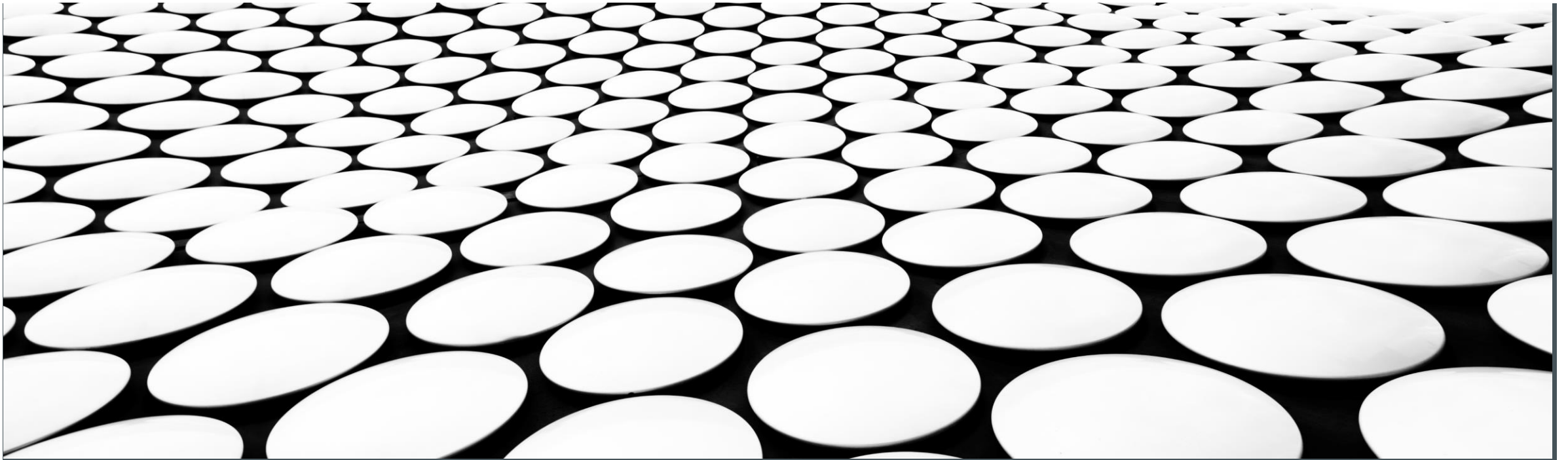

INTERNATIONAL FINANCIAL REPORTING STANDARDS IASB AND REGULATORY FRAMEWORK

BY B D CHATTERJEE *FCA, ACMA, ACS, DIP (IFR) ACCA – UNITED KINGDOM*





INTERNATIONAL FINANCIAL REPORTING STANDARDS IASB AND REGULATORY FRAMEWORK

IMPACT OF GLOBALIZATION – THE NEED

- The need for harmonised financial reporting standards arises as a result of globalisation of business activities and operations.
- Harmonised financial reporting standards are intended to provide :
 - A platform for wider investment choice
 - A more efficient capital market
 - Lower cost of capital
 - Enhanced business development

OBJECTIVES OF ACCOUNTING STANDARDS

- Recognition of events and transactions in the financial statements
- Measurement of these events and transactions
- Presentation of these events and transactions in financial statements within the bounds of understandability to the user of these statements
- Effective disclosure requirements to assist the users to understand and interpret the financial statements to facilitate informed business decisions bordering on prudence.

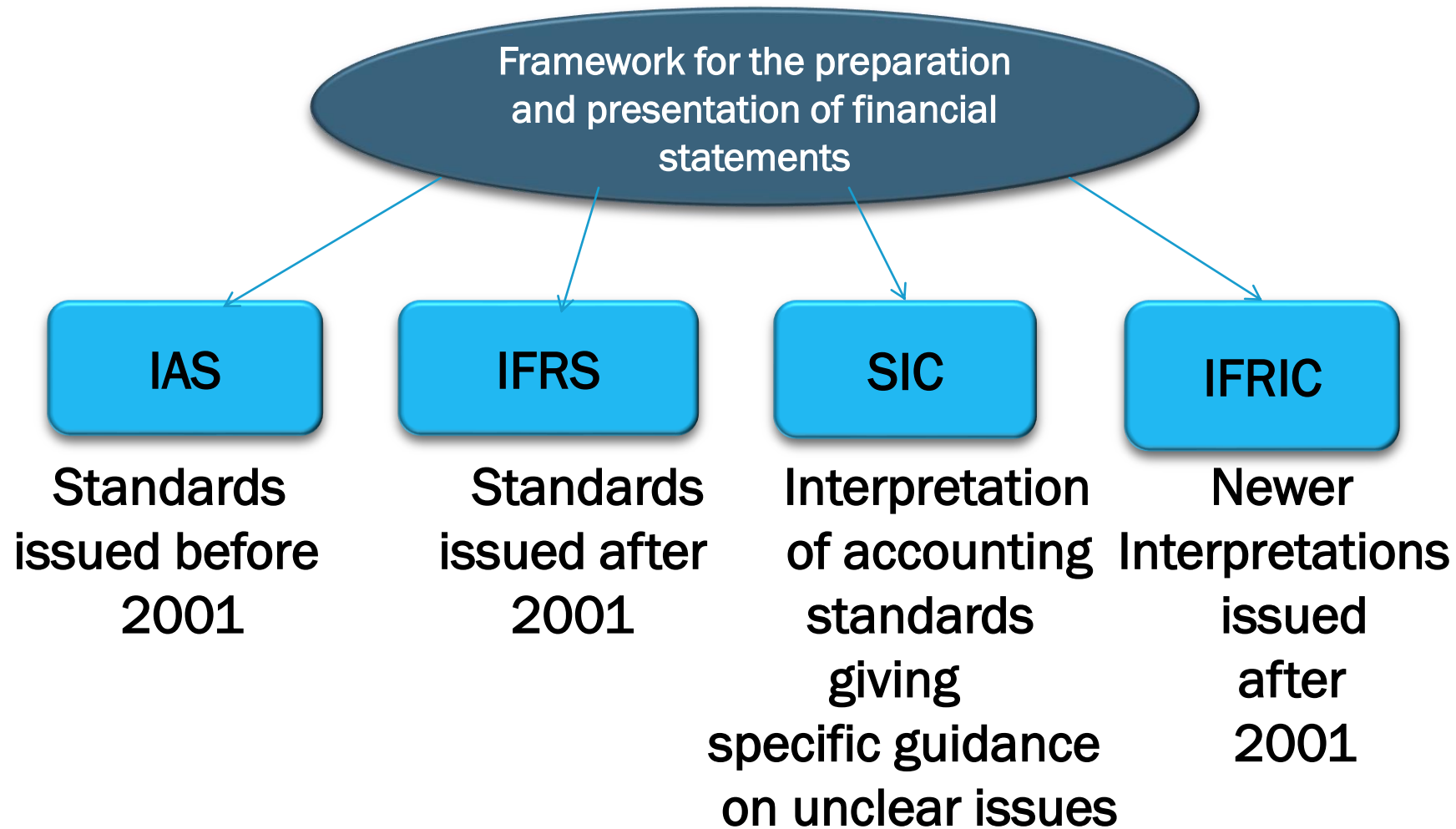
BENEFITS OF GLOBAL HARMONISATION

- Investors – both individual and corporate, would like to compare financial results of different companies internationally
- Multinational companies would have
 - better access to foreign investor funds
 - management control would be improved
 - appraisal of foreign enterprises for take-over and mergers
 - easier to comply with reporting requirements of overseas stock exchanges
 - preparation of group accounts would be easier
 - a possible reduction in audit costs
 - Standardisation of knowledge of accounting staff
- Governments of developing countries would save time and money and be more efficient in controlling activities of foreign companies
- Tax authorities – would be easier to calculate tax liabilities of investors
- Assist regional economic groups for promotion of trade

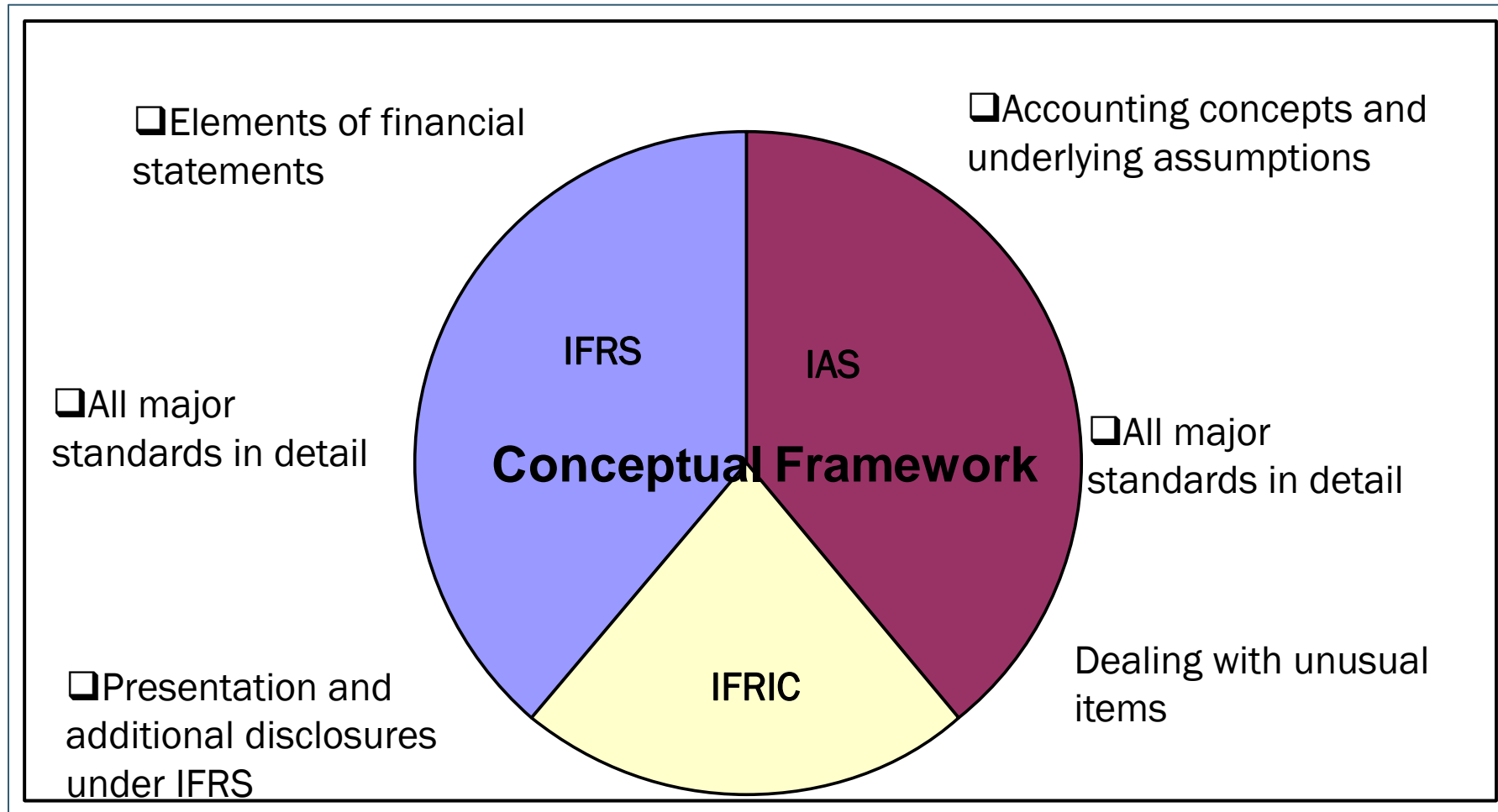
BARRIERS OF GLOBAL HARMONISATION

- Different purposes of financial reporting. In some countries the purpose is solely for tax assessment, while in others it is for decision making
- Different legal systems – these prevent the development of certain accounting practices and restrict the options available
- Different user groups. For instance in USA the investor and creditor groups are given prominence while in Europe employees enjoy a higher profile
- Needs for developing countries – they need to set basic standards and principles which are already in place in most developed countries
- Cultural differences
- Spirit of nationalism
- Unique circumstances which are country specific – e.g. hyperinflation, civil war, currency restriction and so on
- The lack of strong accountancy bodies present in some countries

INTERNATIONAL FINANCIAL REPORTING STANDARDS



IFRS FRAMEWORK



- External financial reports for single, combined entities and joint ventures

WHAT IS A REGULATORY FRAMEWORK?

A structure that helps let entities decide how to treat items that need to be in the financial statements

What are International accounting standards?

IASs are a single set of high quality, understandable and enforceable global accounting standards

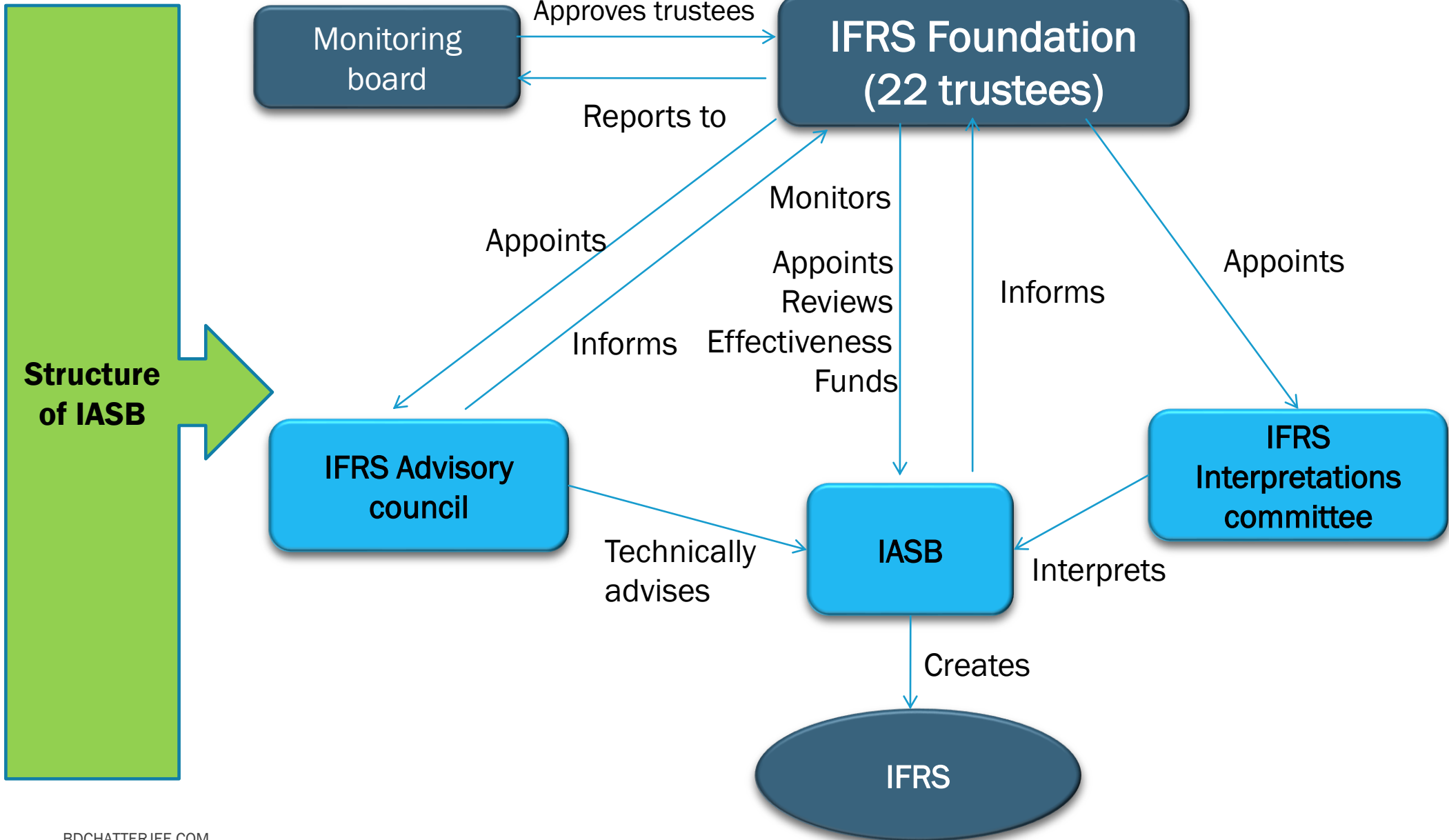
THE INTERNATIONAL ACCOUNTING STANDARD COMMITTEE FOUNDATION'S (IASCF'S) MISSION....

Objectives of IASCF

Develop and promote high-quality
accounting standards

Consider special needs of SMEs and
Emerging economies

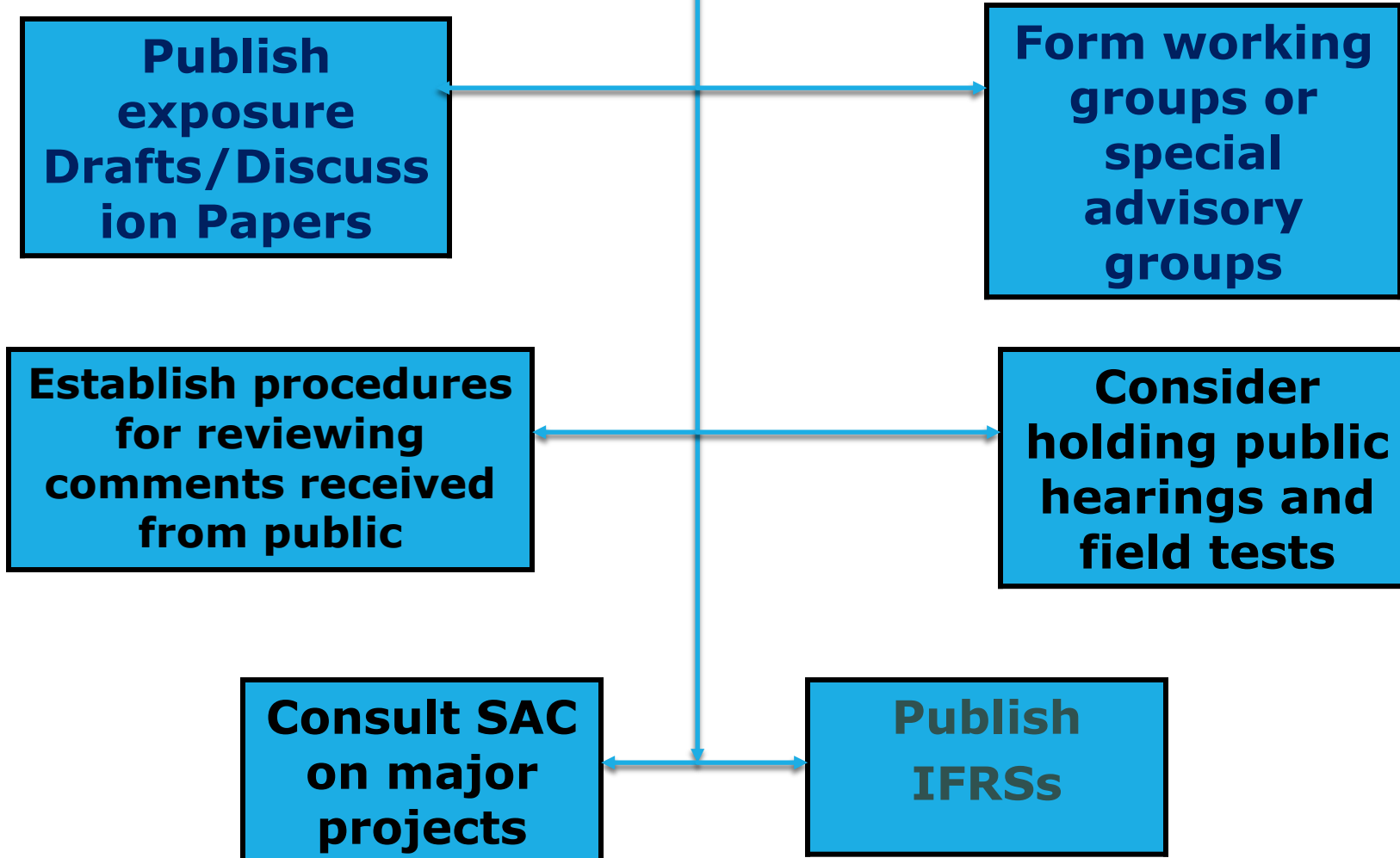
Bring about convergence among national
Accounting standards



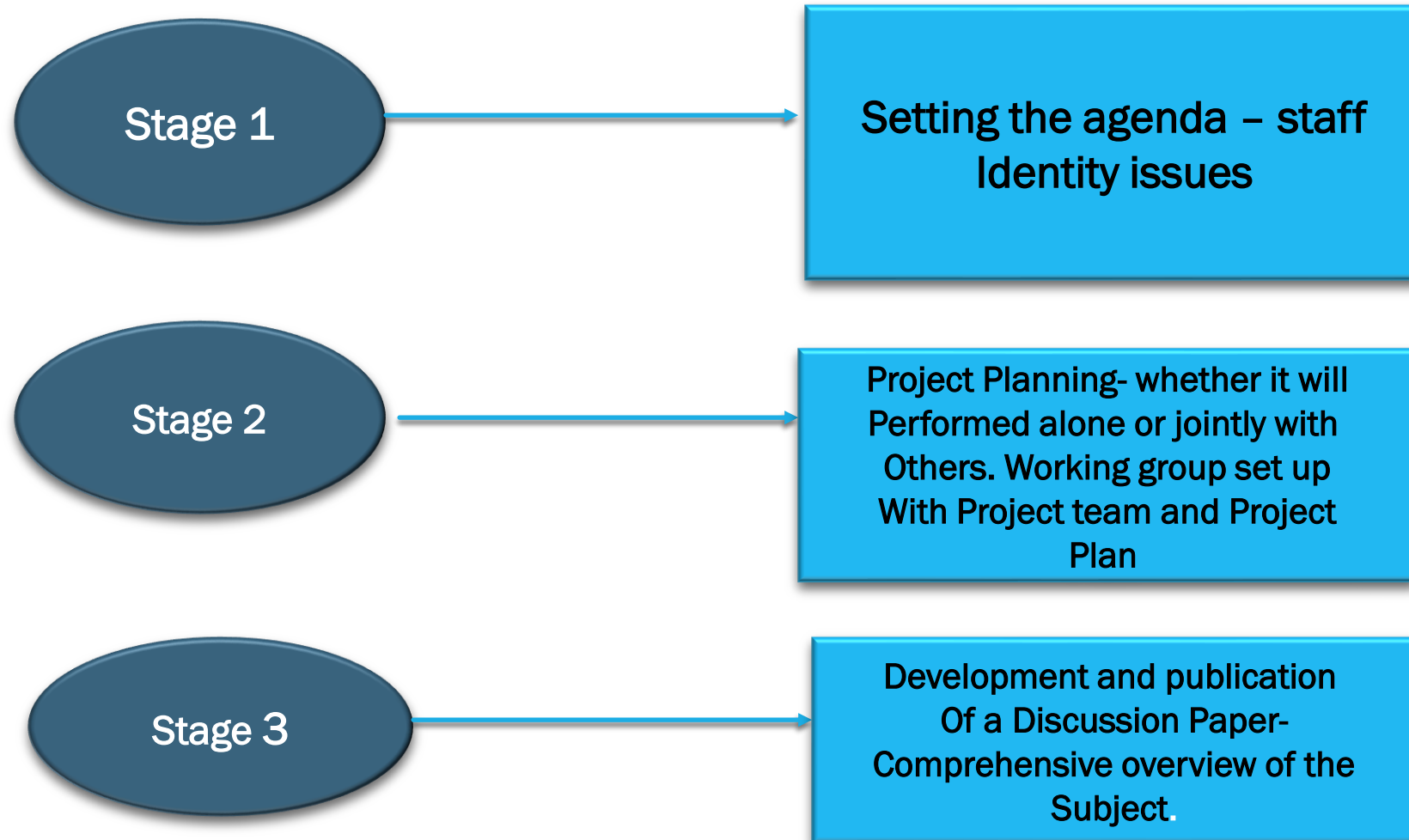
POWERS AND DUTIES OF TRUSTEES

- appoint members of the IASB and other committees / councils
- review and assess the effectiveness of the strategy of the IFRS foundation and IASB annually
- ensure there is funding for such activities
- establish or amend operating procedures, and “due process” for the IASB, IFRS Interpretation Committee and IFRS Advisory Council
- determine the legal entity under which the IFRS foundation shall work
- open their meetings to public
- publish annual report
- review in due course the location of the IFRS

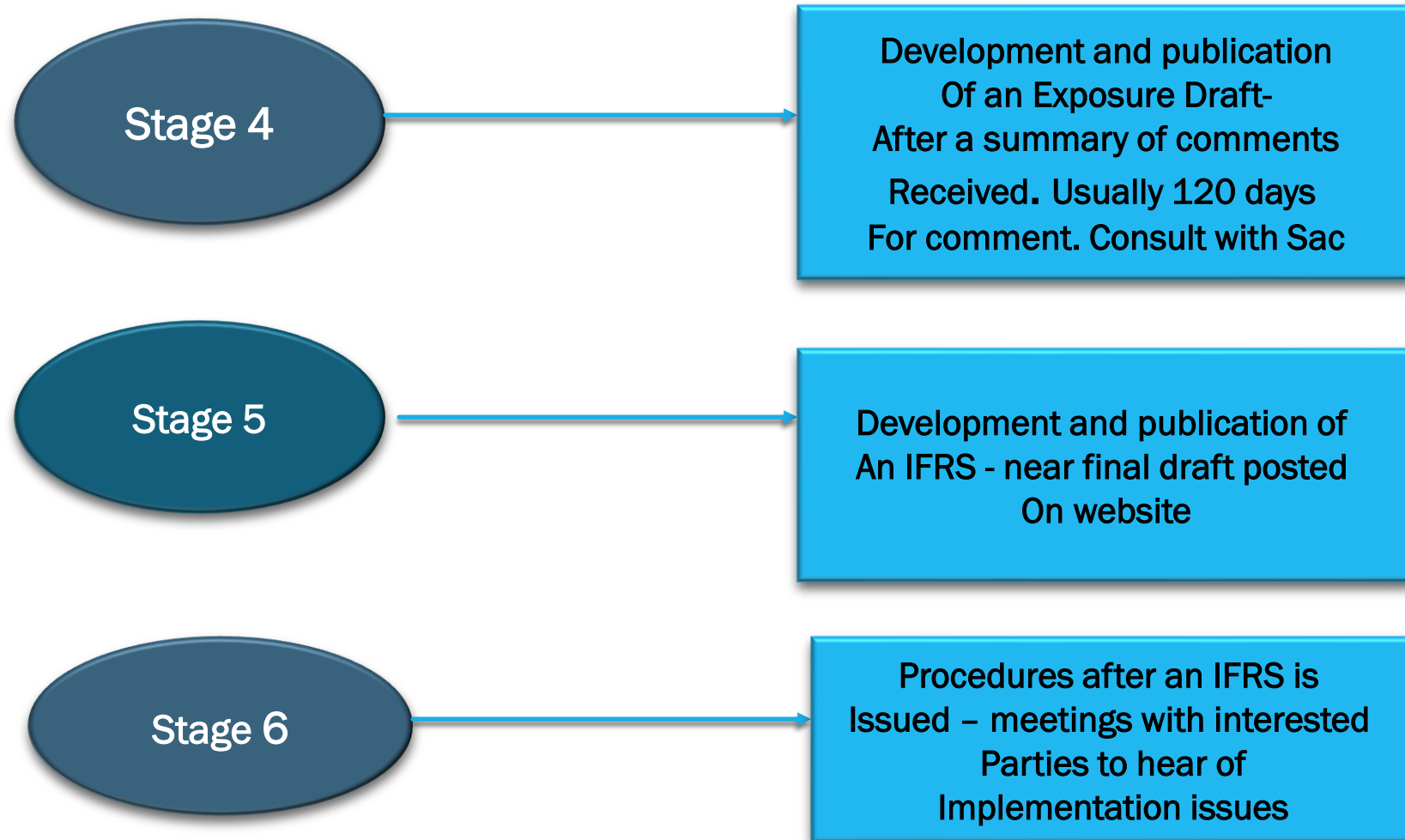
Objectives of IASB



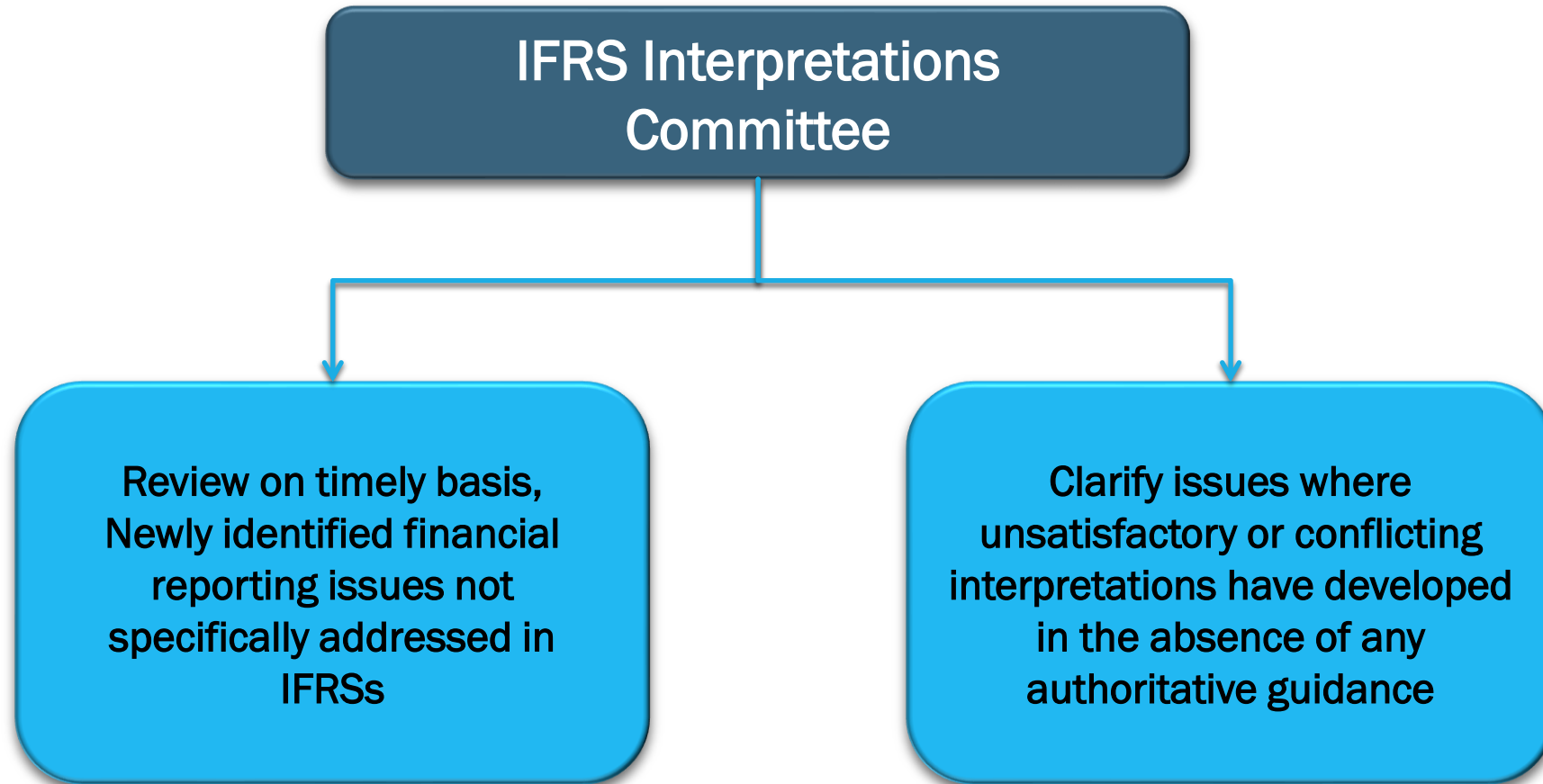
STAGES INVOLVED IN THE STANDARD SETTING PROCESS...



STAGES INVOLVED IN THE STANDARD SETTING PROCESS...



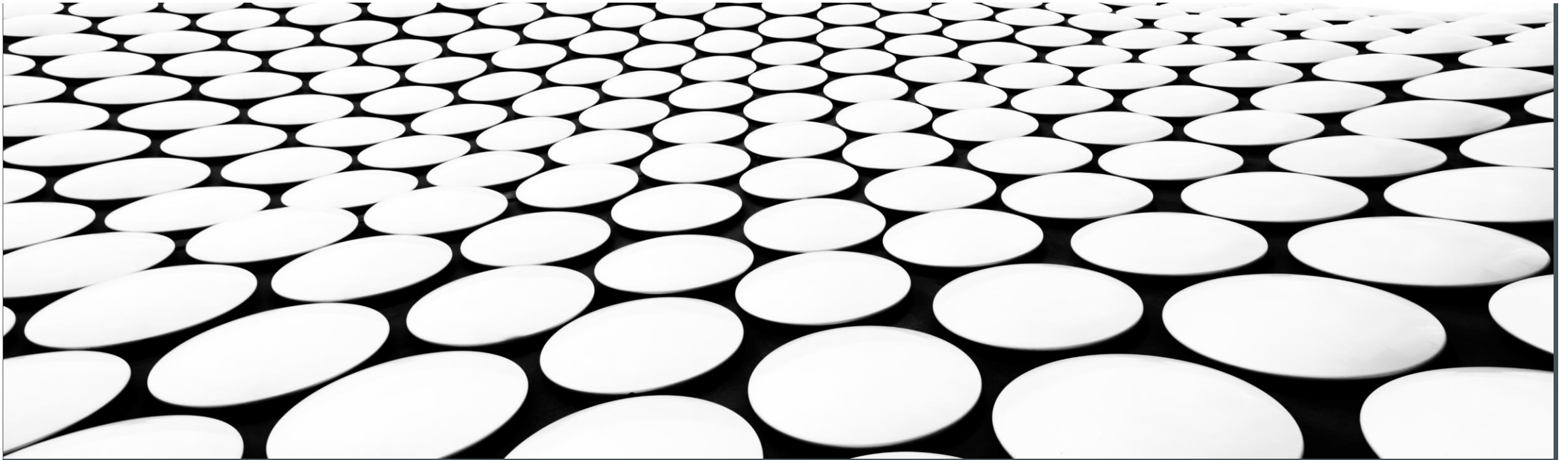
RESPONSIBILITIES OF IFRIC



INTERNATIONAL FINANCIAL REPORTING STANDARDS

STATEMENT OF CASH FLOWS – IAS 7

BY B D CHATTERJEE *FCA, ACMA, ACS, DIP (IFR) ACCA – UNITED KINGDOM*





INTERNATIONAL FINANCIAL REPORTING STANDARDS STATEMENT OF CASH FLOWS – IAS 7

STATEMENT OF CASH FLOWS

Cash flow information provides users of financial statements with a basis to assess the ability of the entity to generate cash and cash equivalents and the needs of the entity to utilise those cash flows.

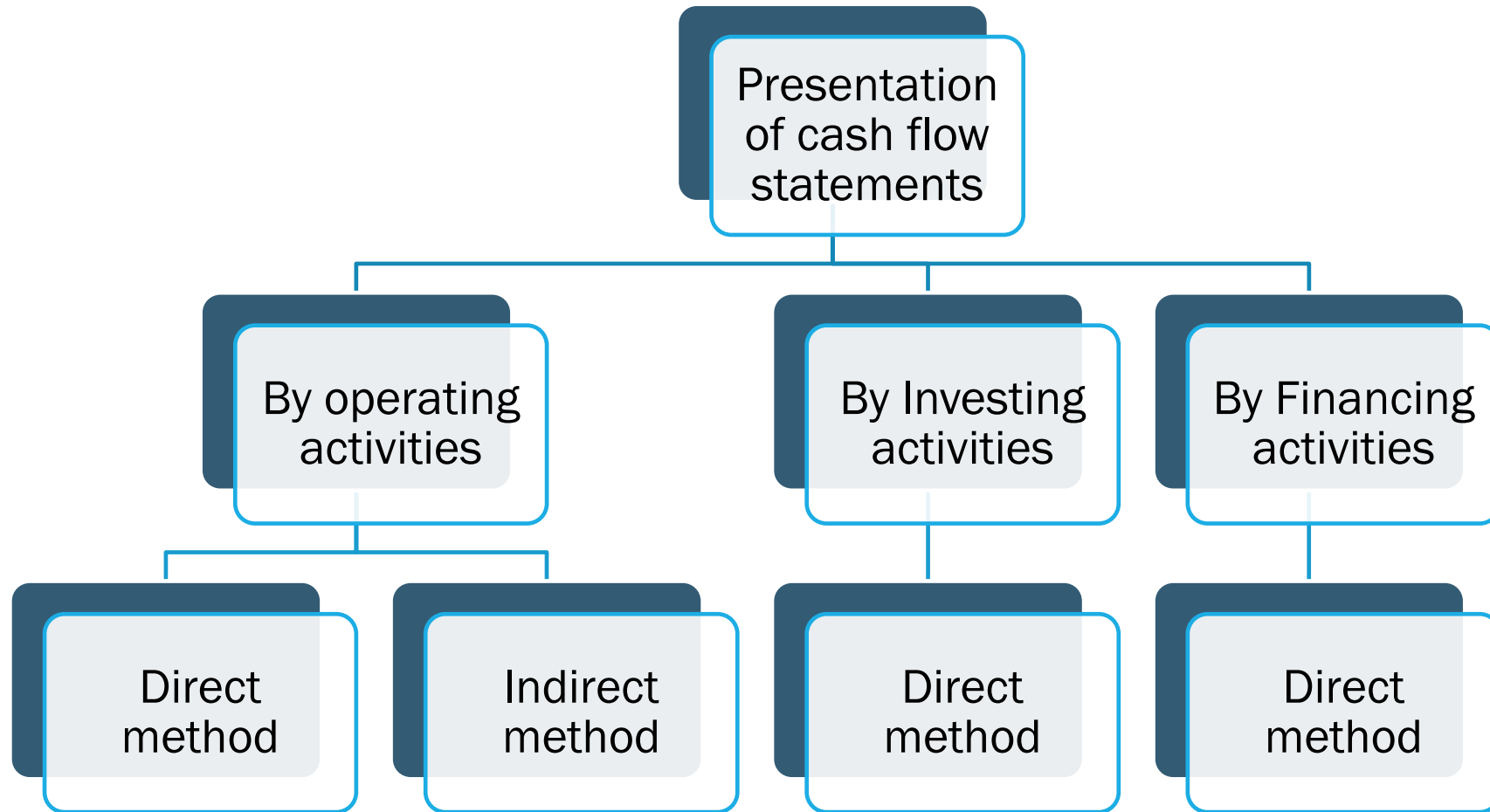
Ind AS 7 sets out requirements for the presentation and disclosure of cash flow information.

STATEMENT OF CASH FLOWS

Definitions

| | |
|-----------------------------|---|
| <i>Cash</i> | comprises cash on hand and demand deposits. |
| <i>Cash equivalents</i> | are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. |
| <i>Cash flow</i> | are inflows and outflows of cash and cash equivalents. |
| <i>Operating activities</i> | are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. |
| <i>Financing activities</i> | are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. |

STATEMENT OF CASH FLOWS – IND AS 7



STATEMENT OF CASH FLOWS

Direct Method

| Particulars | Rs'000 | Rs'000 |
|--|----------|--------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | X | |
| Cash paid to suppliers and employees | <u>X</u> | |
| Cash generated from operations | X | |
| Interest paid | X | |
| Income tax paid | X | |
| Net cash from operating activities | | X (A) |
| Cash flows from investing activities | | |
| Purchase of Property, Plant & Equipment | X | |
| Proceeds from sale of equipment | X | |
| Interest received | X | |
| Dividend received | X | |
| Net cash used in investing activities | | X (B) |
| Cash flows from financing activities | | |
| of Share capital | X | |
| Proceeds from///repayment of long-term borrowings | X | |
| Payment of finance lease liabilities | X | |
| Dividends paid | X | |
| Net cash used in financing activities | | X (C) |
| Net increase in cash and cash equivalents (A+B+C) | | X |
| Cash and cash equivalents at beginning of period | | X |
| Cash and cash equivalents at end of period | | X |

STATEMENT OF CASH FLOWS

Indirect Method

| Particulars | Rs'000 | Rs'000 |
|--|--------|--------------|
| Cash flows from operating activities | | |
| Profit before taxation | X | |
| Adjustments for | X | |
| Depreciation | X | |
| Loss on sale of current assets | X | |
| Investment income | X | |
| Interest expenses | X | |
| Decrease/(Increase) in trade and other receivables | X | |
| Decrease/(Increase) in inventories | X | |
| Increase/(decrease) in trade payables | X | |
| Cash generated from operations | X | |
| Interest paid | X | |
| Income tax paid | | |
| Net cash from operating activities | | X (A) |
| Cash flows from investing activities | | |
| Purchase of Property, Plant & Equipment | X | |
| Proceeds from sale of equipment | X | |
| Interest received | X | |
| Dividend received | X | |
| Net cash used in investing activities | | X (B) |
| Cash flows from financing activities | | |
| Proceeds from issue of Share capital | X | |
| Proceeds from///repayment of long term borrowings | X | |
| Payment of finance lease liabilities | X | |
| Dividends paid | x | |
| Net cash used in financing activities | | X (C) |
| Net increase in cash and cash equivalents (A+B+C) | | X |
| Cash and cash equivalents at beginning of period | | X |
| Cash and cash equivalents at end of period | | X |

NOTES TO ACCOUNTS

- Present information about the basis of preparation of financial statements and specific accounting policies used
- disclose any information required by Ind ASs not presented elsewhere in the financial statements and
- provide additional information that is relevant for the understanding of the financial statements not presented elsewhere in the financial statements

NOTES TO ACCOUNTS

- A Statement of compliance of IFRSs
- A summary of significant accounting policies applied
- The measurement bases used in preparing the financial statements
- The other accounting policies used that are relevant to an understanding of the financial statements
- Supporting information for each of the financial statements in the order in which it is presented
- Other disclosures would include
 - contingent liabilities and unrecognized contractual commitments
 - non-financial disclosures – e.g. financial risk management objectives and policies
 - disclosure of judgments
 - disclosure of key sources of estimation uncertainty



THANK YOU!