IFRS(INTERNATIONAL FINANCIAL REPORTING STANDARD)

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1 requires an entity that is adopting IFRS Standards for the first time to prepare a complete set of financial statements covering its first IFRS reporting period and the preceding year.

The entity uses the same accounting policies throughout all periods presented in its first IFRS financial statements. Those accounting policies must comply with each Standard effective at the end of its first IFRS reporting period.

The objective of IFRS 1

The main objective of IFRS 1 is to ensure that the entity's financial statements that firstly adopted IFRS contain high quality of information for the benefit of users of Financial Statement.

Scope of IFRS 1

This standard applies to:

- The entity that firstly prepares its Financial Statements
- Transitional from another accounting standard to IFRS
- Interim Financial Reporting for part of the period covered by its first IFRS
- First set of financial statements that contain an explicit and unreserved statement of compliance with IFRSs.

This Standard does not apply to:

- This standard is not applied to entities already reporting under IFRSs

IFRS 2 Share-based Payment

IFRS 2 specifies the financial reporting by an entity when it undertakes a share-based payment transaction, including issue of share options. It requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets or equity instruments of the entity. It requires an entity to reflect in its reported profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

objective of IFRS 2

The objective of IFRS 2 Share-based payment is to specify the financial reporting by an entity when it undertakes a share-based payment transaction.

Scope

The concept of share-based payments is broader than employee share options. IFRS 2 encompasses the issuance of shares, or rights to shares, in return for services and goods. Examples of items included in the scope of IFRS 2 are share appreciation rights, employee share purchase plans, employee share ownership plans, share option plans and plans where the issuance of shares (or rights to shares) may depend on market or non-market related conditions.

IFRS 2 applies to all entities. There is no exemption for private or smaller entities.

RECOGNITION

- Recognise the goods or services received or acquired in a share-based payment transaction when the goods are obtained or as the services are received.
- Recognise an increase in equity for an equity settled share-based payment transaction.
- Recognise a liability for a cash-settled share based payment transaction.
- When the goods or services received or acquired do not qualify for recognition as assets, recognise an expense

IFRS 3 — Business Combinations

objective of IFRS 3?

The objective of IFRS 3 Business Combinations is to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects

IFRS 3 establishes principles and requirements for how an acquirer in a business combination:

- recognises and measures in its financial statements the assets and liabilities acquired, and any interest in the acquiree held by other parties;
- recognises and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and
- determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

Is it a business combination or not?

Any investor who acquires some investment needs to determine whether this transaction or event is a business combination or not.

IFRS 3 requires that assets and liabilities acquired need to constitute a business, otherwise it’s not a business combination and an investor needs to account for the transaction in line with other IFRS.

A business consists of 3 elements:

Input = any economic resource that creates or can create outputs when one or more processes are applied to it, e.g. non-current assets, etc.;

Process = any system, standard, protocol, convention or rule that when applied to an inputs,creates outputs, e.g. management processes, workforce, etc.

Output = the result of inputs and processes applied to those inputs that provide or can provide a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners.

Apply the acquisition method

Once the investor acquires a subsidiary, it has to account for each business combination by applying the acquisition method.

The acquisition method involves 4 steps:

- Identifying the acquirer,
- Determining the acquisition date,
- Recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree;
- Recognizing and measuring goodwill or a gain from a bargain purchase

IFRS 4 — Insurance Contracts

IFRS 4 Insurance Contracts applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds**.**

IFRS 4 was issued in March 2004 and applies to annual periods beginning on or after 1 January 2005. IFRS 4 will be replaced by IFRS 17 as of 1 Janaury 2021.

Background

IFRS 4 is the first guidance from the IASB on accounting for insurance contracts – but not the last. A comprehensive project on insurance contracts is under way. The Board issued IFRS 4 because it saw an urgent need for improved disclosures for insurance contracts, and some improvements to recognition and measurement practices, in time for the adoption of IFRS by listed companies throughout Europe and elsewhere in 2005.

Objective

The objective of this IFRS is to specify the financial reporting for insurance contracts by any entity that issues such contracts (described in this IFRS as an insurer) until the Board completes the second phase of its project on insurance contracts. In particular, this IFRS requires:

(a) limited improvements to accounting by insurers for insurance contracts.

(b) disclosure that identifies and explains the amounts in an insurer’s financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

Scope

IFRS 4 applies to virtually all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. It does not apply to other assets and liabilities of an insurer, such as financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement. Furthermore, it does not address accounting by policyholders.

In 2005, the IASB amended the scope of IAS 39 to include financial guarantee contracts issued. However, if an issuer of financial guarantee contracts has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts, the issuer may elect to apply either IAS 39 or IFRS 4 to such financial guarantee contracts.

Definition of insurance contract

An insurance contract is a "contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Disclosures

The standard requires disclosure of:

- information that helps users understand the amounts in the insurer's financial statements that arise from insurance contracts:

- accounting policies for insurance contracts and related assets, liabilities, income, and expense the recognised assets, liabilities, income, expense, and cash flows arising from insurance contracts.

Information that helps users to evaluate the nature and extent of risks arising from insurance contracts:

- risk management objectives and policies those terms and conditions of insurance contracts that have a material effect on the amount, timing, and uncertainty of the insurer's future cash flows.

IFRS 5: Non-current assets held for sale and discontinued operations

When a company makes the decision to sell an asset or to stop some part of its business, it is making a decision that affects the future cash flows, profitability and overall financial situation. The users of the financial statements should be informed about these events. Therefore, IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations was issued to highlight the results from continued operations and to separate them from the results of the ongoing activities. IFRS 5 came into effect on 1 January 2005.

OBJECTIVE OF IFRS 5

IFRS 5 focuses on two main areas:

- It specifies the accounting treatment for assets (or disposal groups) held for sale, and
- It sets the presentation and disclosure requirements for discontinued operations.

MEASUREMENT

Immediately before the asset is classified as held for sale, it should be measured under its applicable IFRS. Subsequently, after it has been classified as held for sale it must be measured at the lower of its carrying amount or fair value less costs to sell. However, IFRS 5 lists a few measurement exceptions:

- Deferred tax assets (IAS 12 Deferred Tax)
- Assets arising from employee benefits (IAS 19 Employee Benefits)
- Financial assets within the scope of IFRS 9 Financial Instruments
- Non-current assets that are accounted for under the fair value model in IAS 40 Investment Property
- Non-current assets that are measured at fair value less costs to sell in accordance with IAS 41 Agriculture
- Contractual rights under insurance contracts as defined in IFRS 4 Insurance Contracts.

If any of the above assets are classified as held for sale, they must be measured under the same accounting policy as before the classification. Although the accounting treatment of these assets does not change, they must be presented separately from other assets and they require additional disclosure

IFRS 6 - Exploration for and Evaluation of Mineral Resources

Objective

This standard prescribes the guide lines to be used by the entities which are engage in exploration and evaluation activities, to deal with the accounting treatment of exploration for and evaluation of mineral resources. This standard specifically deals with the following aspects**:**

Development in the existing accounting policies of the entity in respect of expenditures relating to exploration and evaluation, to limited extent

Impairment requirements for the exploration and evaluation assets, which are recognized by the entity in accordance with this standard and accounting for such impairment as per IAS 36

Disclosures requirements for the exploration and evaluation activities, to intimate the users of financial statements the information about the amounts, timing and certainty of future cash flows in respect of the exploration and evaluation assets recognized by the entity

Scope

The requirements of this standard are applicable for the accounting treatment of exploration and evaluation expenditure. However, this standard does not deal the any other aspects of exploration and evaluation activities and the expenditure which:

- Incurs before the entity has acquired the legal permission to explore a certain area. for the purpose of the exploration for and evaluation of mineral resources and
- After the entity has demonstrated the commercial viability and technical feasibility for the extraction of mineral resources.

Recognition of Exploration and Evaluation Assets

The entity engage in exploration and evaluation activities is not required to apply the requirements of IAS 8 for the determination of accounting policy relating to the exploration and evaluation expenditure.

The entity will determine the accounting policy for the exploration and evaluation expenditure using its own judgment or past practices before the adoption of this standard i.e. entity will determine the extent to which expenditure will be recognized as exploration and evaluation asset and in what circumstance it will be reported to statement of profit or loss as an expense

However, the accounting policy determined by the entity, for the exploration and evaluation expenditure should be applied consistently.

IFRS 7 — Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.

IFRS 7 was originally issued in August 2005 and applies to annual periods beginning on or after 1 January 2007**.**

Objective

The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate:

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments.

Scope

This IFRS shall be applied by all entities to all types of financial instruments, except:

(a) those interests in subsidiaries, associates or joint ventures that are accounted for in accordance with IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements or IAS 28 Investments in Associates and Joint Ventures.

(b) employers' rights and obligations arising from employee benefit plans, to which IAS 19 Employee Benefits applies.

(c) insurance contracts as defined in IFRS 4 Insurance Contracts. However, this IFRS applies to derivatives that are embedded in insurance contracts if IFRS 9 requires the entity to account for them separately.

(d) financial instruments, contracts and obligations under share-based payment transactions to which IFRS 2 Share-based Payment applies, except that this IFRS applies to contracts within the scope of IFRS 9.

IFRS 8 — Operating Segments

IFRS 8 Operating Segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers.

Information is based on internal management reports, both in the identification of operating segments and measurement of disclosed segment information.

IFRS 8 was issued in November 2006 and applies to annual periods beginning on or after 1 January 2009.

Scope

IFRS 8 applies to the separate or individual financial statements of an entity (and to the consolidated financial statements of a group with a parent):

- whose debt or equity instruments are traded in a public market or
- that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market

However, when both separate and consolidated financial statements for the parent are presented in a single financial report, segment information need be presented only on the basis of the consolidated financial statements .

Operating segments

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and
- for which discrete financial information is available.

Reportable segments

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments,
- or the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating

segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss,

- or its assets are 10 per cent or more of the combined assets of all operating segments.

Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principles of the standard, the segments have similar economic characteristics and are similar in various prescribed respects.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the entity's revenue is included in reportable segments.