



51A Middle Street Newburyport MA 01950

Phone: 800-588-7039 Fax: 877-902-4284

[contact@bhfe.com](mailto:contact@bhfe.com)

[www.bhfe.com](http://www.bhfe.com)

## Course Information

---

**Course Title:** IFRS Guidebook 2015 #3604

**Number of continuing education credit hours recommended for this course:**

**CPA:** 20 (All states)

In accordance with the standards of the National Registry of CPE Sponsors, CPE credits have been granted based on a 50-minute hour.

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Accountancy: 14003

New York State Board of Accountancy: 002146

Ohio State Board of Accountancy: M0021

Texas State Board of Accountancy: 009349

**Program Delivery Method:** NASBA QAS Self-Study (interactive)

**Subject Codes/Field of Study:** Accounting

### Course Description:

Level: Overview

Prerequisites: None

Advance Preparation: None

### Course Content

The *IFRS Guidebook* discusses the key elements of International Financial Reporting Standards, as well as how to record and disclose accounting information.

### Course Materials

Publication/Revision date: 11/8/2014 (2015 ed.).

Course book: *IFRS Guidebook* by Steven M. Bragg, CPA.

Final exam (online): One-hundred questions (multiple-choice).

### **Instructions for taking this course**

In order to receive CPE credit for this course, you must complete the course within one year of the date of purchase. This includes achieving a passing grade of at least 70% on the final exam. The exam may be retaken if not passed on first attempt (no charge).

Complete the course by following the learning assignments and objectives listed below and studying the review questions at the end of each chapter. Once you have completed each learning assignment and you are confident that the learning objectives have been met, answer the final exam questions (online).

### **Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://www.bhfe.com).
- Go to "My Account" and view your courses.
- Select "Take Exam" for this course and follow instructions.

**Have a question? Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).**

## **Learning Assignment & Objectives**

---

- Cite the accounting principles upon which IFRS is based.
- Note the types of formats in which the balance sheet can be presented, and the circumstances under which different financial statement layouts are required.
- Identify the various sections and line items contained within the statement of cash flows.
- State the circumstances under which control is exercised over an investee.
- Note the circumstances under which financial statements are restated.
- Cite the indicators of hyperinflation, and when such an environment is no longer considered to exist.
- State the adjustments needed to derive basic earnings per share and diluted earnings per share.
- Identify the proper accounting for revenue in an interim period, and note how the integral view alters the accounting for interim periods.
- State the rules for determining whether a segment of a business is reportable.
- Note the rules for determining joint control of an entity.
- Identify the circumstances under which an entity is considered to be an associate.
- Note the factors under which a structured entity is created, and note how to deal with different end dates for the financial statements of subsidiaries.
- State the underlying accounting transactions for the periodic and perpetual inventory systems, as well as the derivation of the gross profit and retail methods.
- Recognize the calculation methods for accelerated depreciation.
- Identify the circumstances under which intangible assets can be accounted for separately.
- State the uses for investment property, as well as the accounting for it.
- Cite the circumstances under which impairment occurs, and the indicators of impairment.
- Recognize the situations when an asset can be designated as held for sale, and the accounting rules that apply to such an asset.
- Identify the types of events that can create a provision.
- Note the situations under which revenue should or should not be deferred, and the types of revenue-generating activities.
- Identify the types of post-employment benefit plans, and the accounting for the various types of benefit plans.
- State the impact of stock price volatility on stock options, and the types of features associated with stock options.

- Identify the basis of measurement for a deferred tax asset.
- Note the criteria used to discern the acquirer in a business combination, and the accounting for contingent consideration.
- State the classification criteria for a financial liability, a hedging instrument, and a financial asset derecognition.
- Note the circumstances under which the highest and best use concept is employed, and examples of the fair value hierarchy.
- Note the criteria used to identify a functional currency and a presentation currency.
- Cite the circumstances under which borrowing costs can be capitalized.
- State the accounting rules for recognizing an asset under a finance lease.
- Note the criteria for designating an entity as a related party.
- Classify events as being after the reporting period or as new events.
- State the intent behind the liability adequacy test and note the impairment rules for a reinsurance contract.
- Cite the accounting rules for biological assets.
- State how revenue, incentive payments, and direct costs are recognized under a construction contract.
- State the recognition criteria for a government grant.
- Note the recordation rules for exploration costs and the indicators for mineral asset impairment testing.
- Note the types of infrastructure facilities to which a service concession arrangement might apply, as well as the accounting for such an arrangement.
- Identify the relevant accounting for the hedge of a net investment in a foreign operation, as well as the liabilities associated with the Directive on Waste Electrical and Electronic Equipment.

## About the Author

---

**Steven Bragg, CPA**, has been the chief financial officer or controller of four companies, as well as a consulting manager at Ernst & Young. He received a master's degree in finance from Bentley College, an MBA from Babson College, and a Bachelor's degree in Economics from the University of Maine. He has been a two-time president of the Colorado Mountain Club, and is an avid alpine skier, mountain biker, and certified master diver. Mr. Bragg resides in Centennial, Colorado. He has written the following books:

Accountants' Guidebook	Financial Analysis
Accounting Controls Guidebook	Fixed Asset Accounting
Accounting for Inventory	GAAP Guidebook
Accounting for Investments	Human Resources Guidebook
Accounting for Managers	IFRS Guidebook
Accounting Procedures Guidebook	Inventory Management
Bookkeeping Guidebook	Investor Relations Guidebook
Budgeting	Lean Accounting Guidebook
Business Ratios	Mergers & Acquisitions
CFO Guidebook	New Controller Guidebook
Closing the Books	Nonprofit Accounting
Constraint Management	Payables Management
Corporate Cash Management	Payroll Management
Cost Accounting Fundamentals	Public Company Accounting
Cost Management Guidebook	Revenue Recognition
Credit & Collection Guidebook	

Copyright © 2014 by AccountingTools, Inc. All rights reserved.

Published by AccountingTools, Inc., Centennial, Colorado.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to Steven M. Bragg, 6727 E. Fremont Place, Centennial, CO 80112.

**Limit of Liability/Disclaimer of Warranty:** While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages.

ISBN-13: 978-1-938910-49-4

Printed in the United States of America

# Table of Contents

---

<b>Chapter 1 - Introduction .....</b>	<b>1</b>
What is IFRS? .....	1
The IFRS Conceptual Framework .....	2
How this Book is Organized .....	4
Accounting Principles .....	4
<b>Chapter 2 - Presentation of Financial Statements .....</b>	<b>8</b>
Overview of the Financial Statements .....	8
The Statement of Financial Position .....	9
The Standard Balance Sheet Format .....	12
The Common Size Balance Sheet .....	12
How to Construct a Balance Sheet .....	13
Overview of the Statement of Profit or Loss .....	15
Presentation by Nature or Function .....	16
The Single-Step Income Statement .....	19
The Multi-Step Income Statement .....	20
The Contribution Margin Income Statement .....	20
The Multi-Period Income Statement .....	22
How to Construct the Income Statement .....	22
Overview of the Statement of Changes in Equity .....	24
Income Statement Disclosures .....	25
<b>Chapter 3 - Statement of Cash Flows .....</b>	<b>29</b>
Overview of the Statement of Cash Flows .....	29
The Direct Method .....	31
The Indirect Method .....	32
How to Prepare the Statement of Cash Flows .....	34
Disclosures for the Statement of Cash Flows .....	36
<b>Chapter 4 - Consolidated and Separate Financial Statements .....</b>	<b>39</b>
The Control Concept .....	39
Consolidation Accounting .....	42
Separate Financial Statements .....	43
<b>Chapter 5 - Accounting Policies, Estimate Changes and Errors .....</b>	<b>46</b>
Accounting Policies .....	46
Changes in Accounting Estimates .....	47
Errors .....	48
Impracticability of Application .....	48
Disclosures for Policies, Estimate Changes, and Errors .....	49
Accounting Policies .....	49
Changes in Accounting Estimates .....	49
Errors .....	50

<b>Chapter 6 - Financial Reporting in Hyperinflationary Economies.....</b>	<b>52</b>
Overview of Hyperinflationary Reporting .....	52
Net Monetary Position.....	54
Comparative Information .....	55
Initial Restatement.....	55
Consolidation Issues.....	55
Termination of Hyperinflationary Period .....	56
Historical Presentation .....	56
Hyperinflationary Reporting Disclosures .....	56
<b>Chapter 7 - Earnings per Share .....</b>	<b>58</b>
Basic Earnings per Share.....	58
Diluted Earnings per Share .....	59
Disclosure of Earnings per Share.....	63
<b>Chapter 8 - Interim Financial Reporting .....</b>	<b>66</b>
Overview of Interim Financial Reporting .....	66
Content of an Interim Financial Report.....	66
Reduced Information Requirements.....	67
General Interim Reporting Rule.....	68
Goodwill Impairment Losses .....	69
Interim Period Restatements .....	69
The Integral View .....	70
<b>Chapter 9 - Operating Segments .....</b>	<b>73</b>
Overview of Segment Reporting .....	73
Segment Disclosure.....	75
Segment Disclosure.....	75
Revenue Disclosure .....	77
Geographic Area Disclosure .....	77
<b>Chapter 10 - Joint Arrangements .....</b>	<b>80</b>
Overview of Joint Arrangements.....	80
Financial Statement Presentation of Joint Arrangements .....	83
<b>Chapter 11 - Investments in Associates and Joint Ventures .....</b>	<b>86</b>
Investments in Associates and Joint Ventures .....	86
Significant Influence.....	86
The Equity Method .....	87
Members' Shares in Cooperative Entities .....	90
Disclosures.....	90
<b>Chapter 12 - Disclosure of Interests in Other Entities .....</b>	<b>93</b>
Overview of Interests in Other Entities.....	93
Interests in Subsidiaries.....	94
Interests in Joint Arrangements and Associates.....	94
Interests in Unconsolidated Structured Entities .....	95

<b>Chapter 13 - Inventories</b> .....	<b>98</b>
Overview of Inventory .....	98
The Periodic Inventory System.....	100
The Perpetual Inventory System .....	101
Inventory Costing.....	101
The First In, First Out Method .....	102
The Last In, First Out Method .....	103
The Weighted Average Method.....	103
Standard Costing .....	104
The Retail Inventory Method.....	105
The Gross Profit Method.....	106
Overhead Allocation.....	107
Net Realizable Value .....	109
Accounting for Obsolete Inventory.....	110
Work in Process Accounting.....	111
Inventory Measurement by Commodity Broker-Traders.....	112
Inventory Disclosures .....	112
<b>Chapter 14 - Property, Plant, and Equipment</b> .....	<b>114</b>
Recognition of Property, Plant and Equipment.....	114
Subsequent Fixed Asset Recognition .....	116
The Cost Model .....	116
The Revaluation Model.....	116
Depreciation .....	118
Straight-Line Method .....	120
Sum-of-the-Years' Digits Method.....	120
Double-Declining Balance Method.....	121
Depletion Method .....	122
Units of Production Method.....	124
Land Depreciation .....	124
Land Improvement Depreciation .....	125
Depreciation Accounting Entries.....	125
Derecognition of Property, Plant and Equipment.....	126
Compensation for Impaired Assets .....	127
Transfers of Assets from Customers .....	128
Decommissioning Liabilities .....	128
Decommissioning Funds.....	128
Property, Plant and Equipment Disclosures .....	129
<b>Chapter 15 - Intangible Assets</b> .....	<b>132</b>
Overview of Intangible Assets.....	132
Accounting for Intangible Assets .....	133
Intangible Assets Acquired in a Business Combination.....	134
Internally Developed Intangible Assets .....	135
Other Forms of Intangible Asset Acquisition.....	136
Subsequent Intangible Asset Recognition .....	136
The Cost Model.....	136
The Revaluation Model.....	137
Intangible Asset Derecognition.....	138
Web Site Costs .....	138

Additional Intangible Asset Issues .....	139
Intangible Asset Disclosures .....	141
<b>Chapter 16 - Investment Property .....</b>	<b>144</b>
Overview of Investment Property .....	144
Accounting for Investment Property.....	145
Investment Property Transfers.....	147
Investment Property Disposals.....	148
Investment Property Disclosures – Fair Value Model .....	148
Investment Property Disclosures –Cost Model.....	149
<b>Chapter 17 - Impairment of Assets .....</b>	<b>151</b>
Overview of Asset Impairment .....	151
Indications of Impairment .....	151
Timing of the Impairment Test.....	152
Recoverable Amount.....	153
The Impairment Test .....	155
The Cash-Generating Unit .....	155
Asset Impairment Reversals .....	157
Other Impairment Topics .....	160
Corporate Assets.....	160
Goodwill Allocation to Cash-Generating Units.....	160
Impairment Testing Efficiencies.....	161
Asset Impairment Disclosures.....	161
<b>Chapter 18 - Assets Held for Sale and Discontinued Operations.....</b>	<b>165</b>
Accounting for Non-Current Assets Held for Sale .....	165
Disclosure of Non-Current Assets Held for Sale .....	168
Disclosure of Discontinued Operations .....	168
<b>Chapter 19 - Provisions, Contingent Liabilities and Contingent Assets....</b>	<b>172</b>
Overview of Provisions.....	172
Accounting for Provisions .....	174
The Provision for Restructuring .....	175
Accounting for Contingent Liabilities .....	176
Accounting for Contingent Assets .....	176
Accounting for Reimbursements .....	177
Accounting for Levies.....	177
Disclosure of Provisions and Contingent Items .....	178
<b>Chapter 20 - Revenue .....</b>	<b>181</b>
Overview of Revenue .....	181
The Sale of Goods .....	182
The Sale of Services .....	183
Interest, Royalties, and Dividends .....	183
The Agency Relationship .....	184
Gross and Net Revenue.....	184
Swaps .....	184
Multiple Element Arrangements .....	185



Customer Loyalty Programs.....	185
Barter Transactions Involving Advertising.....	185
Additional Recognition Situations .....	186
Revenue Disclosures.....	187
<b>Chapter 21 - Employee Benefits and Retirement Plans .....</b>	<b>189</b>
Short-term Employee Benefits .....	189
Post-Employment Benefits.....	191
Defined Contribution Plans .....	192
Defined Benefit Plans.....	192
Projected Unit Credit Method .....	193
Attribution of Benefits to Periods of Service .....	194
Actuarial Assumptions .....	195
Past Service Cost .....	196
Gains and Losses on Settlement .....	197
Measurement of Plan Assets .....	197
Defined Benefit Costs .....	197
Termination Benefits.....	197
Defined Contribution Plan Disclosures .....	198
Defined Benefit Plan Disclosures .....	198
Defined Benefit Plan Financial Statements .....	200
<b>Chapter 22 - Share-based Payment.....</b>	<b>203</b>
Overview of Share-based Payments.....	203
Share-based Payments Settled with Equity.....	203
Share-based Payments Settled with Cash.....	208
Share-based Payments with Cash Alternatives .....	209
Counterparty Has Choice of Settlement.....	209
Issuer Has Choice of Settlement .....	209
Share-based Payment Disclosures .....	210
<b>Chapter 23 - Income Taxes .....</b>	<b>213</b>
The Tax Base Concept .....	213
Current Tax Liabilities and Assets.....	214
Deferred Tax Liabilities and Assets .....	214
Taxable Temporary Differences.....	214
Deductible Temporary Differences.....	216
Unused Tax Losses and Tax Credits.....	217
Reassessment of Unrecognized Deferred Tax Assets.....	218
Investments in Other Entities .....	218
Tax Rates.....	218
Current and Deferred Tax Recognition .....	219
Changes in Tax Status .....	220
Income Tax Presentation.....	220
Income Tax Disclosures .....	221
<b>Chapter 24 - Business Combinations.....</b>	<b>224</b>
The Acquisition Method .....	224
Identification of a Business Combination .....	224
Identify the Acquirer.....	225

Determine the Acquisition Date.....	225
Recognize Assets, Liabilities, and Non-controlling Interests .....	225
Recognize Goodwill or a Bargain Purchase Gain .....	227
Additional Acquisition Issues.....	229
Reverse Acquisitions.....	229
Subsequent Measurement .....	231
Business Combination Disclosures .....	231
<b>Chapter 25 - Financial Instruments.....</b>	<b>237</b>
Measurement of Financial Assets and Liabilities.....	237
Initial Measurement.....	237
Subsequent Measurement .....	239
Reclassification .....	241
Embedded Derivatives .....	241
Gains and Losses .....	241
Dividends and Interest.....	242
Hedging .....	242
Hedging Instruments.....	242
Hedged Items.....	243
Accounting for Hedges.....	243
Financial Asset and Liability Derecognition.....	246
Financial Asset Derecognition .....	246
Financial Liability Derecognition .....	248
Servicing Assets and Liabilities.....	248
Valuation of Replacement Financial Asset .....	248
Collateral .....	249
Financial Instrument Presentation .....	249
Financial Instrument Disclosures .....	249
<b>Chapter 26 - Fair Value Measurement .....</b>	<b>257</b>
Overview of Fair Value .....	257
General Concepts.....	257
Measurement Issues.....	258
Initial Recognition .....	258
Measurement of Non-Financial Assets .....	258
Measurement of Liabilities and Equity .....	259
Measurement of a Group of Financial Assets and Liabilities.....	260
Valuation Methods.....	260
Fair Value Disclosures .....	262
<b>Chapter 27 - Effects of Changes in Foreign Exchange Rates.....</b>	<b>265</b>
Foreign Exchange Transactions .....	265
Financial Statement Translation .....	266
Determination of Functional Currency .....	266
Translation of Financial Statements .....	267
Hyperinflationary Effects .....	270
Derecognition of a Foreign Entity Investment .....	270
Foreign Currency Disclosures .....	270
<b>Chapter 28 - Borrowing Costs .....</b>	<b>273</b>
Overview of Borrowing Costs .....	273
Borrowing Cost Disclosures .....	277

<b>Chapter 29 - Leases .....</b>	<b>279</b>
Types of Leases .....	279
Lease Accounting by the Lessee .....	280
Finance Leases .....	280
Operating Leases .....	282
Lease Accounting by the Lessor .....	282
Financing Leases.....	282
Operating Leases .....	283
Sale and Leaseback Transactions .....	283
Determining whether an Arrangement Contains a Lease.....	284
Evaluating the Substance of Lease Transactions.....	284
Operating Lease Incentives .....	285
Lease Disclosures by the Lessee.....	286
Lease Disclosures by the Lessor .....	286
Other Disclosures .....	287
<b>Chapter 30 - Related Party Disclosures .....</b>	<b>289</b>
Overview of Related Parties.....	289
Related Party Disclosures .....	289
<b>Chapter 31 - Events after the Reporting Period.....</b>	<b>292</b>
Overview of Events after the Reporting Period .....	292
The Going Concern Issue .....	293
Disclosure of Events after the Reporting Period .....	293
<b>Chapter 32 - Insurance Contracts .....</b>	<b>296</b>
Overview of Insurance Contracts.....	296
Reporting Issues .....	297
Liability Adequacy Test .....	297
Reinsurance Impairment .....	298
Accounting Policy Changes .....	298
Acquired Contracts.....	299
Discretionary Participation Features.....	299
Disclosure of Insurance Contracts .....	299
<b>Chapter 33 - Agriculture .....</b>	<b>302</b>
Accounting for Agriculture .....	302
Agriculture Disclosures.....	303
<b>Chapter 34 - Construction Contracts .....</b>	<b>306</b>
Accounting for Construction Contracts .....	306
Contract Revenue.....	307
Contract Costs .....	308
Revenue and Cost Recognition.....	309
Loss Recognition .....	310
Agreements for the Construction of Real Estate .....	311
Construction Contract Disclosures .....	311

<b>Chapter 35 - Government Grants .....</b>	<b>314</b>
Accounting for Government Grants .....	314
Government Grant Presentation .....	316
Government Grant Disclosures .....	316
<b>Chapter 36 - Mineral Resources .....</b>	<b>319</b>
Accounting for Mineral Resources .....	319
Accounting for Stripping Costs .....	320
Mineral Resources Presentation .....	321
Mineral Resources Disclosures .....	321
<b>Chapter 37 - Service Concessions .....</b>	<b>323</b>
Overview of Service Concessions .....	323
Service Concession Disclosures .....	324
<b>Chapter 38 - Other Topics .....</b>	<b>327</b>
Liabilities from Waste Electrical and Electronic Equipment .....	327
Hedges of a Net Investment in a Foreign Operation .....	328
Distributions of Non-cash Assets to Owners .....	329
Extinguishing Financial Liabilities with Equity Instruments .....	329
<b>Answers to Chapter Questions .....</b>	<b>332</b>
<b>Glossary .....</b>	<b>352</b>
<b>Index .....</b>	<b>360</b>

# Preface

---

The accounting by businesses throughout the world is largely governed by International Financial Reporting Standards (IFRS). The source documents for IFRS cover several thousand pages, so their heft alone makes them difficult to research. The *IFRS Guidebook* lightens the research chore by presenting the essential elements of IFRS in a single volume, with an emphasis on key accounting requirements and disclosures. These essential elements are closely supported by several hundred examples and tips.

Following an introduction to IFRS in Chapter 1, the *Guidebook* covers in Chapters 2 through 9 all aspects of the presentation of financial statements, including accounting changes and error corrections, earnings per share, interim reporting, and operating segments. We then move on to the accounting for assets, liabilities, and equity in Chapters 10 through 19, which encompasses investments in other entities, inventories, fixed assets, asset impairment, assets held for sale, provisions, and contingent liabilities. Chapters 20 through 23 address a number of income statement topics – revenue recognition, employee benefits, share-based payments, income taxes, and more. Chapters 24 through 32 delve into a number of major transaction types, including business combinations, fair value measurements, foreign currency, leases, subsequent events, and insurance contracts. Finally, Chapters 33 through 38 describe industry-specific accounting for agriculture, construction, mineral resources, and more.

You can find the answers to many accounting questions in the *Guidebook* that might otherwise require extensive research in the original IFRS source documents, such as:

- What is the proper presentation of a balance sheet?
- What does an indirect method statement of cash flows look like?
- How do I calculate diluted earnings per share?
- What information must be included in interim financial statements?
- How do I use the equity method to account for investments?
- How do I use a cost layering system to account for inventory?
- What is the process for testing intangible assets for impairment?
- How do I account for fixed assets acquired in a business combination?
- When can I recognize revenue?
- How do I account for a defined benefit pension plan?
- How do I account for a business combination?

The *IFRS Guidebook* is designed for both professionals and students. Professionals can use it as a handy reference tool that reduces research time, while students will find that it clarifies many of the more arcane accounting topics. Given its ability to present summarized IFRS information, the *IFRS Guidebook* may earn a permanent place on your book shelf.

Centennial, Colorado  
November 2014