	Parts:		When will be tested?
part 1	Basics of accounting		
		fin vs mgmt accounting	midterm test
		ac cycle	midterm test
		ac documents	midterm test
		double entry	midterm test
		accruals	midterm test
part 2	Conceptual framework		
		role of framework	midterm test
		role of IFRS	midterm test
		fin statements	midterm test
		ac policies, estimates, errors	midterm test
part 3	Assets		
		PPE	midterm test (will be confirm
		Intangible assets	final exam
		Right-to-use asset (lease)	final exam
		Current assets	final exam
part 4	FI		final exam
part 5	Liabilities		
		Provisions	final exam
part 5	Equity		final exam
part 6	Deferred tax		final exam
part 6	FX		final exam

Note: topics for midterm test will be also included into final exam

No. of lecture class	MU week
lecture 1	
	wk1
	wk1
	wk1
	wk1
	wk1
lecture 2, lecture 3	
	wk2
	wk2
	wk2, wk3
	wk3
lecture 4, lecture 5	
ıed later)	wk5
	wk5
	wk6
	wk6
lecture 6, lecture 7	
	wk7
lecture 7	
	wk8
lecture 7, lecture 8	wk9
lecture 8	wk9

Total split of points:

Task	Points
presentation of	20
midterm test	20
final exam	60
total	100
extra points	10
max grade	100 points

Comments:
number of examples required will be confirmed. Topic can be chosen by student BUT must be relevant
will be on Nov 4, 2020. Duration ot test will be confirmed later
will be in January 2021. Date and duration will be confirmed later.

for presentation of additional examples

(A)

to the course. Presentations need to have paper backup (i.e. written version) and will be held at the last

: seminar.

Part I. Basics of accounting

1 fin vs management accounting

Comparison between financial and management accounting Chapte

	Financial Accounting	Management Accounting
Purpose	Record historic transactions	• assist in controlling the busin operations • planning how the business wi develop • making decisions between alternatives
Audience	External parties – particularly shareholders, lenders and regulators	Internal management and owner the organisation
Legal requirements	• prepare financial statements (in accordance with legal requirements) • prepare accounts for tax authorities	• No legal requirement to prep • No set format for presentatio

Comparison between financial and management accounting (cont.) Chapte

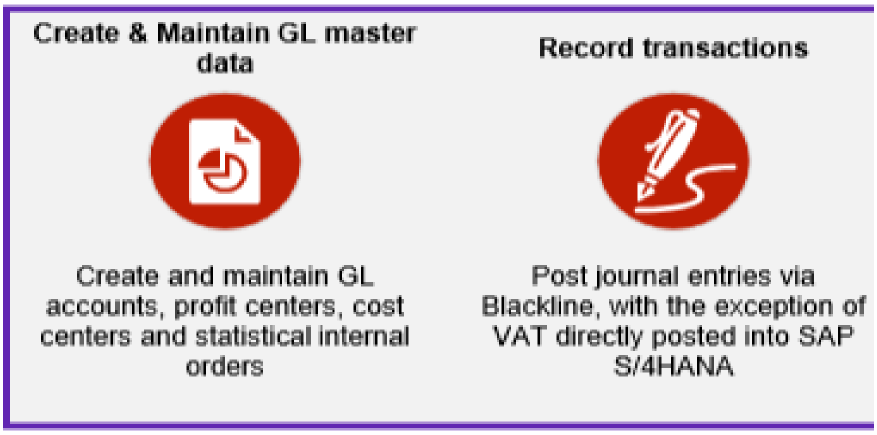
	Financial Accounting	Management Accounting
Format	Must conform to accounting and legal requirements	Presented in such a format as to b easily understood by managers
Perspective	Historic performance (i.e. backwards looking only)	Both future perspective (for planning and decision-making) an historic perspective (for control)
Nature of Information	Almost entirely financial	Both financial and non-financial
Frequency of Preparation	Usually once a year	As often as necessary – daily, weekly preparation or monthly, depending upon the needs of managers.

2 accounting cycle and double entry book keeping

- preparation of fin statements
    - transactions recorded in subledger accounts (e.g.
    - subledger accounts are balanced and closed off in
    - trial balance extracted from GL accounts
    - year-end adjustments made and GL accounts clos
    - trial balance used to prepare financial statements
- books of primary entry (records in subledgers) - are used to update GL ac
    - sales day book
    - purchases day book
    - cash book (cash receipts, cash paymens, petty cas
    - journals
- control accounts (records in general ledger) - are used to prepare trial ba
    - reconciliation (rec)
        - recs - means of checking
        - how to prepare a rec:

suspense accounts (incomplete records)

end-to-end period close includes:



3 accounting documents

Quotation	A written offer to provide goods or services at a particular price. No transaction has taken place yet and therefore nothing is recorded in the accounts.
Sales order	An order note for goods required by a customer.
Purchase order	An order note for goods required from a supplier
Goods received note	A list of goods received from a supplier. Prepared by the recipient business.
Goods despatched note	A list of goods sent to a customer. Prepared by the seller.
Invoice	A demand for payment sent to a customer.
Statement	A document sent to a customer listing all transactions between the business and that customer.
Credit note	A note sent to a customer who returns goods or overpays This reduces the amount owed by that customer.
Debit note	A note sent to a supplier to whom goods have been returned. It is in effect a request for them to issue a credit note.
Remittance advice	A document sent to a supplier alongside any payment sent to them. It details which invoices are being paid.
Receipt	A note to confirm that payment has been received.

Book of prime entry	Transaction type
Sales day book (SDB)	Credit sales
Purchases day book (PDB)	Credit purchases
Sales returns day book (SRDB)	Returns of goods sold on credit
Purchases returns day book (PRDB)	Returns of goods purchased on credit

5 accruals and prepayments

arises when moment of impact on P/L and mome

Cash flow now	Cash flow later

Income statement now		Accrual
Income statement late	Prepayment	

Accrued expense

Db

Cr

Accrued income

Db

Cr

Prepaid expense

Db

Cr

Prepaid income (aka deferred income)

Db

Cr

er 1
ess
ill
's of
)are
on

er 1
be
d

customer accounts, vendor accounts)
ito control/general ledger (GL) accounts (e.g. debtor account, creditor account etc.)

ed off

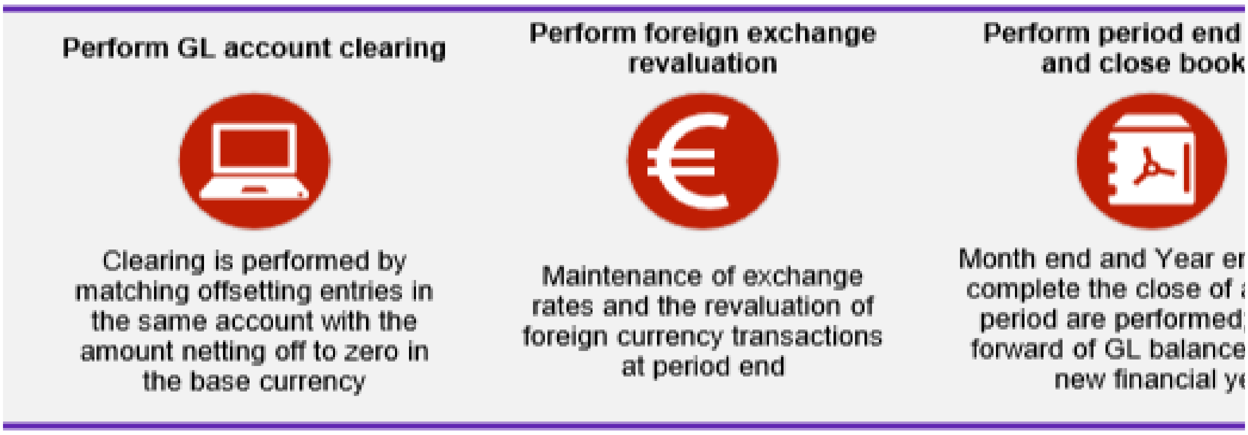
ccounts

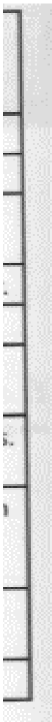
;h)

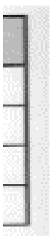
ılance

that balancee on the control (GL) account agrees with balance on the ledger account

take breakdowns at transaction level of all records from related subledger accounts
compare total amount from breakdown and GL cummulative balance
if two total amount do not reconcile, investigate the variance

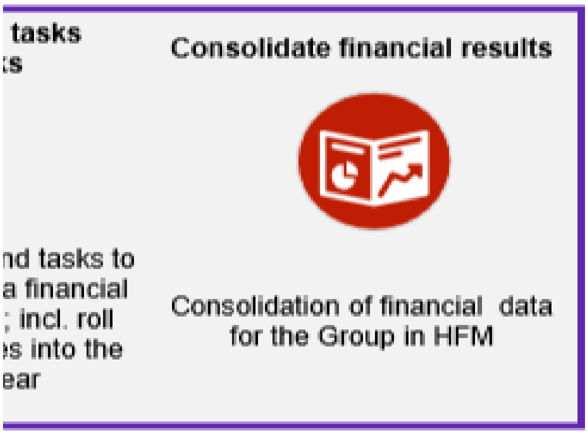






nt of actual cas are not the same:

	release		
Expense (P/L)		Db	Accued expense (B/S)
Accued expense (B/S)		Cr	Invoice received or credit note issu
Accued income (B/S)		Db	Invoice issued or debit note issued
Income (P/L)		Cr	Accued income (B/S)
Prepaid expense (B/S)		Db	Expense (P/L)
Expense (P/L)		Cr	Prepaid expense (B/S)
Income (P/L)		Db	Deferred income (B/S)
Deferred income (B/S)		Cr	Income (P/L)


tasks
ks
Consolidate financial results
nd tasks to
a financial
; incl. roll
es into the
ear
Consolidation of financial data
for the Group in HFM

ued to customer (payable) (B/S)

l to vendor (receivable) (B/S)

0 impact on P/L when actual expe

release of amounts from B/S into I

Correction of errors and suspense accounts:

Error type
1 Omission – a transaction is not recorded at all
2 Error of commission – an item is entered to the correct side of the wrong accou (there is a debit and a credit here, so the records balance)
3 Error of principle – an item is posted to the correct side of the wrong type of acc as when cash paid for plant repairs (expense) is debited to plant account (asset) (errors of principle are really a special case of errors of commission, and once agai there is a debit and a credit)
4 Error of original entry – an incorrect figure is entered in the records and then pc to the correct account Example: Cash $1,000 for plant repairs is entered as $100; plant repairs account is debited with $100
5 Reversal of entries – the amount is correct, the accounts used are correct, but tl account that should have been debited is credited and vice versa Example: Factory employees are used for plant maintenance: Correct entry: Debit: Plant maintenance Credit: Factory wages Easily done the wrong way round
6 Addition errors – figures are incorrectly added in a ledger account
7 Posting error a. an entry made in one record is not posted at all b. an entry in one record is incorrectly posted to another

Examples: cash $10,000 entered in the cash book for the purchase of a car is:

a. not posted at all

b. posted to Motor cars account as $1,000

8 Trial balance errors – a balance is omitted, or incorrectly extracted, in preparing t
trial balance

9 Compensating errors – two equal and opposite errors leave the trial balance balancing (this type of error is rare, and can be because a deliberate second error h been made to force the balancing of the records or to conceal a fraud). Yes, to corre each of the errors as discovered

		Expense				
	accrued		prepaid			
profit redu	currentliability		profit incre	current asset		profit incre

nse/income is received

P/L

	Suspense account involved?
	No
nt	No
count, n	No
osted	No
he	No
	Yes
	Yes

the	Yes
has ect	Yes, to correct each of the errors as discovered

Income		
accrued	prepaid	
current asset	profit redu	currentliability

1 Conceptual framework (evidence from IFRS)

Role of Conceptual framework

Conceptual framework can be seen as frame for evaluation of existi

Past history of standard setting bodies thoughout the world indicat

such standards were often not consistent with each othe

such standards were intenrally not consistent and often

standards were produced on 'fire fighting' basis, often re

the same theoretical issues were revised many times in s

Lack of conceptual framework resulted in creation of rules-based sy

Aims of conceptual framework are:

being a basis for evaluation of existing accounting practices and dev

promotion of harmonization of accounting standards by reducing th

assist acountants in dealing with accounting transactions for which t

2 IFRS

IFRS - can be seen as common language for financial reporting which first was c

Advantages of adoption of IFRS

IFRS are widely accepted as a set of high-quality and transparent glo

They were produced in cooperation with other internationally renov

Companies using IFRS have an enhanced status and reputation

International Organization for Securities Commissions (IOSCO) recog

Companies that own foreign subsidiaries will find it easier to consoli

Companies that use IFRS will find their results are more easily comp

Note! Accounting standards alone cannot provide regulatory framework, partic

IFRS themselves

local company law and local tax law

local securities exchange regulations

EU directives

local GAAP

Structure of IFRS

IFRS Foundation

IFRS Advisory Council

International Accounting Standards Board (IASB)

IFRS Interpretations Committee (IFRIC)

Standard setting process

setting the agenda - IASB will add projects to its agenda on requests

project planning - working party is established

development and publication of discussion paper (DP) - it is not mar

development and publication of exposure draft (ED) - it is mandator

development and publication of IFRS - when al issues from ED are re

procedures after IFRS is issued - IASB monitors the application of ne

3 Fin statements

information presented in fin statements - quality characteristics

Information presented in FS should be **useful**

it should be able to influence economic decision of users

it should be faithful - complete, neutral, free from error

Usefulness of information presented in FS is enhanced by if such inf

comparable
verifiable
provided on timely basis
and in compehesive way
principles/assumptions for preparation of fin statements
going concern - company will continue its business activity in the for
accrual/matching - expenses and incomes should be recorded in PL
consistency - methodology for preparation of fin statements cannot
materiality - correct level of aggregation of transactions and items sl
substance over form - items recorded in fin statament should be re
where assets are 'sold' at prices that are greater or less t
when an asset is leased and used by lessee despite the fa
in consolidations despite the fact that the parent owns o
in case of consignment inventory if risks and rewards of t
a sale and repurchase of maturing goods - where the inv
prudence - expenses recorded in fin statements shuld not be undere
elements of fin statements
asset - resource controlled by the entity as a result of past event anc
liability - present obligation arising from past events and settlement
equity - residual interest in assets after deducting from them liabiliti
income - increases in economic benefits in form of enhancements o
expense - decreases in economic benefits in form of decreases of as
reporting of elements of fin statements
recognition criteria for elements - an item can be recognized as elen
meets the definition of particular element
it is probable that any future economic benefits (aka pot
item's cost or value can be measured reliably
recognition of such items (i.e. assets or liabilities) provid
that is relevant - If the probability of the even
that results in benefits exceeding the cost of
measurement basis for elements (i.e. amounts at which elements ar
according to methodology how to calculate and econom
at cost (historical evaluation) - all input info is
current cost - what the asset cost
at value (current evaluation) - not all input in
fair value (aka market value) - it is
info input of level 1 - q
info input of level 2 - o
info input of level 3 - u
value in use (or fulfilment value fo
current cost - it is replacement co
according to application
carrying amount (book value) - amount at wh
recoverable amount (reference amount) - am
revalued amount (new book value) - amount
types of statements
statement of financial position (balance sheet)

- current/non-current distinction
    - it will be realized/settled within 12 months of
    - it is held for the purpose of trading or
    - it is part of entity's normal operating cycle

statement of P/L and other comprehensive income (income stateme

- continuing operations - running business activities
- discontinued operations - closed business activities
- other comprehensive income may include
    - movements in revaluation surplus
    - gains and losses on equity instruments classif
    - FX differences
- exceptional items
    - certain material income or expense items, kn
    - smaller exceptional items are not disclosed in

statement of change in equity

- reflects changes in components of company's equity due
    - net incomes (profits) or net expenses (losses)
    - direct contribution or distributions of equity c
    - reclasses (transfers) between different compo

statement of cash flow

- it highlights the key areas where a business has generate
- Good cash management ensures a business has sufficien
- Advantages of cash flow statement
    - cash flow balances are a matter of fact and ar
    - cash flow balances are objective, unlike profit
    - users of fin statements can establish how bus
    - users can identify exactly how cash has been
    - users can assess the ability of business to gen
- Operating cash flow
    - Methods for calculating operating cash flow
        - direct - information is extracted fr
            - Cash sales
            - Cash received from cre
            - Cash purchases
            - Cash paid to credit sup
            - Cash expenses (e.g. tel
            - cash wages and salarie
        - indirect - information is extracted
            - Profit before tax
            - Adjustment for non-ca
                - depreciatio
                - loss/(profit
                - finance cos
                - (investmen
            - (Increase)/decrease in
            - (Increase)/decrease in
            - Increase/(decerase) in

Investment cash flow
(Purchase of non-current assets)
Proceeds from sale of non-curren
Interest received
Dividends received (if in cash)
Financing cash flow
Funds raised - through issue of fir
Borrowings received
(Borrowings repaid)
(Redemption of issued financial in
(finance costs)
Dividends paid (if in cash)
consolidated financial instruments
basic terms
parent - a company that has a controlling inte
subsidiary - a company that belongs to anoth
control
what is control?
one company has pow
it can be achieved siml
it is irrelevant wether a
non-controlling interest (NCI) - a minority inte
associate - a company in which another comp
significant influence - when a company holds
consolidation adjustments
general rules:
the legal form here is two separat
fin statements of parent and subs
all group companies should have t
there is a single entity concept: all
theer are some exceptions from c
a parent shouldn't pre
parent's securities are
consolidated statement of financial position
steps in consolidation
cost of investment into
if differenc
if differenc
Note! Inher
if parent is not purchas
assets and liabilities of
share capital presente
retained earnings are p
proforma

non-curren

current ass

total assets
equity

non-curren
current liab
total equity and liabilit

Notes:
Elimination of intra-gr
group acco

Provision for unrealize
companies
If there is ir
Cost of investment
ways how t

if share exc

consolidated income statement
steps in consolidation
group income = parent
group expenses = pare
dividend income from
profit attributable to N
goodwill recognized as
if full good
if proportic
proforma
Notes:
Mid-year a

Elimination

Accounting

product		till revenue
product		direct COS
		transaction
product	non-direct	supplier rel
product	non-direct	product W
product	non-direct	product ret
		product ma
non-product		services sol
non-product		direct COS
non-product		bad debt e
non-product		credit card
other		marketing
other		distributior
		Gross marg
other		property co
other		payroll cost
other		overheads
		Operating
		Finance co
		Profit befo
		Income tax
		Profit after
		Discontinu
		Profit for t

events after the reporting period (i.e. after year-end)

an event after the reporting period is the event that occu

types of events and their impact on fin statements

adjusting events - provide additional evidenc non-adjusting events - conditions that did no

ng accounting practices and development of new ones. It forms theoretical basis for determining how t
es that absence of conceptual framework results in production of accounting standards that have seric
:r particularly in questions of prudence vs accruals basis
prioritized effect of transaction on P/L in compariosn with effect on BS
:acting on corporate scandals rather than being proactive in determining best pracice
:uccessive standards (e.g. R&D expenses)
stem of accounting according to which treatment of all accounting transactions shuld be delt with by d

elopment of new ones
:e number of permitted alternative accounting treatments
there is not (yet) an accounting standard

reated for EU-member states, but soon received wide-world adoption.

bal standards intented to achieve consistency and comparability across the globe
vned standard setters with aim of achiving consensus and global convergence

;nizes IFRS for listing purposes. This makes it easier and cheaper to raise finance in international marke
date fin statements of all members of tho group if all subsidiaries use IFRS.
ared with those of other companies that use IFRS.
ulary since in many countries they (IFRS) do not have legal standing. Thus regulatory framework of jure

FASB

of IASB staff members and practicing accountants

ndatory step, but it is oftenly used, especially in case if project addresses a major issue. DP explains the
y step. It is a draft of future standard. Comments on it are collected and analyzed and if required ED is
:solved, final standard is subject to approval by IASB.
w standard and any areas that may need clarification and addresses these when standard is revised.

fundamental characteristics

: of such fin statements (**relevance**)
and reflect economic substance of the transaction rath **ity**)
o is also

enhancing characteristics

reseable future
in the period when they actually happened regardless of recipt/issue of invoice or cash payments
change fro period to period (otherwise information presented in such statements will not be compara
hould be applied
corded according to their economic substance and never according to their legal form. Examples
han their fair values, substance is applied. Ofthen it is really a secured loan.
act that the lessor is still the legal owner until fully paid, the lessee behaves like owner. So in case of su
nly 51% of subsidiary, the entire subsidiary is consolidated (i.e. 100% of subsidiary's assets are added t
for example motor vehicle despatched from manufacturer to show-room owner are substantially with
entory doesn't leave the premise of the seller and sale is to a bank - it is considered a seured loan. Lega
estimated and incomes recorded should not be overestimated. This is often called 'assymetric prudenc

d from which future economic benefits are expected (i.e. there are potencial economic benefits)
of which is certain and will result in (potencial) outflow of resources embodying economic benfits
ies => equity = net assets
f assets or decreases of liabilities that result in increase in equity other than by contribution from equit
sets or increases of liabilities that result in decrease in equity other than by distributions to equity part

nent of fin statements (i.e. recorded in fin statements as such) if it:

encial benefits) associated with such item will inflow or outflow from the entity

es users of fin statements with information
it is low, this may not be the most relevant information. The most relevant information may be about t
providing that information
re recorded in fin statements):
ic substance
s available but it can be outdated
to purchase less any depreciation or amortization.
fo may be available (thus actuals can be substituted with estimates), but up to date
an estimate of what the asset could be sold for (if certain conditions are met). Thus it is exit value focu
quoted price: identical items at active market
observable inputs: similar items at active/inactive market
nobservable inputs: best info available e.g. valuation models
or liabilities) - it is present value, which is an estimate of discounted future cash flow which is expected
st, which is an estimated cost to buy an identical item or construct/produce it at current prices. It is en

ich item is recorded in evidence
ount higher of either the asset's **future** value for the company or the amount it can be sold for, minus
: higher of either the asset's **present** value for the company or the amount it can be sold for, minus an

Retained pı

f the reporting date or

Business result - loss

ent)

ied as financial assets measured at FV through other comprehensive income

own as exceptional items, may be listed on the face of income statetemnts before profit from operati
ı income statement but instead within notes to accounts, normally the operating profit note.

: to
generated during busoness activity of the company
components by/to business owners
onents of equity

ed and spent cash.
t cash to run its day to day operations.

re not distorted by accounting policies (adjustments, estimates, accruals etc.)
t which is subjective.
siness has generated cash.
spent.
ıerate cash in the future.

om ledger accounts (not just fin statements), mainly from bank accounts (cash flow picture is actual) =

edit customers

ppliers
lephone charges, bank commissions)
es
from fin statements (cash flow picture is reconciled from fin stataments) => used by external users wh

sh items
n/amortization
) on disposal of non-current assets
ts - it needs to be added here because it will be deducted in the part of Financing cash flow; otherwise
t income) - it needs to be dedcuted here because it will be adde back in part of Investing cash flow' otł
inventory
receivables
payables

t assets

ıancial instruments

ıstruments)

ərest in another company, giving it control of its operations.
er company, which is usually referred to as the parent company. Subsidiary's fin statatments are consc

er over another when it has the ability to direct that company's business activities, which significantly
lly by owning a majority or voting shares ir it may come from contractual arrangements
a parent company uses its ability to direct business activity of subsidiary, what is important is that it ha
ərest; it is an ownership position wherein a shareholder owns less than 50% of outstanding shares and
pany owns a significant portion of voting shares (aka 'significant nterest'), usually 20–50%. In this case,
approximately 20% to 50% of a company's stock, it is considered to have significant influence

e companies but the economic reality is single entity and that must be reflected in the method of cons
idiary used in the consolidationshould have the same year end. If subsidiary has different year end dat
the same accounting policies. This may require adjustments to subsidiary's figures.
l intergoup transactions between the parent and subsidiary should be cancelled out because the took p
onsolidation:
pare consolidated fin stataments if it itself is whollly-owned subsidiary
not publicly traded and it is not in the process of issuing secutiries

ɔ subsidiary shown in parent's BS is canceleld afainst subsidiary's share capital and pre-acquisition reta
e is positive, then goodwill is recognized as intangible asset, which is not amortized but measured at its
e is negative, then goodwill is credited to consolidated income statement.
rent (non-purchased) goodwill should never be included into BS
sing 100% of subsidiary, then Nci is recognized
parent and subsidiary are combined on line-by-line basis (except group receivables and payables)
d in BS is only that of parent (because the one of subsidiary wqas already cancelled at prior step agains
parent's retained earnings plus subsidiary's post-acquisition retained earnings

			Adjustments to BS
t assets		1	Goodwill adjustments
PPE	100% P + S		investment

goodwill see adjustments No. 1
ets
stock 100% P + S
receivables 100% P + S (BUT except intra-group balances)
bank and c 100% P + S

share capit 100% P + S
retained ea see adjustments No. 3
NCI see adjustments No.2
t liabilities 100% P + S
ilities 100% P + S (BUT except intra-group balances)
ies

NCI at FV a
(Net assets

2 NCI adjustments - **tota**
NCI at FV a
NCI % in po

3 Consolidated reserves
100% of res
group % of
(PUP adjust

oup balances
unts should only show balances with parties outside the group. If intra-group balance exists between p
Db Group payable
Cr Group receivable
d profit
within a group have made sales to one another at a profit, yet the goods traded between such compan
ntra-group sales but all goods have subsequently been sold outside the group i.e. nothing is in the inve

o strcutre the deal:
to purchase shares in subsidiary for cash
to purhase shares in subsidiary and give them paranet's own sahers in return (known as share exchang
hange is the case how transaction price is paid, then the cost of investment is determined in the follov
work out number of shares acquired in the subsidiary
calculate how many parent's shares will be issued in return (what is the ration between shares subsidi
calculate the value of parent's shares by multiplying by the parent share price at acquisition

t's income + subsidiary's income (as all income is controlled by the group)
nt's expenses + subsidiary's expenses (as all expenses are ontrolled by the group)
subsidiary which is shown in parent's income statement, should be cancelled in consolidated income s
ICI is calculated as: NCI% * subsidiary's profit after tax adjusted for consolidation purposes
result of business combination in consolidated balance sheet should be tested for impairment annual
will is impaired - loss is shared between the NCI and the group in the same ratio as subsidiary's profit fo
nate goodwill is impaired - loss is assigned only to the group reservesin group's share on subsidiary's p

cquisitions of subsidiary
we must include into consolidated business result only that part of subsidiary's business result that ar
of intra-group trading
an adjustment shuld be made to reflect intra-group sales revenue: such revenue should be deducted f
Db Group sales
Cr Group COS

If there is intra-group sales but all goods have subsequently been sold outside the group i.e. nothing is
; treatment of associate (equity methond)
investment into associate is initially recognized at cost in the group BS and the carrying amount is incr
investor;s share of profit or loss of investee is recognized in the group income statements as a single li

:	transaction margin	Adjustement: less intra
		Adjustement: less intra
ı margin		
bates	non-transaction margin	
OFs/WONs		
:urns		
ırgin		
ld to customers	non-product margin	
xpense		
; commissions		
costs	operating expenses before gross margin	
ı costs		Extra line: less unralize
;in		
›sts	operating expenses after gross margin	
ts		
		Extra line: plus admin (
ɔrofit		
;ts		
re tax		
expense		
tax		
ed operations		Extra line: less unralize
ıe year		

ırs between the accounting year end and the date on which the fin statements are authorized for issue

e of conditions that existed before/at year-end date => fin statements need to be adjusted to include t t exist before/at year-end date => fin statements shouldn't be adjusted to include the impact of such e

transactions should be measured (historcial value or current value) and reported - i.e. how transaction:
›s drawbacks:

letailed specific rules or requirements. Such system is very prescriptive and inflexible but has the attrac

Conceptual
IFRS
Fin stateme

:ts.

:sdiction may include all of the following:

ES

· issue and possible accounting solutions and invites to comment
amended and re-exposed.

ıble between periods)

ch lease - fin lease - lessee is user of leased asset during the assets economic life: lessee capitalizes it at
o parent's assets). Legally the parent may own 51% only but in day-to-day economic reality the parent
the showroom owner then the showroom owner must treat it as of it is its inventory even though lega
ılly title mayhave passed to the bank but linking the two transactions together, it is inventory of seller.
e'.

:y participants. Note: some types of income are required to be directly recognized in equity (not throug
:icipants

:he potential magnitude of the item, the possible timing and the factors affecting the probability.

ısing on the values which will be gained from the item. Methogology how it should be determined:

to be generated by the asset
try value.

; any transaction costs. It is used for comparison with carrying amount in **cases of impairment testing**
y transaction costs. It is used for comparison with carrying amount in **cases of revaluations** (write dow

rofits/losses (BS)

Business result - profit

ons

:> used by internal users who has access to management accounts

o do not have access to management accounts

it will be double counted: (1) as per of Profit before tax; (2) as part of Financing cash flow
herwise it will be double counted: (1) as per of Profit before tax; (2) as part of Investing cash flow

Amount of Classificati	Method of
<20% of ordinary shar	cost metho
20-50% of	associate	equity met
>50% of or	subsidiary	consolidati

ılidated with fin statements of the parent.

affect investee's returns

s the ability to do so.
has no control over decisions.
parent company does not consolidate the associate's financial statement

solidation.
e within 3 months of that of the parent then the fin statements can be used with adjustment for any si

place within the same entity and only transactions with the outside world must be recorded in the cons

ined earnings. Any difference between the two offseting amounts (i.e. balancing figure) is recognized a
s historical cost and tested for impairment annualy.

t parent's investment into subsidiary)

- **net total** value acquired

: at cost

Substance of adjusting entries:
price paid for consolidation

t acquisition date price paid for consolidation
at FV at acquisition date) value acquired from consolidation

l value
t acquisition date amount before consolidation
ıst acquisition reserves of subsidia impact of consolidation

- **net total** value acquired
serves of parent at year-end amount before consolidation
post acquisitio reserves in subsidi impact of consolidation
tment (P sells to S)) remove double counting

ɔarent and subsidiary then an adjustment should be made in group accounts in order to cancel the resp

nies remain within the group at the reporting date, this creates 'unrealized profit'.
ntory at the year-end, there is no PUP

ge)
ving way:

ary's share acquired and parent's shares given away)

tatement (because single entity doesn't pay income to itself)

ly.
ɔr the year
rofit for the year

ɔse after acquisition i.e. whilest under the control of the parent. If the acquisition occurred in the midd

rom total consolidated revenue. The same should be done for COS: they need to be deducted from tot

; in the inventory at the year-end, show only cancellation of intra-group tarding (i.e. cancelation of intra

eased/decerased to recognize the investor's share of profit or loss of investee after date of acquisition.
ne entry.

a-group sales
a-group purchases

ed profit in inventory

expenses

Db	BS - as getting new resource for the business
Cr	CF statement - as outflow of cash
Db	CF statement - as inflow of cash
Cr	BS - as taking out an existing resource from the business
Cr/Db	P/L - as result on disposal

ed profit in non-current assets

e

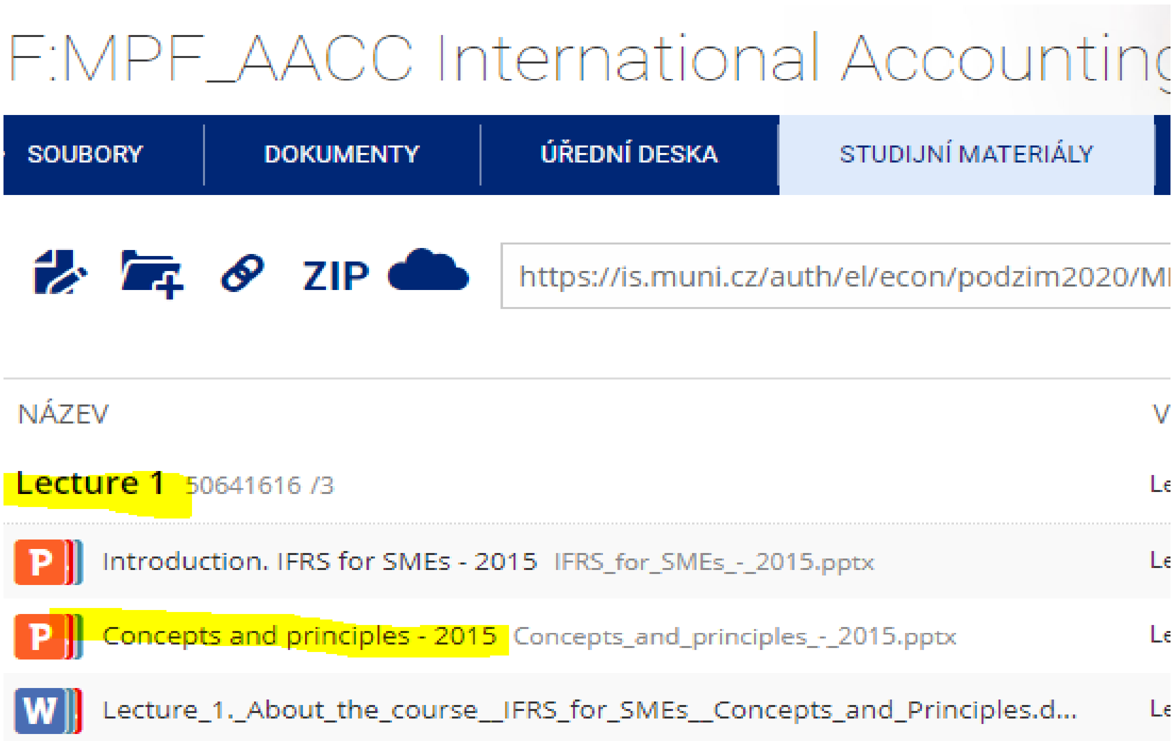
he impact of such event

vent. EXCEPTION: going concern is the only exception s are presented and communicated to users of fin statements

:tion of fin statements being more comparable and consistent.

l framework

ents
quality characteristics of information
underlying assumptions for preparation of fin statements
elements of fin statetments
reporting of elements of fin statements(recognition and measurement)
types of fin statatments
consolidation of fin statements
events after reporting period



t cash price, depreciates etc.
can control the entire subsidiary.
lly they belong to manufacturer until paid for

;h P/L first) e.g. revaluation gains on assets go straight to reserves which are part of equity.

ns or write ups)

accounting to be applied
d. Cost is measured at fair value
hod of accounting for such investment. Use of equity method is based on assumption that investo
on method of accounting for such investment. Use of consolidation method is based on assumptic

0%	20%	50%
	investment	
	associate	

gnificant transactions in the 3 month period. if the period is greater than 3 months, then the draft

solidated accounts.

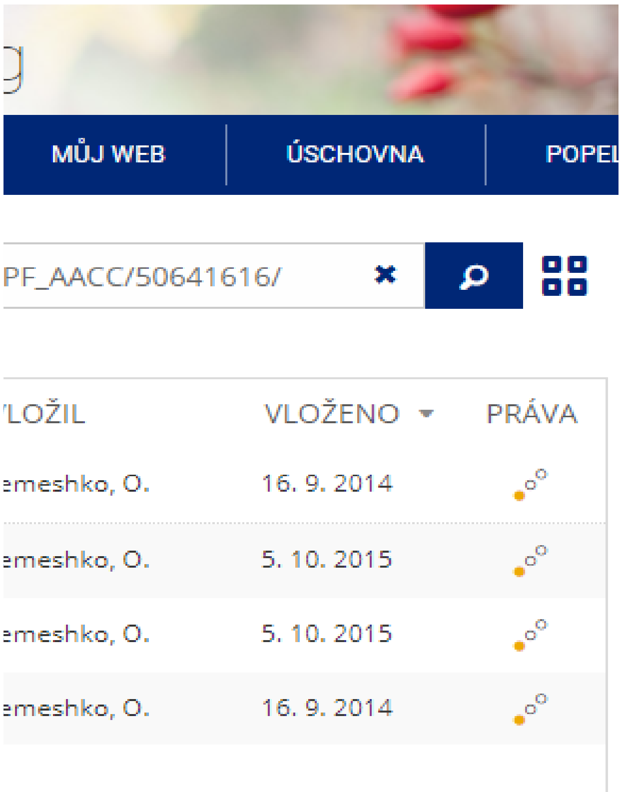
s goodwill

ɔective balance.

lle of the year, we should only include the second half of the subsidiary's result for the year

:al COS.

a-goup sales and COS) but nort PUP.



MŮJ WEB
ÚSCHOVNA
POPEL
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VLOŽIL
VLOŽENO
PRÁVA
emeshko, O.
16. 9. 2014
emeshko, O.
5. 10. 2015
emeshko, O.
5. 10. 2015
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16. 9. 2014

r can exert a significant influence over the investee (purchased company). Two companes - investing compan

on that investor exerts a full control over the investee (purchased company). Two companes - parent company

	100%
subsidiary	

: fin statements for the subsidiary must be prepared for the purpose of consolidation

y and associate - become together a joint venture
y and subsidiary - become together a group.