Postgraduate Certificate in International Finance

International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by the International Accounting Standards Board (IASB) that are used by companies to prepare and present their financial statements. These standards aim to provide a common global language for business affairs so that financial statements are understandable and comparable across international boundaries. In this course, the Postgraduate Certificate in International Finance, students will learn about the key terms and vocabulary related to IFRS that are essential for understanding and applying these standards in practice.

1. **IASB (International Accounting Standards Board)**: The IASB is an independent accounting standard-setting body that develops and approves International Financial Reporting Standards (IFRS). It is responsible for promoting the use and application of these standards globally.

2. **IFRS Foundation**: The IFRS Foundation is the oversight body of the IASB. It is responsible for the governance and administration of the IASB and plays a key role in ensuring the independence and accountability of the standard-setting process.

3. **Financial Statements**: Financial statements are formal records of the financial activities and position of a business, organization, or entity. The main types of financial statements prepared under IFRS are the statement of financial position (balance sheet), statement of comprehensive income (income statement), statement of changes in equity, and statement of cash flows.

4. **Statement of Financial Position (Balance Sheet)**: The statement of financial position, commonly known as the balance sheet, provides a snapshot of an entity's financial position at a specific point in time. It shows the assets, liabilities, and equity of the entity.

5. **Statement of Comprehensive Income (Income Statement)**: The statement of comprehensive income, commonly known as the income statement, shows the revenues, expenses, and profits or losses of an entity over a specific period. It provides information on the entity's financial performance.

6. **Statement of Changes in Equity**: The statement of changes in equity shows the changes in equity of an entity over a specific period. It includes transactions with owners and other changes in equity that are not included in the income statement.

7. **Statement of Cash Flows**: The statement of cash flows shows the cash inflows and outflows of an entity over a specific period. It provides information on the entity's cash and cash equivalents and how they have changed during the period.

8. **Recognition**: Recognition refers to the process of including an item in the financial statements of an entity. Under IFRS, an item is recognized when it meets the definition of an element of the financial statements (e.g., assets, liabilities, equity, income, or expenses) and satisfies certain criteria.

9. **Measurement**: Measurement refers to the process of determining the monetary amounts at which items are included in the financial statements. IFRS provides guidance on the different measurement bases, such as historical cost, fair value, and present value, that can be used to measure assets, liabilities, income, and expenses.

10. **Fair Value**: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a key measurement basis under IFRS and is used for various assets and liabilities, including financial instruments and investment properties.

11. **Historical Cost**: Historical cost is the original cost of an asset or liability at the time of acquisition or incurrence. It is another commonly used measurement basis under IFRS, particularly for items such as property, plant, and equipment.

12. **Consolidation**: Consolidation is the process of combining the financial statements of a parent company and its subsidiaries into a single set of financial statements. Under IFRS, entities are required to prepare consolidated financial statements when they have control over one or more other entities.

13. **Non-controlling Interest (NCI)**: Non-controlling interest, also known as minority interest, is the portion of equity in a subsidiary not attributable to the parent company. It represents the ownership interests in a subsidiary held by parties other than the parent.

14. **Business Combinations**: Business combinations occur when one entity acquires control over another entity. Under IFRS, the acquirer is required to recognize the assets, liabilities, and non-controlling interests of the acquiree at fair value at the acquisition date.

15. **Goodwill**: Goodwill is an intangible asset that represents the excess of the purchase price of a business over the fair value of its identifiable net assets acquired in a business combination. Goodwill is tested for impairment annually or more frequently if there are indicators of impairment.

16. **Impairment**: Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Under IFRS, entities are required to test assets for impairment and recognize any impairment losses in the financial statements.

17. **Revenue Recognition**: Revenue recognition refers to the process of recognizing revenue in the financial statements. IFRS provides guidance on when to recognize revenue and how to measure it, including specific requirements for different types of transactions and industries.

18. **IFRS 15 Revenue from Contracts with Customers**: IFRS 15 is the standard that provides guidance on revenue recognition from contracts with customers. It establishes a five-step model for recognizing revenue and requires entities to consider the transfer of control over goods or services to customers.

19. **Leases (IFRS 16)**: IFRS 16 is the standard that sets out the principles for the recognition, measurement, presentation, and disclosure of leases. It requires lessees to recognize most leases on their balance sheets as lease liabilities and right-of-use assets.

20. **Financial Instruments**: Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. IFRS provides detailed guidance on the classification, measurement, derecognition, and disclosure of financial instruments.

21. **IFRS 9 Financial Instruments**: IFRS 9 is the standard that provides guidance on the classification and measurement of financial assets and financial liabilities. It introduces a single, principles-based approach to classification and measurement and includes requirements for impairment and hedge accounting.

22. **Hedge Accounting**: Hedge accounting allows entities to offset the impact of changes in the fair value of hedged items and hedging instruments in the financial statements. IFRS provides specific requirements for hedge accounting to ensure that the economic effects of hedging activities are reflected accurately.

23. **Consolidated Financial Statements**: Consolidated financial statements combine the financial statements of a parent company and its subsidiaries into a single set of financial statements. Under IFRS, entities are required to prepare consolidated financial statements when they have control over one or more other entities.

24. **Joint Arrangements**: Joint arrangements are arrangements in which two or more parties have joint control over the arrangement. IFRS provides guidance on the classification, accounting, and disclosure of joint arrangements based on the level of control and rights of the parties involved.

25. **Share-based Payment**: Share-based payment arrangements are transactions in which an entity receives goods or services as consideration for equity instruments of the entity (or for liabilities that are based on the price of the entity's equity instruments). IFRS provides specific requirements for the accounting and disclosure of share-based payment transactions.

26. **IFRS 2 Share-based Payment**: IFRS 2 is the standard that provides guidance on the accounting treatment of share-based payment transactions. It requires entities to measure the fair value of equity-settled share-based payments and recognize the related expense in the financial statements.

27. **Employee Benefits**: Employee benefits are all forms of consideration given by an entity in exchange for services rendered by employees. IFRS provides specific requirements for the accounting and disclosure of employee benefits, including short-term benefits, post-employment benefits, and other long-term benefits.

28. **IFRS 19 Employee Benefits**: IFRS 19 is the standard that provides guidance on the accounting treatment of employee benefits. It requires entities to recognize the cost of employee benefits as an expense in the period in which the benefits are earned by employees.

29. **Fair Value Measurement**: Fair value measurement is the process of determining the fair value of assets, liabilities, and equity instruments for financial reporting purposes. IFRS provides a framework for measuring fair value and requires entities to disclose information about the inputs and techniques used in determining fair value.

30. **Disclosure**: Disclosure refers to the presentation of information in the financial statements that is

relevant to the users of the financial statements. IFRS requires entities to provide a comprehensive set of disclosures that enable users to understand the financial position and performance of the entity.

31. **International Accounting Standards (IAS)**: International Accounting Standards (IAS) are the former set of accounting standards issued by the International Accounting Standards Committee (IASC) before the adoption of IFRS. Many IAS have been replaced by IFRS, but some are still applicable for specific transactions or industries.

32. **First-time Adoption of IFRS**: First-time adoption of IFRS refers to the process of transitioning from national accounting standards to IFRS for the first time. Entities are required to prepare an opening balance sheet as at the date of transition and apply IFRS accounting policies retrospectively.

33. **Financial Reporting Framework**: The financial reporting framework is the set of rules, procedures, and principles that govern the preparation and presentation of financial statements. IFRS is a comprehensive financial reporting framework that provides guidance on the recognition, measurement, and disclosure of financial information.

34. **Conceptual Framework for Financial Reporting**: The conceptual framework for financial reporting is a set of concepts and principles that underlie the preparation and presentation of financial statements. It provides a basis for developing accounting standards and resolving accounting issues.

35. **Materiality**: Materiality is the concept that information is material if omitting or misstating it could influence the economic decisions of users of the financial statements. IFRS requires entities to consider materiality when preparing and presenting financial information.

36. **Comparative Information**: Comparative information is the presentation of corresponding figures from the previous period alongside the current period's financial statements. IFRS requires entities to provide comparative information to enable users to analyze the entity's financial performance and position over time.

37. **Going Concern**: Going concern is the assumption that an entity will continue to operate in the foreseeable future. IFRS requires entities to assess their ability to continue as a going concern and disclose any material uncertainties that may cast doubt on the entity's ability to continue operating.

38. **Accounting Policies**: Accounting policies are the specific principles, bases, conventions, rules, and practices adopted by an entity in preparing and presenting its financial statements. IFRS requires entities to select and apply accounting policies that result in reliable and relevant financial information.

39. **Estimates**: Estimates are judgments or assumptions made by management in preparing financial statements that are inherently uncertain. IFRS requires entities to make estimates based on the best available information and disclose the key assumptions and uncertainties that could affect the amounts reported in the financial statements.

40. **Events after the Reporting Period**: Events after the reporting period are those events that occur between the end of the reporting period and the date when the financial statements are authorized for

issue. IFRS requires entities to adjust the financial statements for material events occurring after the reporting period and provide disclosures about the nature and impact of these events.

41. **Subsequent Events**: Subsequent events are events that occur after the reporting period but before the financial statements are issued. IFRS requires entities to evaluate subsequent events for disclosure in the financial statements and adjust the financial statements if necessary.

42. **Contingent Liabilities**: Contingent liabilities are potential obligations that may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events. IFRS requires entities to disclose contingent liabilities in the financial statements unless the possibility of an outflow of resources is remote.

43. **Related Party Transactions**: Related party transactions are transactions between an entity and its related parties, including subsidiaries, associates, joint ventures, and key management personnel. IFRS requires entities to disclose related party transactions and provide information about the nature of the relationship and the transactions conducted.

44. **Segment Reporting**: Segment reporting is the disclosure of financial information about an entity's operating segments to enable users to evaluate the entity's performance and risks. IFRS requires entities to report segment information based on the management approach, which reflects how management organizes the business and makes operating decisions.

45. **Consistency of Presentation**: Consistency of presentation refers to the uniform application of accounting policies and presentation formats from one period to the next. IFRS requires entities to maintain consistency in the presentation of financial information to facilitate comparability and understandability.

46. **Material Misstatement**: Material misstatement is an error or omission in the financial statements that could influence the economic decisions of users. IFRS requires entities to identify and correct material misstatements and provide disclosures about the nature and impact of these errors.

47. **Audit**: An audit is an independent examination of an entity's financial statements and underlying information by a qualified auditor. IFRS requires entities to have their financial statements audited to provide assurance on the reliability and fairness of the information presented.

48. **Internal Controls**: Internal controls are processes implemented by management to provide reasonable assurance regarding the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with laws and regulations. IFRS requires entities to establish and maintain effective internal controls to ensure the integrity of financial information.

49. **IFRS for SMEs (Small and Medium-sized Entities)**: IFRS for SMEs is a simplified set of accounting standards designed for small and medium-sized entities that do not have public accountability. It provides a streamlined framework for preparing financial statements that are relevant and reliable for users.

50. **Challenges of Implementing IFRS**: Implementing IFRS can pose several challenges for entities, including changes in accounting policies, systems, processes, and controls. Entities may also face challenges

in interpreting and applying complex standards, training staff, and communicating the impact of IFRS adoption to stakeholders.

In conclusion, understanding the key terms and vocabulary related to International Financial Reporting Standards (IFRS) is essential for students in the Postgraduate Certificate in International Finance. These terms provide a foundation for applying the standards in practice and preparing financial statements that are transparent, comparable, and reliable. By mastering these concepts, students will be equipped to navigate the complexities of IFRS and contribute to the global harmonization of financial reporting.