

TABLE OF CONTENTS

Aim and Motivation

Part 1. AN OVERVIEW ON THE FINANCIAL REPORTING PROCESS	7
1 International Financial Reporting. An Introduction	9
2 Globalization and Global Standards	12
3 The Accounting Profession and Ethical Behaviour	15
4 The Elements of Financial Statements. Recognition and Measurement	17
4.1 Fair Value	21
4.2 Impairment	23
4.3 Revenues	25
4.4 Borrowing Costs	28
4.5 Present Value and Future Value	30
4.5.1 Single Deposit	30
4.5.2 Annuity	32
5 The Mechanics of Double Entry Accounting	35
Part 2. FINANCIAL REPORTING EXEMPLIFIED	47
6 Intangible Assets	49
7 Tangible Assets	57
7.1 Property, Plant and Equipment	57
7.2 Investment Properties	75
7.3 Leases	78
7.3.1 Finance Leases	79
7.3.2 Operating Leases	85
8 Inventories	87
9 Financial Instruments	97
9.1 Shares	101
9.2 Bonds	105
9.3 Receivables and Payables	110
9.4 Derivatives	111
10. Other Receivables and Liabilities	123
10.1 Receivables and Liabilities from Claims	123
10.2 Foreign Operations	124
10.3 Value Added Tax	127
10.4 Government Grants Related to Income	130
10.5 Provisions	131
10.6 Accruals and Deferrals	137
11 Equity	139
12 Inventory Process and Income Tax	144
12.1 Inventory Process	144
12.2 Taxation	146

13	Financial Statements	153
13.1	Presentation of Financial Statements	153
13.1.1	Balance Sheet	153
13.1.2	Income Statement	158
13.1.3	Statement of Comprehensive Income	162
13.1.4	Statement of Cash Flows	163
13.1.5	Statement of Changes in Equity	169
13.1.6	Notes	171
13.2	Earnings Per Share	172
13.3	Segmental Reporting	176
13.4	Events after Balance Sheet Date	177
13.5	Interim Financial Reporting	179
13.6	Changes in Accounting Policies and Estimates. Accounting Errors	180
13.7	First Use of IFRS	181
14	Financial Statements Audit	183
15	Financial Analysis	187
15.1	Horizontal and Vertical Analysis	188
15.2	Ratio Analysis and Net Working Capital	188
15.2.1	Profitability Ratios	189
15.2.2	Liquidity Ratios	190
15.2.3	Turnover Ratios	191
15.2.4	Debt Ratios	191
15.2.5	Capital Market Ratios	193
15.3	Pyramidal Decomposition	194
15.4	Bankruptcy Indicators and Credibility Models	196
15.5	Practical Case	198
	References	217
	Appendices	219
	Appendix 1 – List of IFRS Standards	219
	Appendix 2 – Balance Sheet according to Directive 2013/34/EU	221
	Appendix 3 – Income Statement (by Nature) according to Directive 2013/34/EU	223
	Appendix 4 – Income Statement (by Function) according to Directive 2013/34/EU	224
	Summary	225
	List of Exercises and Illustrations	226
	Index	229
	About Authors	231