Picked grapes	Wine
Oil palms	Picked fruits	Palm oil
Rubber trees	Harvested latex	Rubber products
Fruit trees	Picked fruit	Processed fruit

Definitions

Agriculture-related definitions

The following terms are used in this Standard with the meanings specified:

Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Agricultural produce is the harvested product of the entity's biological assets. A bearer plant is a living plant that:

(a) is used in the production or supply of agricultural produce;

(b) is expected to bear produce for more than one period; and

(c) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

A biological asset is a living animal or plant.

Biological transformation comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

A group of biological assets is an aggregation of similar living animals or plants.

Harvest is the detachment of produce from a biological asset or the cessation of a biological asset's life processes.

Recognition and measurement

An entity shall recognise a biological asset or agricultural produce when, and only when:

(a) the entity controls the asset as a result of past events;

(b) it is probable that future economic benefits associated with the asset will flow to the entity; and

(c) the fair value or cost of the asset can be measured reliably.

A biological asset shall be measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, except where the fair value cannot be measured reliably.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying IAS 2 Inventories or another applicable Standard.

Gains and losses

A gain or loss arising on initial recognition of a biological asset at fair value less costs to sell and from a change in fair value less costs to sell of a biological asset shall be included in profit or loss for the period in which it arises.

A loss may arise on initial recognition of a biological asset, because costs to sell are deducted in determining fair value less costs to sell of a biological asset. A gain may arise on initial recognition of a biological asset, such as when a calf is born.

A gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in profit or loss for the period in which it arises.

A gain or loss may arise on initial recognition of agricultural produce as a result of harvesting.

Government grants

An unconditional government grant related to a biological asset measured at its fair value less costs to sell shall be recognised in profit or loss when, and only when, the government grant becomes receivable.

If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, including when a government grant requires an entity not to engage in specified agricultural activity, an entity shall recognise the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

Disclosure

An entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.

An entity shall provide a description of each group of biological assets

The disclosure required above may take the form of a narrative or quantified description.

An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group.

An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.

If not disclosed elsewhere in information published with the financial statements, an entity shall describe:

(a) the nature of its activities involving each group of biological assets; and

(b) non-financial measures or estimates of the physical quantities of:

(i) each group of the entity's biological assets at the end of the period; and

(ii) output of agricultural produce during the period.

An entity shall disclose:

(a) the existence and carrying amounts of biological assets whose title is restricted, and the carrying amounts of biological assets pledged as security for liabilities;

(b) the amount of commitments for the development or acquisition of biological assets; and

(c) financial risk management strategies related to agricultural activity.

Additional disclosures for biological assets where fair value cannot be measured reliably

If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the period, the entity shall disclose for such biological assets:

(a) a description of the biological assets;

(b) an explanation of why fair value cannot be measured reliably;

(c) if possible, the range of estimates within which fair value is highly likely to lie;

(d) the depreciation method used;

(e) the useful lives or the depreciation rates used; and

(f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

An entity shall disclose the following related to agricultural activity covered by this Standard:

(a) the nature and extent of government grants recognised in the financial statements;

(b) unfulfilled conditions and other contingencies attaching to government grants; and

(c) significant decreases expected in the level of government grants.

IFRS (1) First-time Adoption of IFRS
المعيار الدولي لإعداد التقارير المالية (1) تبني المعايير الدولية لإعداد التقارير المالية للمرة الاولي

Objective

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

Scope

An entity shall apply this IFRS in:

(a)its first IFRS financial statements; and

(b) each interim financial report, if any, that it presents in accordance with IAS 34 Interim Financial Reporting for part of the period covered by its first IFRS financial statements.

An entity's first IFRS financial statements are the first annual financial statements in which the entity adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs. Financial statements in accordance with IFRSs are an entity's first IFRS financial statements if, for example, the entity:

(a) presented its most recent previous financial statements:

(i) in accordance with national requirements that are not consistent with IFRSs in all respects;

(ii) in conformity with IFRSs in all respects, except that the financial statements did not contain an explicit and unreserved statement that they complied with IFRSs;

(iii) containing an explicit statement of compliance with some, but not all, IFRSs;

(iv) in accordance with national requirements inconsistent with IFRSs, using some individual IFRSs to account for items for which national requirements did not exist; or

(v) in accordance with national requirements, with a reconciliation of some amounts to the amounts determined in accordance with IFRSs;

(b) prepared financial statements in accordance with IFRSs for internal use only, without making them available to the entity's owners or any other external users;

(c) prepared a reporting package in accordance with IFRSs for consolidation purposes without preparing a complete set of financial statements as defined in IAS 1 Presentation of Financial Statements (as revised in 2007); or

(d) did not present financial statements for previous periods.

This IFRS applies when an entity first adopts IFRSs. It does not apply when, for example, an entity:

(a) stops presenting financial statements in accordance with national requirements, having previously presented them as well as another set of financial statements that contained an explicit and unreserved statement of compliance with IFRSs;

(b) presented financial statements in the previous year in accordance with national requirements and those financial statements contained an explicit and unreserved statement of compliance with IFRSs; or

(c) presented financial statements in the previous year that contained an explicit and unreserved statement of compliance with IFRSs, even if the auditors qualified their audit report on those financial statements.

Recognition and measurement

Opening IFRS statement of financial position

Except as allowed in IFRS 1, an entity shall prepare and present an opening IFRS statement of financial position at the date of transition to IFRSs and should:

- Recognise all assets and liabilities whose recognition is required by IFRS;
- Not recognise items as assets or liabilities if IFRS does not permit such recognition;
- Reclassify items recognised under previous GAAP in accordance with IFRS; and
- Apply IFRSs in measuring all recognised assets and liabilities.

An entity shall recognise any resulting restatement adjustments directly in Retained Earnings (or if appropriate, another category of equity) at the date of the opening statement of financial position.

Accounting policies

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, except as specified in paragraphs 13–19 and Appendices B–E.

Example: Consistent application of latest version of IFRSs Background

The end of entity A's first IFRS reporting period is 31 December 20X5. Entity A decides to present comparative information in those financial statements for one year only (see paragraph 21). Therefore, its date of transition to IFRSs is the beginning of business on 1 January 20X4 (or, equivalently, close of business on 31 December 20X3). Entity A presented financial statements in accordance with its previous GAAP annually to 31 December each year up to, and including, 31 December 20X4. Application of requirements Entity A is required to apply the IFRSs effective for periods ending on 31 December 20X5 in:

(a) preparing and presenting its opening IFRS statement of financial position at 1 January 20X4; and

(b) preparing and presenting its statement of financial position for 31 December 20X5 (including comparative amounts for 20X4), statement of comprehensive income, statement of changes in equity and statement of cash flows for the year to 31 December 20X5 (including comparative amounts for 20X4) and disclosures (including comparative information for 20X4).

If a new IFRS is not yet mandatory but permits early application, entity A is permitted, but not required, to apply that IFRS in its first IFRS financial statements.

Except as described in paragraphs 13–19 and Appendices B–E, an entity shall, in its opening IFRS statement of financial position:

(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

Exceptions to the retrospective application of other IFRSs

This IFRS prohibits retrospective application of some aspects of other IFRSs. These exceptions are set out in paragraphs 14–17 and Appendix B.

Estimates

An entity's estimates in accordance with IFRSs at the date of transition to IFRSs shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error

Comparative Information

To comply with IFRS, the first set of financial statements must include several statements reflecting the financial position and general performance of the entity, as well as the related notes providing further explanations and sub-classifications for the items illustrated in these statements.

Standard requires that a first-time adopter’s set of FSs must include:

1) Three statements of Financial Position;
2) Two statements of Separate Income;
3) Two statements of Comprehensive Income;
4) Two statements of cash flows;
5) Two statements of changes in equity; and

The requirement to prepare and present the opening balance sheet also results in the need to include related note disclosure for the statement of financial position.

The comparative information must be presented in accordance with the policies in place for the first IFRS financial statements. There will be the policies and disclosures required by those standards in force at the end of an entity’s first IFRS reporting period

Exceptions to Retrospective Application:

An entity shall apply the following exceptions:

1) De-recognition of financial assets and financial liabilities;
2) Hedge Accounting;
3) Non-Controlling Interests;
4) Government Loans; and
5) Estimates.

De-recognition of Financial Assets and Financial Liabilities

A first-time adopter must apply the de-recognition requirements set out in IAS 39 prospectively for the transactions occurring on or after the transition date to IFRS.

An entity may actually apply the requirements of IAS 39 retrospectively from a date of its own choosing if the information needed to apply this standard on certain financial assets and liabilities de-recognised was obtained at the time of initially accounting for these transactions. This will prevent first-time adopters from restating transactions that occurred before the date of transition to IFRS.

Hedge Accounting

A first-time adopter must apply IAS 39 requirements in regards to hedge accounting in general. If an entity had recognised a transaction as a hedge item under its previous GAAP and before the date of transition to IFRS, then it must discontinue this hedge instrument in accordance with IAS 39.

Transactions entered into before the transition shall not bi retrospectively designated as hedges.

IFRS 1 prohibits the retrospective application od hedge accounting. The requirements in this regards must actually be applied prospectively. relationships on the date of transition to IFRS.

Non-Controlling Interests

A first-time adopter of IFRS 10 must apply the standard retrospectively except for the following requirements that apply prospectively from the date of transition to IFRS:

►IFRS 10.B94 – Requiring that total comprehensive income is attributed to the owners of the parent and to the non-controlling interests, even if it results in a deficit balance;

►IFRS 10.23 and B96 – Accounting for changes in ownership in a subsidiary that do not result in loss of control; and

►IFRS 10.B97-B99 – Accounting for a loss of control over a subsidiary, and the related requirements of IFRS 5.8A.

However, if the entity applies IFRS 3 retrospectively to past Business Combinations, it must also apply IFRS 10 in accordance with paragraph C1 of IFRS 1.

Classification and Measurement of Financial Instruments

IAS 39/IFRS 9 requires financial assets to be measured at amortised cost based on the nature of the business holding the assets and the nature of cash flows arising on this assets. If for an entity, it is not practicable to retrospectively apply the effective interest method suggested by IAS 39 or IFRS 9, then the fair value of the instrument at the transition date shall be the new carrying amount of the financial asset or the actual new amortised cost of the financial liability.

Embedded Derivatives

The appropriate accounting treatment of embedded derivatives depends on the entity's decision to either implement IAS 39 or IFRS 9.

Implementation of IAS 39 requires entities adopting IFRS for the first time to separately account for some of the embedded derivatives at fair value. In case the carrying amounts of the host instruments and their embedded derivatives cannot be reliably measured, then the entire contract must be recorded at fair value through profit or loss.

Implementation of IFRS 9 requires separate recognition of embedded derivatives under particular conditions. However, if the financial instrument represents a financial asset, then a first-time adopter may not recognise the host contract and its embedded derivatives separately.

Estimates

IFRS requires an entity adopting IFRS 1 to remain consistent with the estimates previously made under the old GAAP followed, unless proved to contain significant errors, requiring a change in accounting policies (IAS 8).

IFRS 1 *prohibits* a first-time adopter from applying hindsight when preparing its first IFRS financial statements.

IFRS 1 provides the following guidance regarding estimates:

1) If previous GAAP policy was consistent with IFRS, then the adjustment due to new information received about the estimates must be treated according to IAS 10 and reflected in the period in which the revision is made;

2) If previous GAAP policy was not consistent with IFRS, then the adjustment due to new information received about the estimated must be treated according to IAS 10 and reflected as a change in the estimate by the difference in accounting policies;
3) If the entity needs to make estimates under IFRS that were not required under previous GAAP, then these estimates need to be consistent with IAS 10.
According to IFRS, an entity's estimates at the transition date shall be consistent with the estimates made for the same date according to the previous GAAP, unless there is evidence assuring that these estimates were in error.
Hindsight to clean up the statements of financial position is not allowed under IFRS

Exemptions From Other IFRSs:

An entity may elect to use one or more of the basic exemptions under IFRS 1, which may be applied by analogy to other items. These exemptions include:

1) Business Combinations;
2) Share-based Payment Transactions;
3) Insurance Contracts;
4) Deemed Cost;
5) Leases;
6) Cumulative translation differences;
7) Investments in subsidiaries, associates, & JVs;
8) Compound Financial Instruments;
9) Decommissioning Liabilities;
10) Borrowing Costs; and others.

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