

Advanced Accounting and Reporting under IFRS

A Two-Day Programme (Can be extended to Three or Four Days)



Aims and Objectives

The aim of this course is for participants to explore a range of advanced and controversial topics in international accounting standards (IFRS) and to update themselves on current developments in this fast-changing area.

By the end of this course, participants will be able to:

- Identify the key issues to be resolved when accounting under IFRS for complex or unfamiliar transactions
- Assess critically the potential impact of recent and impending IFRS developments on a range of transactions

Methodology

To the fullest extent possible within the overall time constraints of the programme, delivery will be interactive, with a strong emphasis on learning-by-doing through exercises, group discussions and presentations.

Case Studies

Case studies will be used extensively, to give a strong practical support to the theoretical learning objectives of the programme.

Wherever it is appropriate, examples will be drawn from the client's own business.

Day One

Session 1

Overview of current IFRS projects

- Convergence of IFRS with US GAAP
- Joint IASB/FASB projects
- Revenue recognition
- Fair value accounting
- Reducing complexity in financial statements
- Segmental reporting

Exercise: Group review of recent press coverage of accounting issues

Session 2

Revenue Recognition

- Analysis of competing methodologies currently under scrutiny by IASB
- Accounting for long-term cross-border contracts under conditions of multiple uncertainty
- Implications of accounting for service concession agreements under IFRIC 12:
 - Earnings volatility
 - Dividend and tax effects

Exercise: Accounting for a toll-road concession under IFRIC 12

Session 3

Fair Value Accounting

- What is Fair Value in unstable market conditions?
- Mark-to-model: but which model?
- Discussion of impact on earnings volatility and equity
- Discussion of pros and cons of further extensions or restrictions in use of FV accounting
- The October 2008 amendment to IAS 39

Case study: Comparing the Impact of FV accounting on a range of companies

Session 4

Financial Instruments: 1 – Navigating the minefield of IAS 39

- Full analysis of each of the four (two) categories of financial assets (liabilities)
- Transfers between categories
- Applying the impairment provisions under unstable market conditions
- Day One Profit – problems and opportunities
- Fair valuing own debt: does it make sense?

Exercise: Impairment of AFS assets

Day Two

Session 1

Financial Instruments: 2 - Derivatives

- Review of basic accounting for derivatives
- Analysing and accounting for complex derivatives
- Embedded derivatives

Exercises: Interest rate caps, floors and collars

Session 2

Financial Instruments: 3 – Hedge Accounting

- Why IFRS is least friendly to some of the economically most effective hedges
- Testing hedge effectiveness under unstable market conditions
- Problems associated with ‘highly probable’ forecast transactions
- Pros and cons of hedge accounting vs exercising the FVPL option

Case study: EADS (Airbus) – hedging of currency risk on \$-based future sales of aircraft

Session 3

Business Combinations

- Developments in consolidation accounting
- Partial acquisitions and disposals
- Classification of disposal groups as available-for-sale

Exercises

Session 4

Disclosure Issues

- IFRS 7: theoretical principles vs practical problems
- IFRS 8: Segmental reporting: balancing transparency with commercial confidentiality and the cost-benefit trade-off

Case studies: Review of 2007 annual reports based on PwC September 2008 analysis

Course Summary and Evaluation