



PASSFR.EU

A Digital Learning Platform for Generation Z:
Passport to IFRS®

Conceptual Framework for Financial Reporting®



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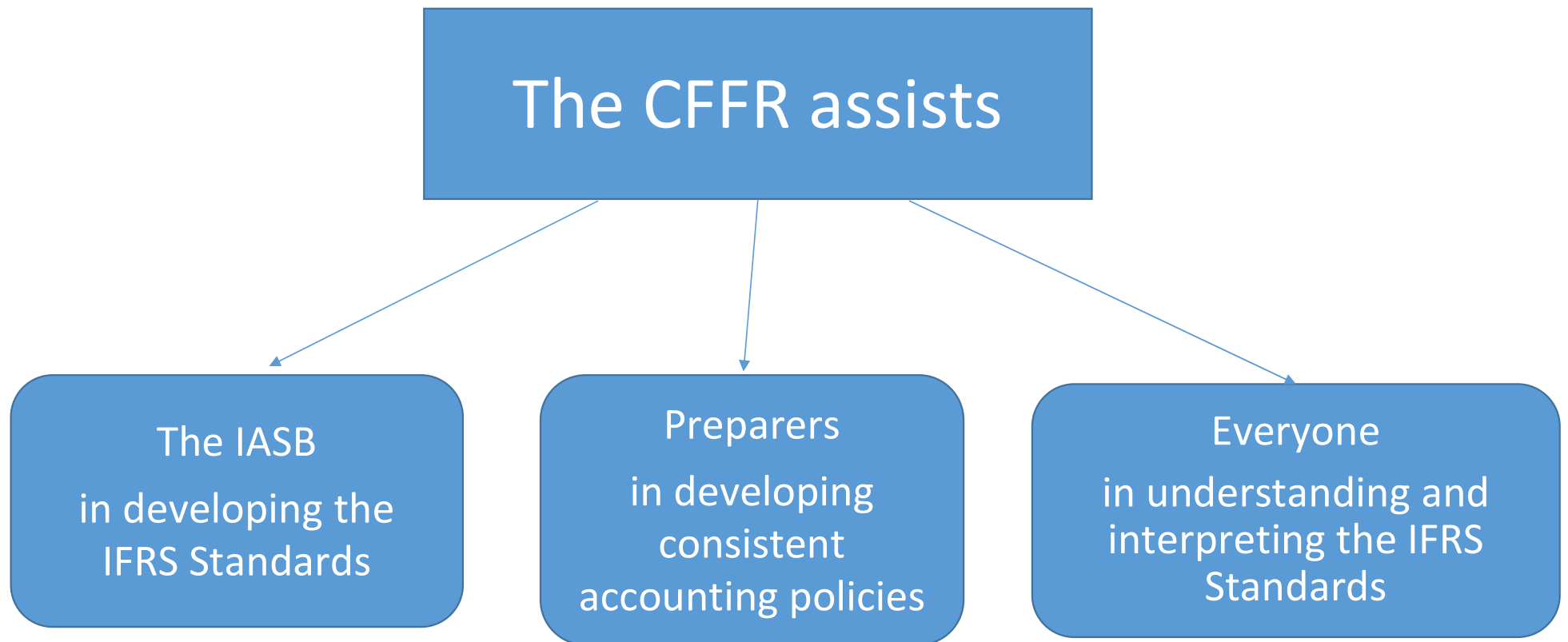
SCOPE

To discuss the objective of, and
the concepts for, general
purpose financial reporting



SCOPE

The purpose of the Conceptual Framework for Financial Reporting (CFFR)



STRUCTURE

- (1) the objective of general purpose financial reporting;
- (2) the qualitative characteristics of useful financial statement information;
- (3) financial statements and the reporting entity;
- (4) the elements of financial statements;
- (5) recognition and derecognition;
- (6) measurement principles;
- (7) presentation and disclosure; and
- (8) concepts of capital and capital maintenance.

(1) The objective of general purpose financial reporting

- financial information

about the reporting entity



- useful to existing and potential

investors, lenders and other creditors



- in making decisions

relating to providing resources to the entity



Users of financial information

Investors

- Are the primary users of financial information
- They primarily need to assess the entity's future cash flows

Commercial partners, employees

- Are mainly interested in the going concern of the entity

Governments

- Are interested in taxes
- Continued economic activity

The role of general purpose financial reporting

General purpose financial reports are directed toward users who cannot require direct information from the entity

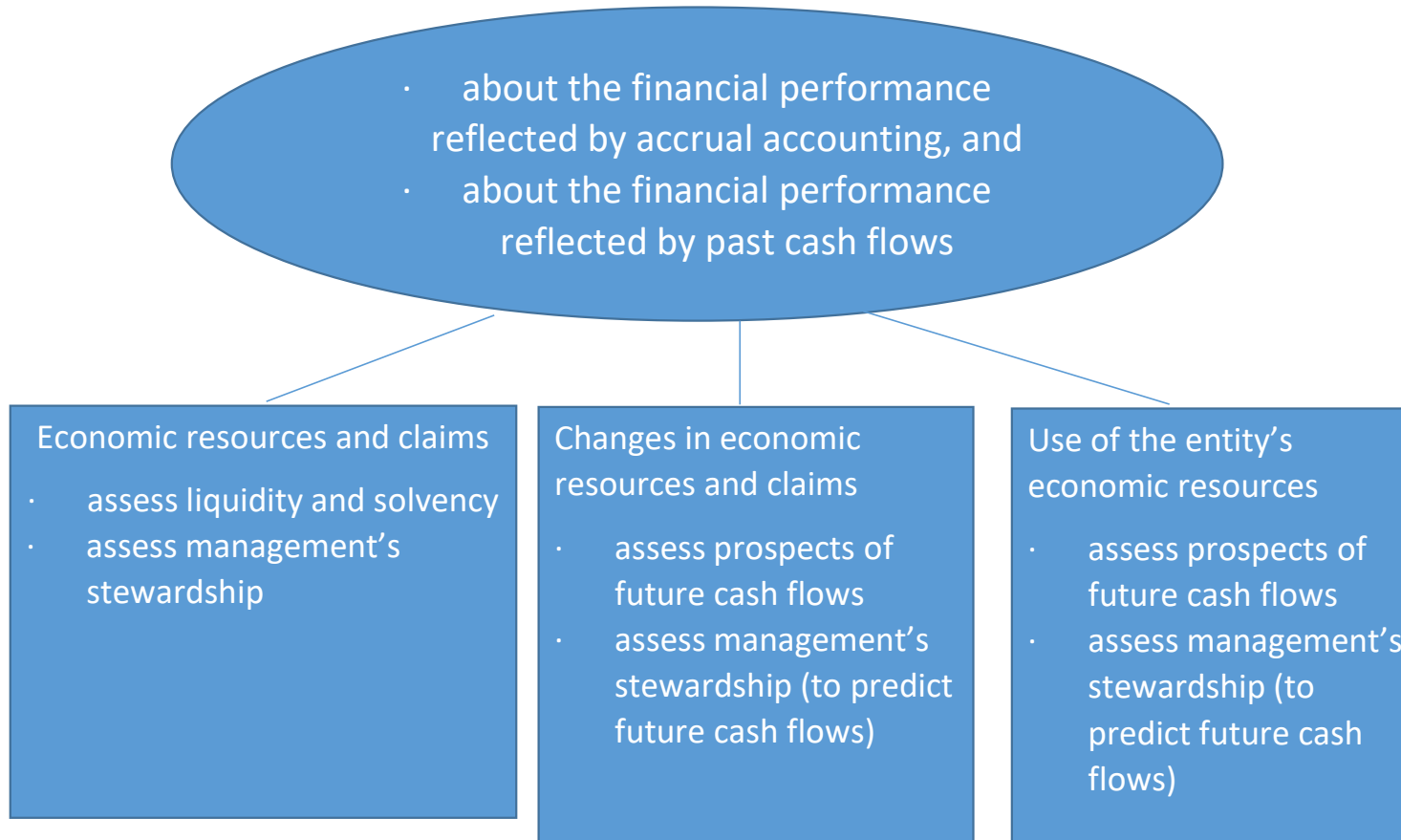
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General purpose financial reports do not and cannot include all the information that is necessary for making decisions

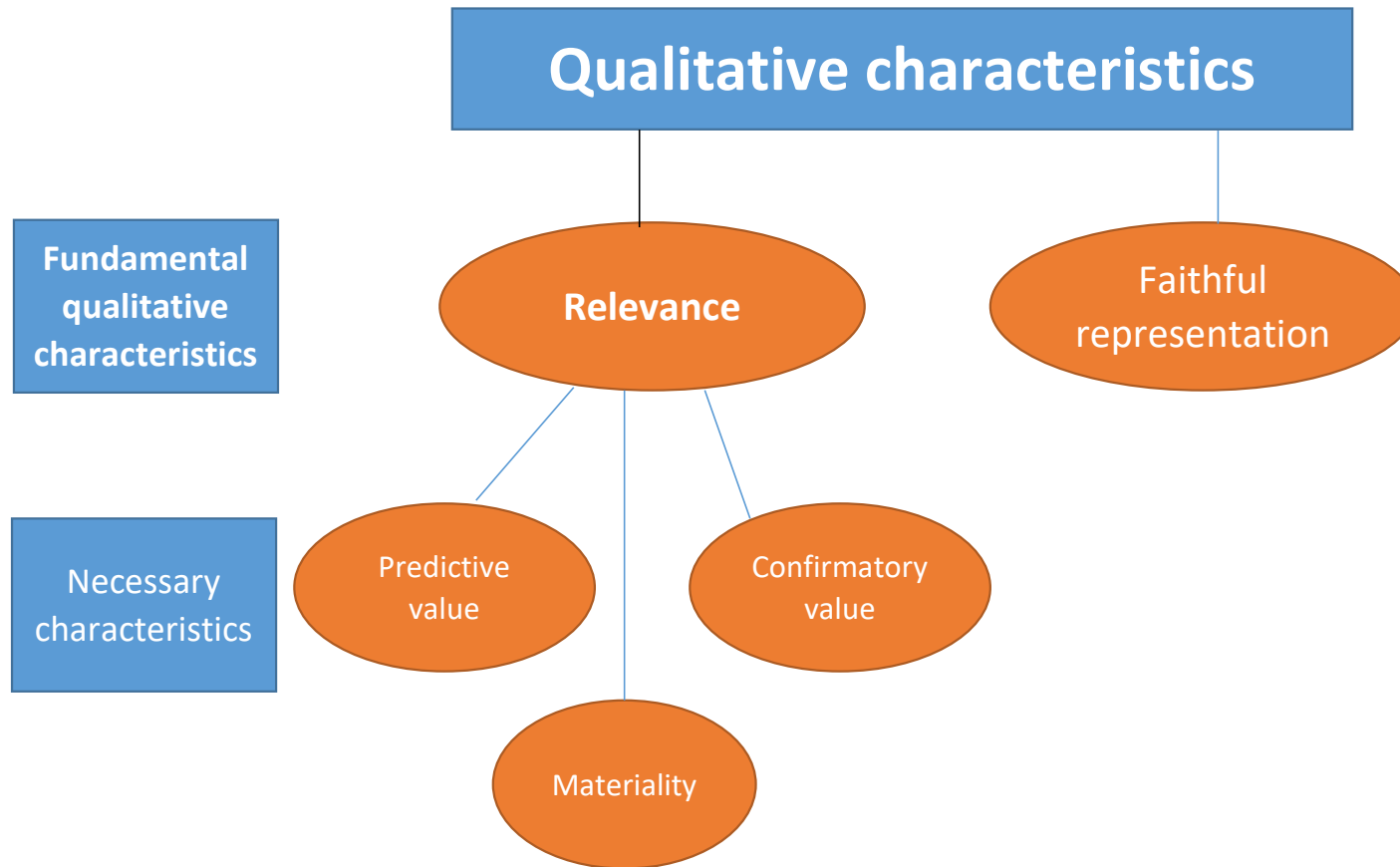
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General purpose financial reports do not provide the value of an entity, but provide information that is useful in estimating it

General purpose financial reports provide information:



(2) The qualitative characteristics of useful financial information



EXAMPLE on materiality

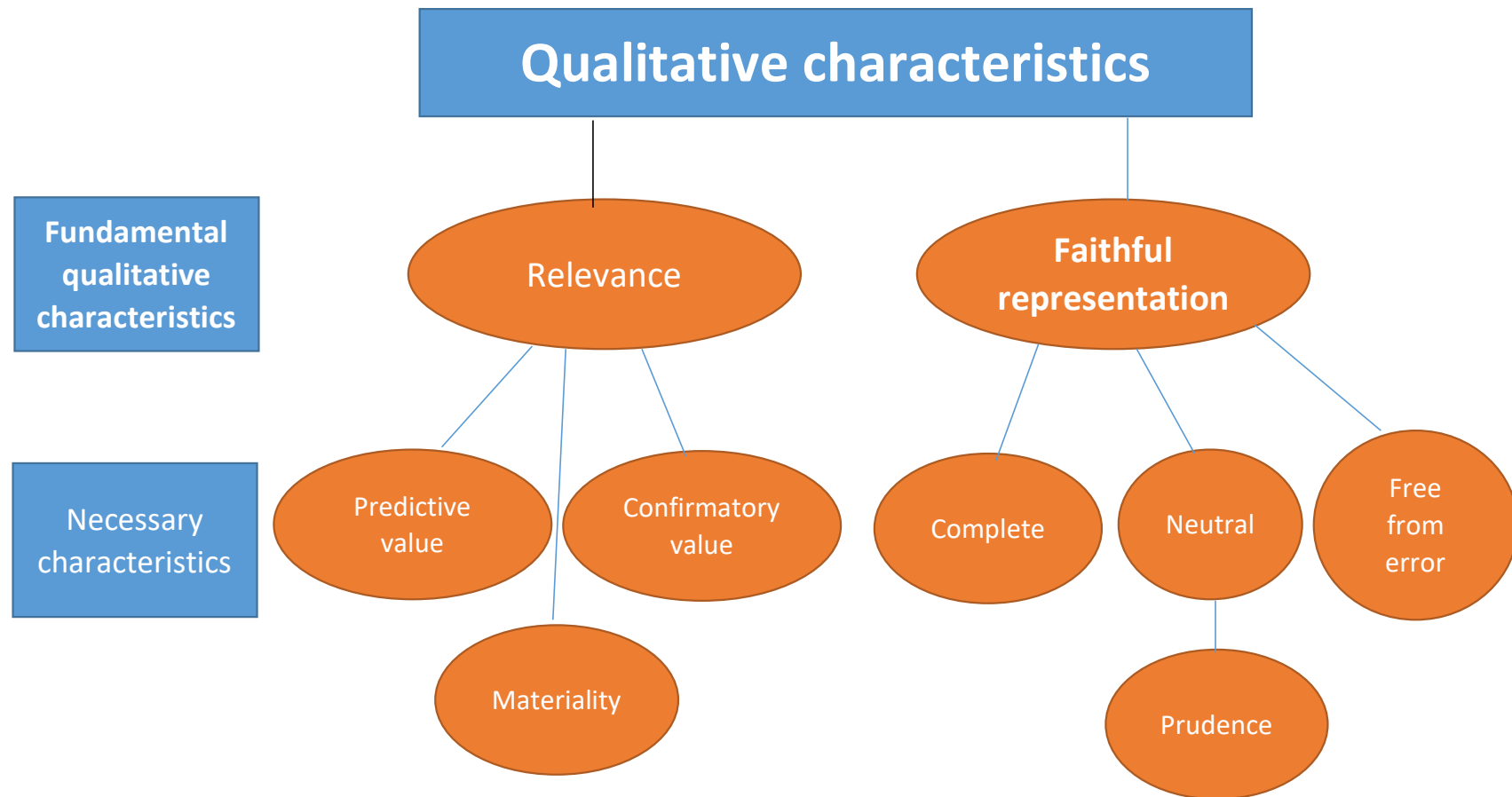
Entity A

- Gained CU10,000 from a dropped activity
- Obtained CU1,000,000 in operating income

Entity B

- Gained CU10,000 from a dropped activity
- Obtained CU30,000 in operating income

(2) The qualitative characteristics of useful financial information



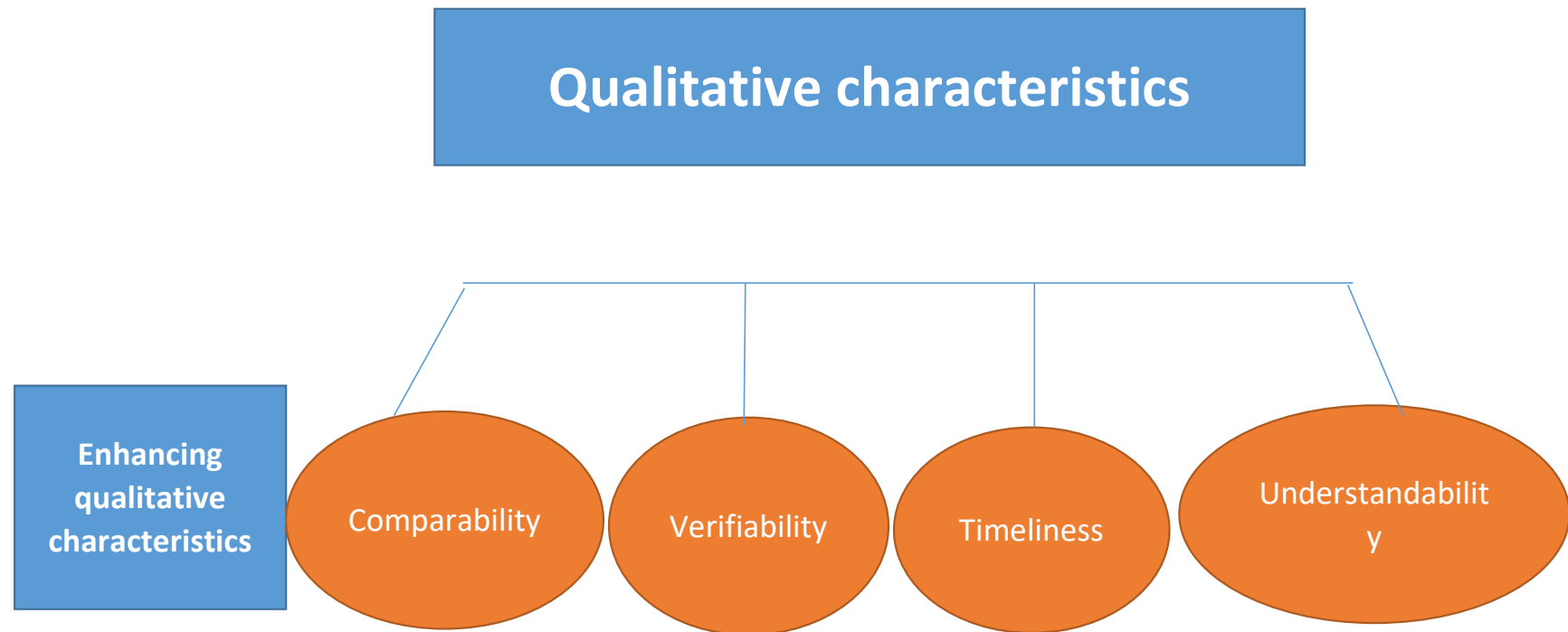
EXAMPLE on representational faithfulness

Entity's
products are
faulty

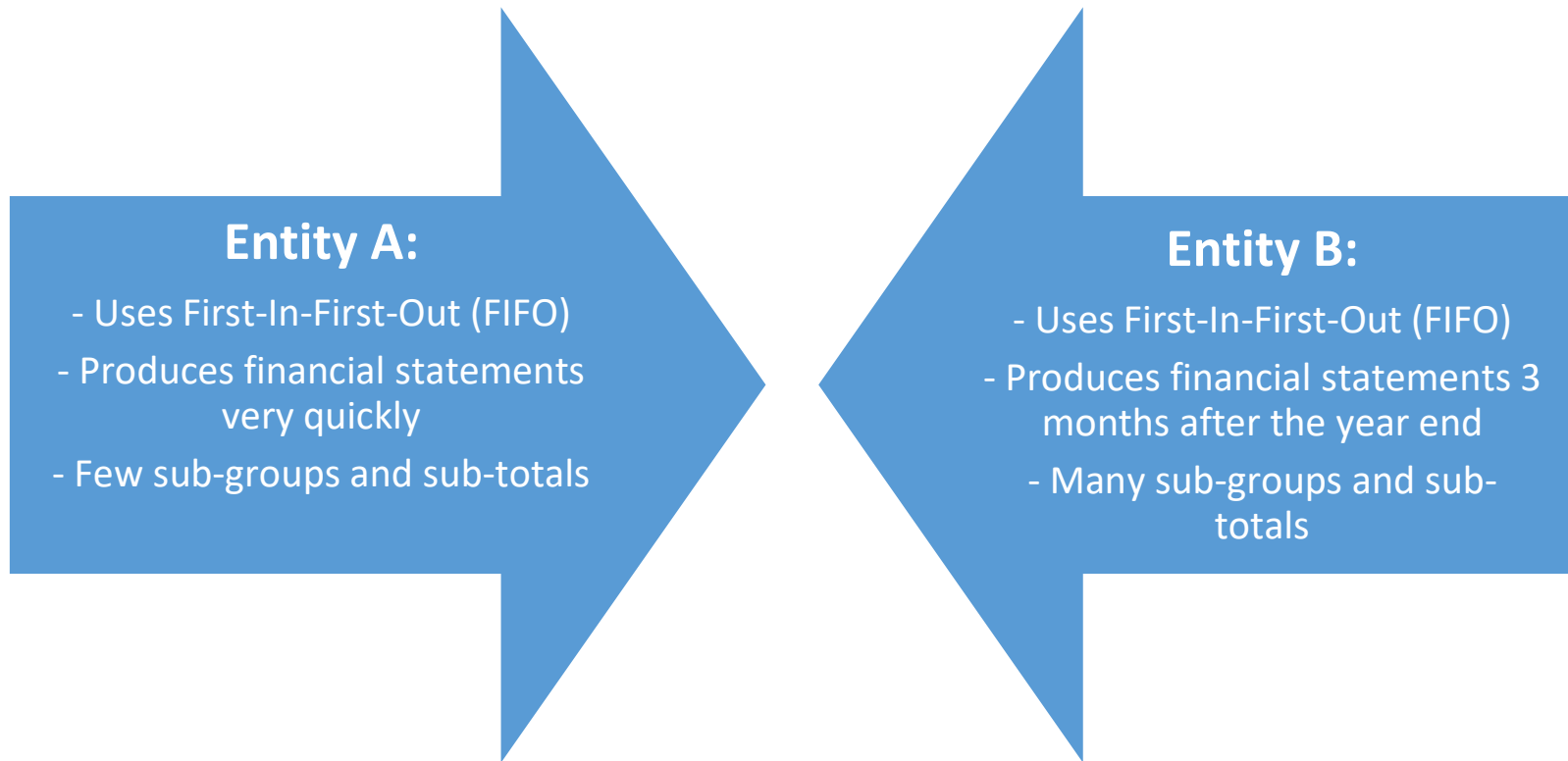
Entity is sued
by affected
customers

Should this
information to
be presented?

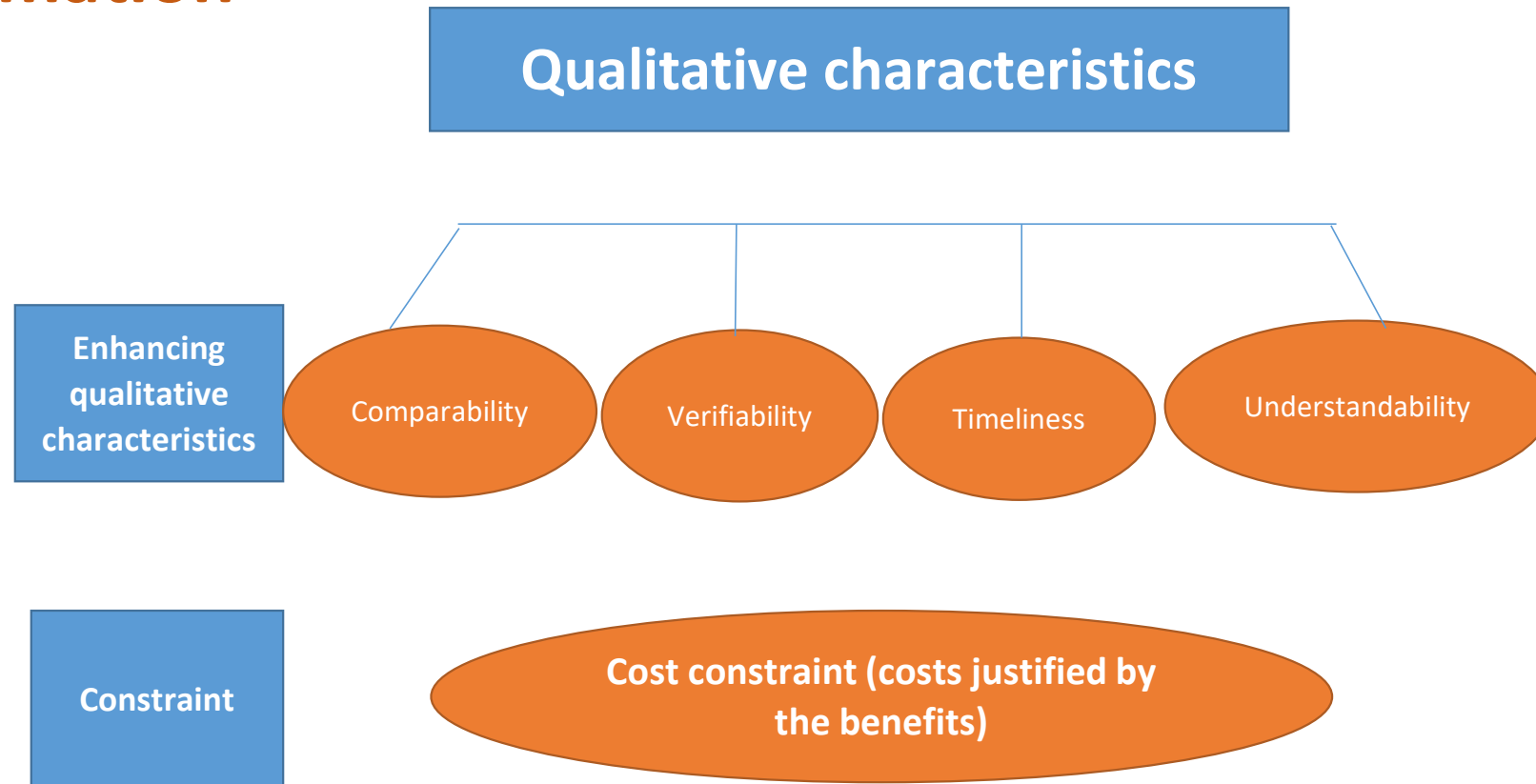
(2) The qualitative characteristics of useful financial information



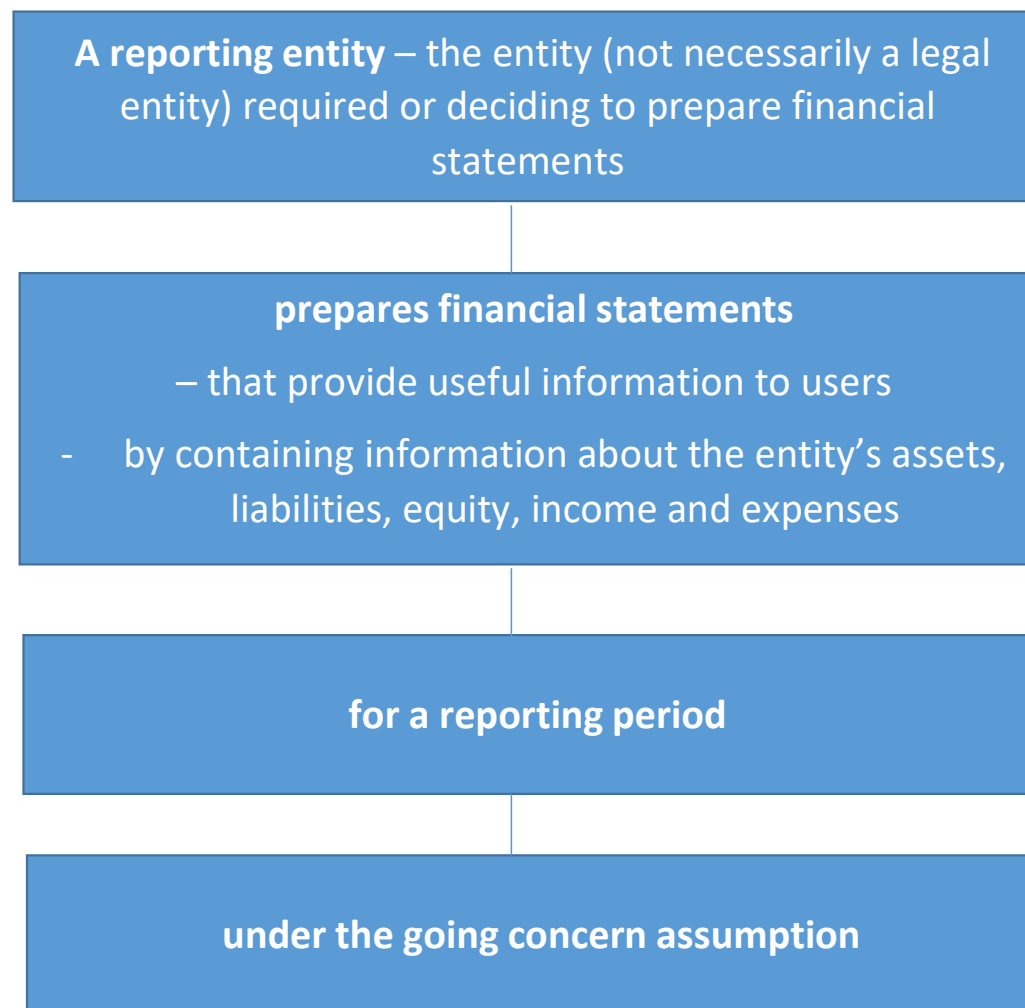
EXAMPLE on enhancing characteristics



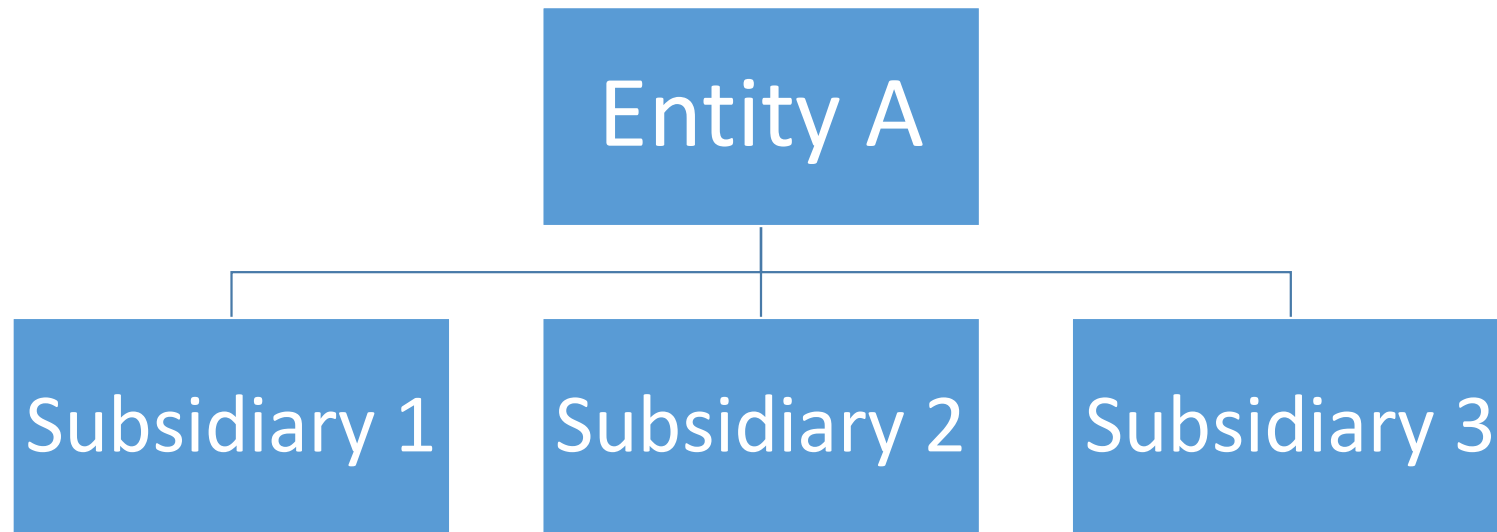
(2) The qualitative characteristics of useful financial information



(3) Financial statements and the reporting entity



EXAMPLE on reporting entity and period




(4) The elements of financial statements



Financial position

- Assets
- Liabilities
- Equity



Financial performance

- Income
- Expenses

Assets



An asset is a present economic resource controlled by the entity as a result of past events.

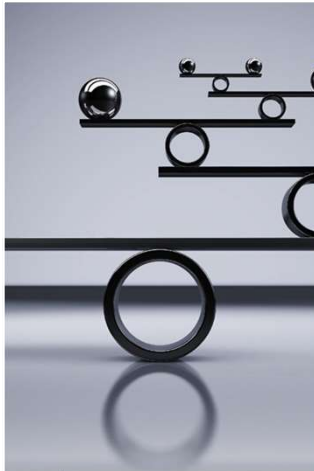
An economic resource is a right that has the potential to produce economic benefits.

Liabilities



A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

Equity



Equity is the residual interest in the assets of the entity after deducting all its liabilities.

Income



Income is increases in assets, or decreases in liabilities, that result in increases in equity, other than those relating to contributions from holders of equity claims

Expense



Expenses are decreases in assets, or increases in liabilities, that result in decreases in equity, other than those relating to distributions to holders of equity claims.

(5) Recognition and derecognition

Recognition

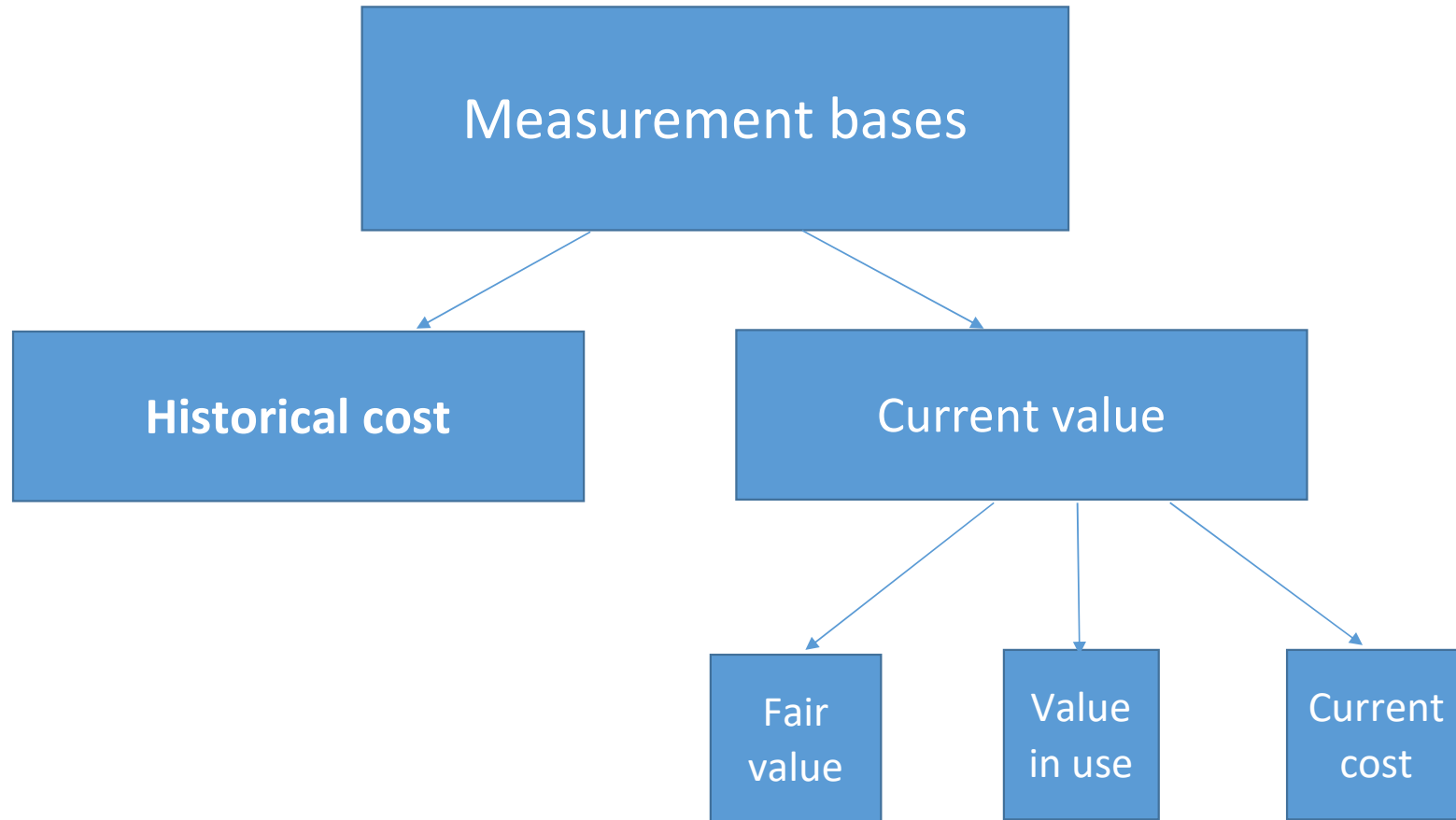
is the process of capturing for inclusion in the financial statements an item that meets the definition of one of the elements of financial statements

(5) Recognition and derecognition

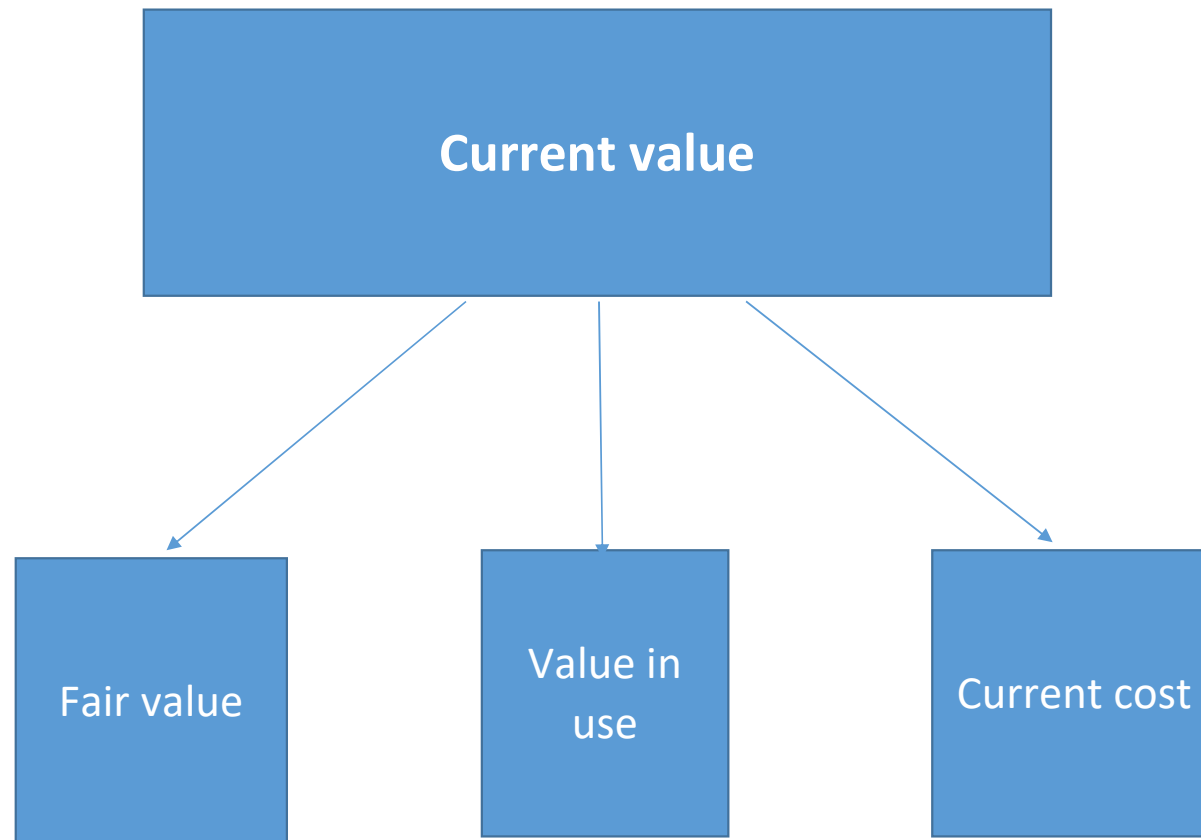
is the removal of all or part of a recognised asset or liability from an entity's statement of financial position

Derecognition

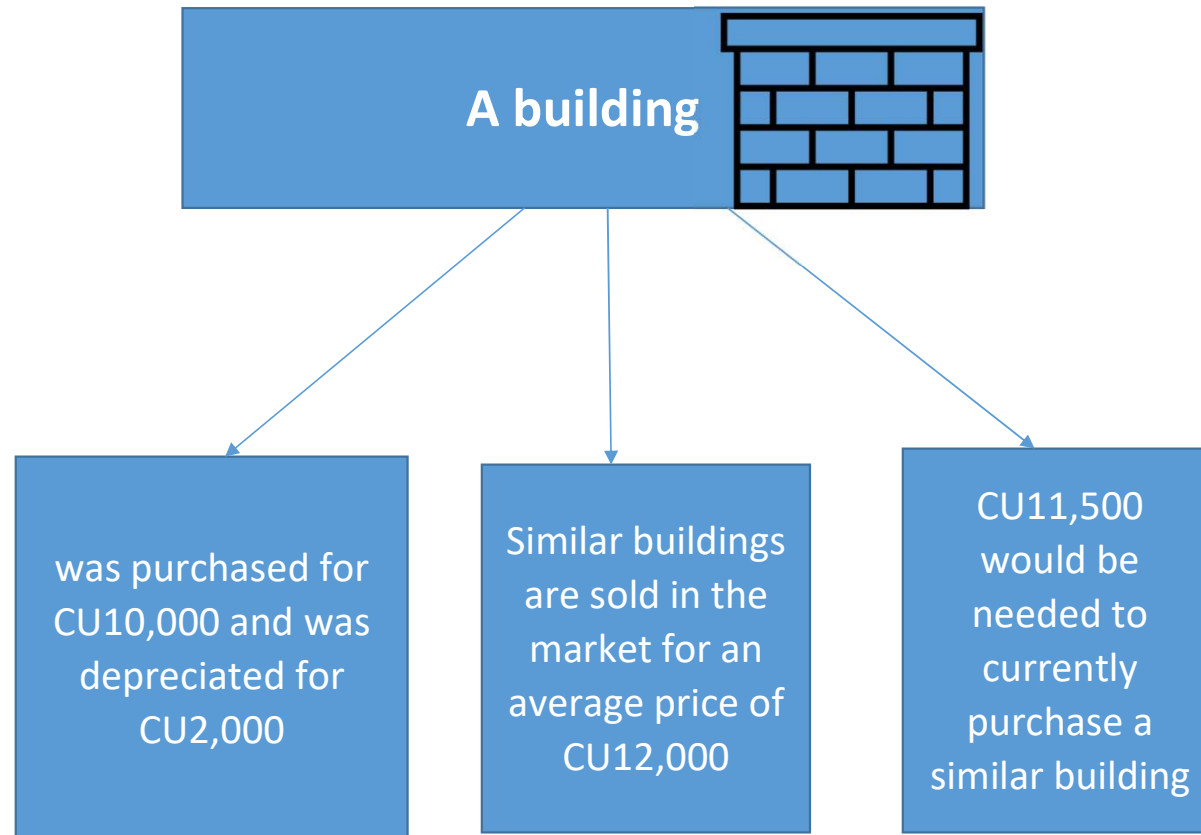
(6) Measurement principles



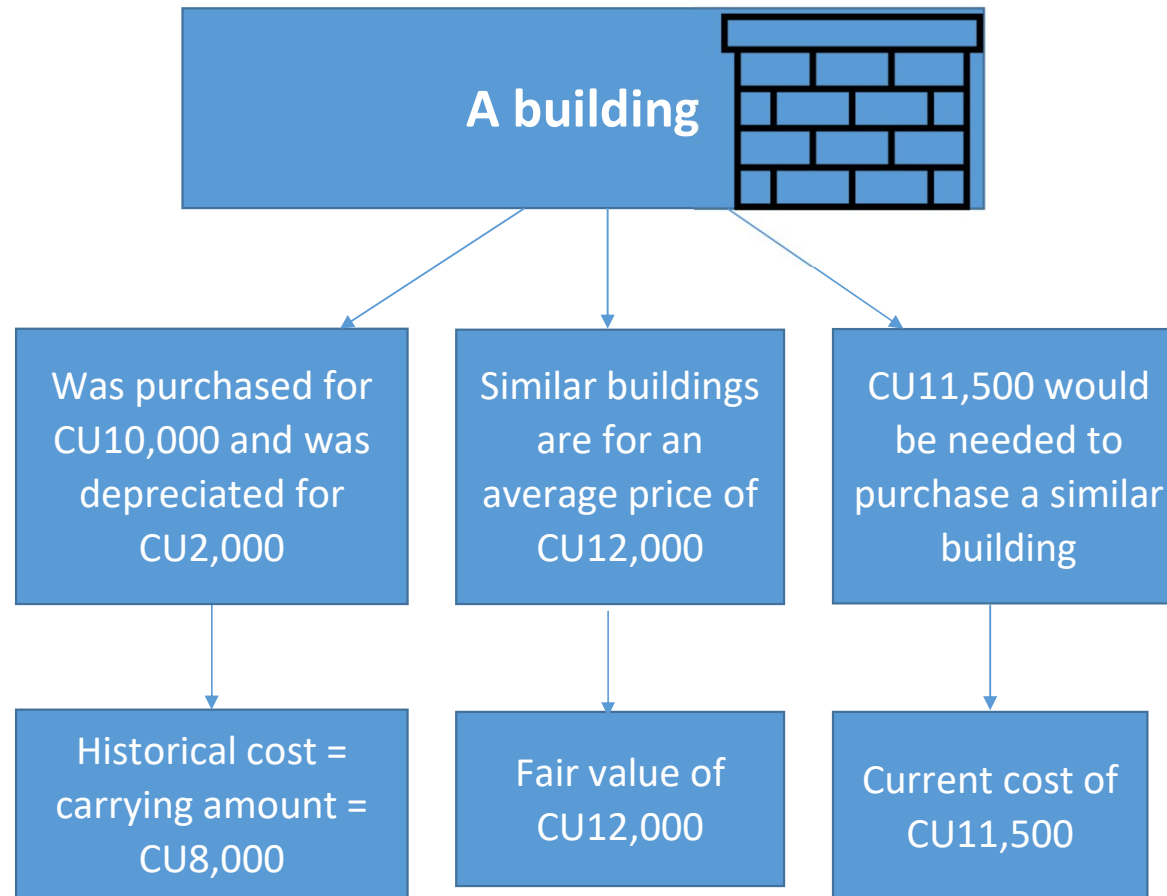
(6) Measurement principles



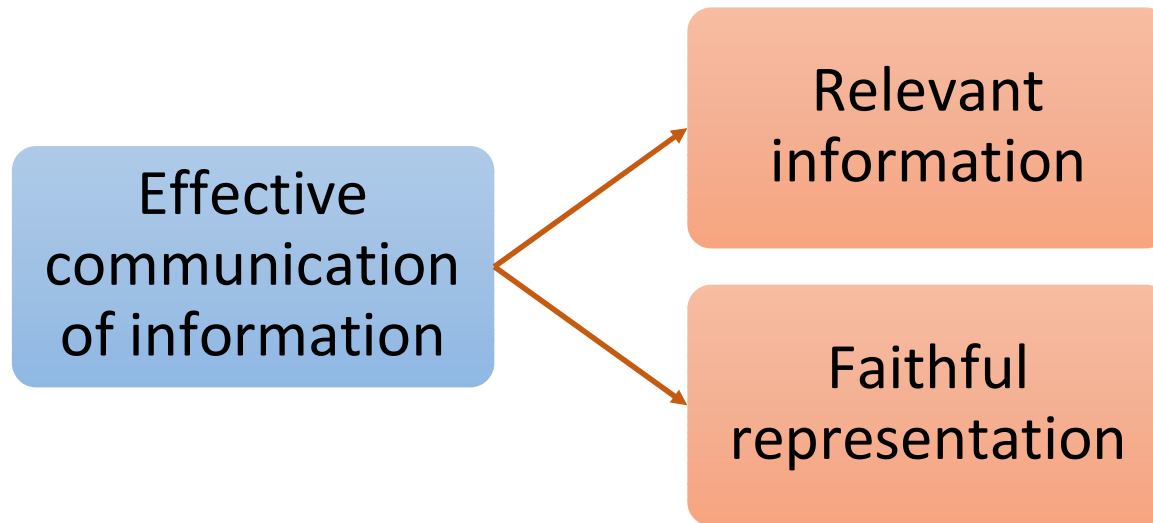
EXAMPLE on measurement bases



EXAMPLE on measurement bases - solution



(7) Presentation and disclosure



(7) Presentation and disclosure

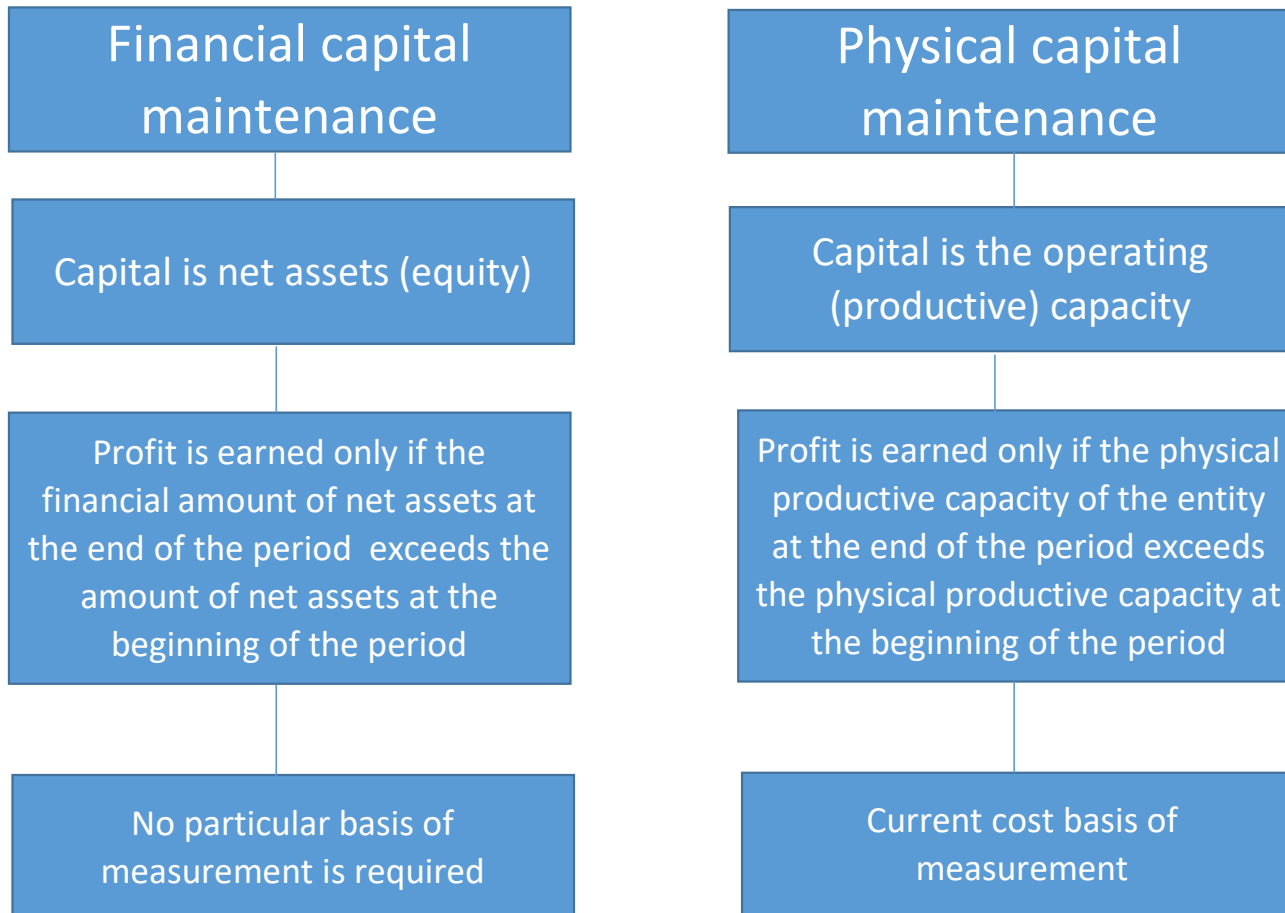
Classification

Is the sorting of financial statement elements based on shared characteristics

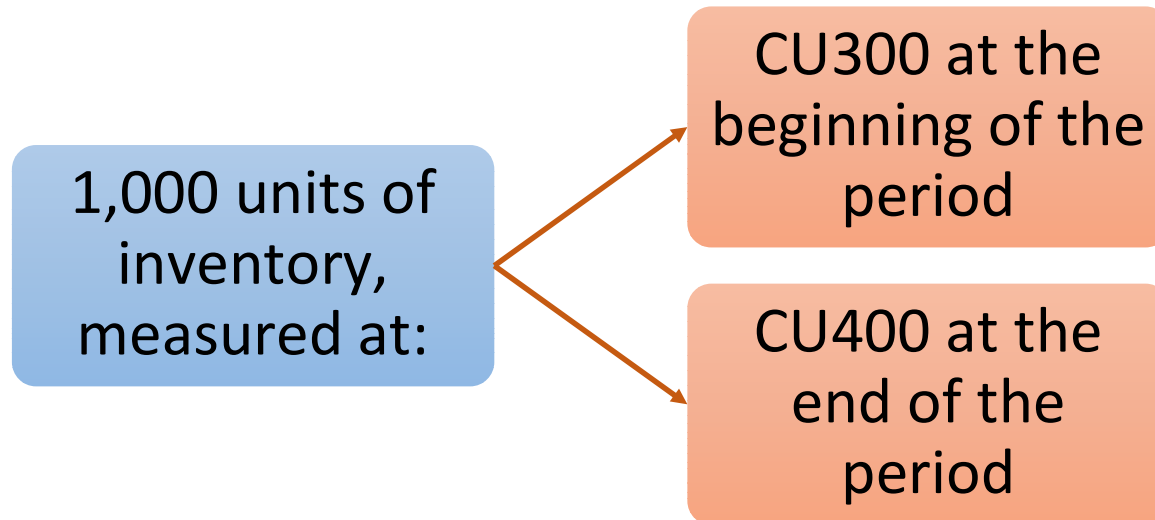
Aggregation

Is the adding together of financial statement elements based on shared characteristics

(8) Concepts of capital and capital maintenance



EXAMPLE on concepts of capital and capital maintenance



ADDITIONAL EXAMPLE

CFFR Ltd. Case

- Is a group reporting under IFRS
- The reporting period is 1 January-31 December 20X1
- Assets and liabilities are classified as current or non-current, aggregated on the face of the statement of financial position
- Buildings are measured at cost, while land is measured at revalued amounts
- CFFR Ltd. sold a building; the resulting gain is not reported separately

ADDITIONAL EXAMPLE solution

CFFR Ltd.
Case

- CFFR Ltd. is the reporting entity, and the calendar year is the reporting period
- Relevance
- Faithful representation
- Verifiability
- Understandability
- Timely
- Completeness
- Comparability

ADDITIONAL EXAMPLE solution (cont.)

CFFR Ltd.
Case

- Aggregation
- Measurement bases
- Lack of relevance for the non-reported gain



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