

Instructor's Manual

International Financial Reporting: A Practical Guide

Fifth Edition

Alan Melville

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ISBN: 978-1-292-08626-2

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This edition published 2015

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ISBN 978-1-292-08626-2

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Preface

As indicated in the preface to *International Financial Reporting*, the main book does not contain solutions for those exercises which are marked with an asterisk. This provides lecturers who have adopted the textbook with a source of problems which may be used for tutorial work and revision. The purpose of this Instructor's Manual is to supply suggested solutions to those exercises and questions.

I should like to remind the reader that, whilst some of the exercises are drawn from the past examination papers of the professional accounting bodies, the answers provided here to those questions are entirely my own responsibility.

Alan Melville
April 2015

Acknowledgements

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*Alan Melville
April 2015*

Chapter 1

The regulatory framework

1.8

- (a) The objectives of the IASB are:
- (i) to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles; these standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, participants in the world's capital markets and other users of financial information to make economic decisions;
 - (ii) to promote the use and rigorous application of those standards;
 - (iii) in fulfilling objectives (i) and (ii), to take appropriate account of the needs of a range of sizes and types of entities in diverse economic settings;
 - (iv) to bring about convergence of national accounting standards and international standards.
- (b) The *Preface* states that IFRSs and IASs are designed to apply to the general purpose financial statements and other financial reporting of profit-oriented entities, whether these are organised in corporate form or in other forms.
- (c) The main stages in the IASB due process are:
- identification and review of all the issues associated with the topic concerned
 - consideration of the way in which the IASB's *Conceptual Framework* applies to these issues
 - a study of national accounting requirements in relation to the topic and an exchange of views with national standard-setters
 - consultation with the Trustees and the Advisory Council about the advisability of adding this topic to the IASB's agenda
 - publication of a discussion document for public comment
 - consideration of comments received within the stated comment period
 - publication of an exposure draft for public comment
 - consideration of comments received within the stated comment period
 - approval and publication of the standard.

1.9

- (a) The objective of IFRS1 is to ensure that an entity's first financial statements that comply with international standards should contain high-quality information that:
- is transparent for users and comparable for all periods presented
 - provides a suitable starting point for accounting under international standards
 - can be generated at a cost that does not exceed the benefits to users.

- (b) An entity's "first IFRS reporting period" is the reporting period covered by the first IFRS financial statements. The first IFRS financial statements are the first financial statements in which the entity adopts international standards and makes an explicit and unreserved statement of compliance with those standards.

The "date of transition to IFRS" is the date at the beginning of the earliest period for which an entity presents comparative information in its first IFRS financial statements.

- (c) The company's first IFRS reporting period is the year to 31 October 2016. The earliest period for which comparative figures are presented in the first IFRS financial statements is the year to 31 October 2011. Therefore the date of transition is 1 November 2010. The company must:
- (i) prepare an IFRS statement of financial position as at the start of business on 1 November 2010 (i.e. as at the close of business on 31 October 2010)
 - (ii) use identical accounting policies in this "opening" IFRS statement of financial position and in the financial statements for the year to 31 October 2016 and in the comparative figures provided for the previous five years; these accounting policies must comply with international standards in force for periods ending on 31 October 2016
 - (iii) provide a reconciliation of equity as reported under previous GAAP with equity reported under IFRS, for 31 October 2010 and 31 October 2015
 - (iv) provide a reconciliation of total comprehensive income as reported under previous GAAP with total comprehensive income as it would have been reported under IFRS, for the year to 31 October 2015.