Question # 1

Importance of IAS

IAS 2 Inventories

IAS 2 Inventories contains accounting rules and principles that need to be followed with respect to inventories when Financial statement of a Company are being prepared according to IFRS.
The major requirements of IAS 2 are regarding the determination of Cost on initial recognition, the subsequent measurment and the disclosures that need to be given in the financial statements.

Importance of IA2 / Scope

IAS 2 is applicable to all inventories other than the following

* Financial instruments (these are treated as per IAS 32 and IFRS 9)

In addition to above exceptions, the standard also excludes the following only from its measurment requirements. These entities adopt industry best practices for measurment.

* Producers of Agriculture / mineral product
* Commodity brokers.

IAS 7 Statement of Cashflows

IAS 7 statement of cashflows requires an entity to present a statement of cashflows as an integral part of its primary financial statements. Cashflows are classified and presented into operating activities (either using the 'direct' or 'indirect' method), investing activities or financing activities with the latter two categories generally presented on a gross basis.

IAS 7 was reissued in December 1992, retitled in September 2007 and is operative for financial statements covering periods beginning on or after 1 January 1994.

Importance/ Objective

The objective of IAS 7 is to require the presentation of information about the historical changes in cash and cash equivalents of an entity by means of a statement of cashflows, which classifies cashflows during the period according to operating, investing and financing activities

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IAS 18 Revenue

IAS 18 Revenue outlines the accounting requirements for when to recognise revenue from the sale of goods, rendering of services, and for interest, royalties and dividends. Revenue is measured at the fair value of the consideration recieved or recieveable and recognised when prescribed conditions are ~~made~~ met which depend on the nature of the revenue.

IAS 18 was reissued in December 1993 and is operative for periods beginning on or after 1 January 1995.

Objective / Importance

The objective of IAS 18 is to prescribe the accounting treatment for revenue arising from certain type of transactions and events. Revenue is recognised when it is probable that future economic benefits will flow to the entity and those benefits can be measured relaibity.

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 IAS 38 (Intangible Assets)

IAS 38 Intangible Assets outlines the Accounting requirements for intangible assets, which are non-monetary assets which are without physical substance and identifiable (either being separable or arising from contractual or other legal rights). Intangible assets meeting the relevent recognition criteria are initially measured at cost, subsequently measured at cost or using the revaluation model, and amortised on a systematic basis over their useful lives (unless the asset has an indefinite useful life, in which case it is not amortised.

IAS 38 was revised in March 2004 and applies to to intangible assets aquired in business combinations occurring on or after 31 march 2004, or otherwise to other intangible assets for annual periods beginning on or after 31 March 2004.

Objective

The objective of IAS 38 is to prescribe the accounting treatment for intangible assets that are not dealth with specifically in another IFRS. The standard requires an entity to recognise an intangible asset if, and only if, certain criteria are met. The standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures regarding intangible assets.

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Scope

IAS 38 applies to all ~~is to~~ intangible assets other than: [IAS 38.2-3]

* Financial assets (see IAS 32 Financial instruments:)
* exploration and evaluation assets (see IFRS 6 exploration for and evaluation of Mineral Resources)
* expenditure on the development and extraction of minerals, oil natural gas, and similar resources
* Intangible assets arising from insurance contracts issued by insurance companies.

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Question # 2

Importance of IFRS

IFRS standards address this challenges by providing a high quality, internationally recognised set of accounting standards that bring transparency, accountability and efficiency to financial markets around the world.

IFRS standards bring transparency by enhancing the international compatibility and equality of financial information, enabling investors and other market participants to make informed economic decisions.

IFRS standards strengthen accountability by reducing the information gap between the providers of capital and the people to whome they have entrusted their money. Our standards provide information that is needed to hold management to account. As a source of globaly comparable information, IFRS standards are also of vital importance to regulators around the world.

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IFRS 10 - Consolidated Financial Statements

IFRS 10 Consolidated financial statements outlines the requirements for the preparation and presentation of Consolidated financial statements, requiring entities to Consolidate entities it Controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

~~IFRS 10~~

IFRS 10 was issued in May 2011 and applies to annual periods beginning on or after 1 January 2013.

Dealing with Financial elements

IFRS 10 provides a single model for assessing whether an investor Controls an investee and provides more extensive guidance on applying this model. IFRS 10 applies to all investees and replaces the previous models for determining Control found in IAS 27 and interpretive guidance for special purpose entities found in SIC-12.

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IFRS 13 Fair Value Measurement

~~Fair~~ IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures. It does not introduce new fair value measurement, nor does it eliminate practicability exceptions to fair value measurements. In other words, IFRS 13 specifies how an entity should measure fair value and disclose information about fair value measurements. It does not specify when an entity should measure an asset, a liability or its own equity instruments at fair value.

IFRS 13 introduces a fair value hierarchy that categorizes inputs to valuation techniques into 3 levels. The highest priority is given to level 1 inputs and the lowest priority to level 3 inputs. An entity must maximise the use of level 1 inputs and minimize the use of Level 3 inputs.

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Question # 3

Income Statement

The income statement is one of the major financial statement statements used to analyze a Company. The other important documents are the balance sheet, the cash flow statement and the statement of Shareholder's equity.
The income statement is used to give a summary of the Companys revenues and expenses over a specific period of time. This information is then used to determine the total profit or loss to the Company over the stated accounting period.

Indication of Profitability

The income statement is important because it clearly states whether a Company are listed on its income statement. Subtracting the revenues from the sale gives gross profit and then subtracting all the expenses from gross profit gives net profit.

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Balance Sheet

A Company's balance sheet, also known as a "statement of financial position," reveals the firm's assets, liabilities and owner's equity (net worth). The balance sheet, together with the income statement and Cashflow statement, make up the Cornerstone of any Company's financial statements. If you are a shareholder of a Company or a potential investor, it is important that you understand how the balance sheet is structured, how to analyze it and how to read it.

How balance sheet Works

The balance sheet is divided into two parts that, based on the following equation, must equal each other or balance each other out. The main formula behind a balance sheet is

Asset = Liabilities + Shareholder Equity

This means that assets, or the means used to operate the Company, are balanced by a Company's financial Obligations along with the equity with the equity investment brought into the Company and its retained earning.

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Statement of Retain Eearning

The Statement of Retained Earnings, or statement of owner's equity, is an important part of your eccounting process. Retained earnings represent the amount of net income or profit left in the Company after dividend are paid out to Stockholders. The Company Can then reinvest this income into the firm,

The statement of retained earnings Can be prepared as its own, standalone Schedule, but many Companies also append it to the bottom of another statement statement, such as balance sheet.

This Schedule is most often prepared for outside parties, such as lenders of investors since internal staff usually hav access to this information.

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Statement of Cash Flows

The statement of Cashflows tells you how much cash went into and out of a Company during a specific time frame such as a quarter or a year. You may wonder. The statement of the cashflow is very important to the investor because it shows how much actual cash a Company has generated. The income statement on the other hand, often includes noncash revenues or expenses, which the statement of cash flows excludes.

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Liquidity Ratios

Liquidity ratios are an important class of financial metrics used to determine a debtors ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cashflow ratio.

Common Liquidity Ratios

The Current Ratio

The current ratio measures a company's ability to pay off its current liabilities (payable within one year) with its current assets such as cash, accounts recievable and inventories. The higher the ratio, the better the company's liquidity position.

$$\text{Current} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

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The Quick Ratio :-

The quick ratio measures a Company's ability to meet its short-term obligations with its most liquid assets and therefore excludes inventories from its Current asset. It is also known as the "acid-test ratio".

$$\text{Quick Ratio} = \frac{C + MS + AR}{CL}$$

C = Cash and cash equivalents
MS = Marketable Securities
AR = Accounts receivable
CL = Current laibilities

Another way to express this is

$$\text{Quick ratio} = \frac{(\text{current assets} - \text{inventory} - \text{prepaid expenses})}{\text{Current laibilities}}$$

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Activity Analysis

Activity analysis or activity ratios is type of financial metric that indicates how efficiently a Company is leveraging the assets on its balance sheet, to generate revenues and Cash Commonly refferend to as efficiency ratios, activity ratios help analysts gauge how a Company handles inventory management, which is key its operational fluidity and overall fiscal health.

Accounts Recievable Turn Ratio

The accounts recieables turnover ratio, also known as debtor's ratio, is an activity ratio that measures the efficiency with which the business is utilizing its asset.

Accounts Receiables Turnover

= Net credit sales / Average Account Receivable

Working Capital Ratio

The working Capital turnover ratio indicates a business effectiveness is utilizing its working Capital. Working Capital is the total amount of

Current assets minus the current laibilities.

Working Capital Ratio

= Net Sales / Working Capital

Asset Turnover Ratio

The asset turnover Ratio measures the efficieny with which a company utilizes its assets to generate sale. The ratio calculates net sales as a ~~pecentage~~ of assets

Asset Turnover Ratio

= Sales / Average Total Assets

Fixed Asset Turn over Ratio

This ratio measure the business' ability to generate sales from fixed assets such as property plant and equipment. ~~To C~~

Fixed asset turnover Ratio

= Net sales / (Fixed Assets - Accumulated Depreciation)

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