

财务会计和报告

(英文注释版·第15版)



Financial Accounting and Reporting
Fifteenth Edition

【英】 Barry Elliott 著
Jamie Elliott



電子工業出版社
PUBLISHING HOUSE OF ELECTRONICS INDUSTRY
<http://www.phei.com.cn>

财务会计和报告

(英文注释版·第15版)



Financial Accounting and Reporting
Fifteenth Edition

【英】 Barry Elliott 著
Jamie Elliott

電子工業出版社
Publishing House of Electronics Industry
北京·BEIJING

内 容 简 介

本书旨在向读者呈现一个全面的会计准则体系及财务报告框架,以确保学生能够获得必要的会计学知识和技能。学生在对会计理论知识深入学习后不仅可以对当前的会计制度进行批判性的评价,还可以从基础理论的角度评估诸多改进性意见。本书主要包括:现行的国际会计准则(ISA)和国际财务报告准则(IFRS);公开报告中截选的会计案例;提纲挈领的复习题;不同难度的练习题;丰富的参考文献。

本书适合会计专业的高年级本科生、研究生以及MPAcc、企业的高级主管和财务总监等人员作为参考资料。

Original edition entitled Financial Accounting and Reporting, Fifteenth Edition, 9780273760795 by Barry Elliott, Jamie Elliott, published by Pearson Education, Ltd, publishing as Prentice Hall, Copyright © 2012 Pearson Education Limited.

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage retrieval system, without permission from Pearson Education, Ltd.

China edition published by PEARSON EDUCATION ASIA LTD., and PUBLISHING HOUSE OF ELECTRONICS INDUSTRY, by arrangement with Pearson Education Limited. Copyright © 2013.

This edition is manufactured in the People's Republic of China, and is authorized for sale only in the mainland of People's Republic of China exclusively (except Taiwan, Hong Kong SAR and Macau SAR).

本书英文注释版专有出版权由 Pearson Education(培生教育出版集团)授权电子工业出版社。未经出版者预先书面许可,不得以任何方式复制或抄袭本书的任何部分。

此版本仅限在中国大陆发行与销售。

本书贴有 Pearson Education(培生教育出版集团)激光防伪标签,无标签者不得销售。

版权贸易合同登记号 图字:01-2013-1241

图书在版编目(CIP)数据

财务会计和报告=Financial accounting and reporting:英文注释版:第15版/(英)埃利奥特(Elliott, B.), (英)埃利奥特(Elliott, J.)著. —北京:电子工业出版社,2013.6

(华信经管引进精品)

ISBN 978-7-121-20500-2

I. ①财… II. ①埃… ②埃… III. 财务会计—会计报告—高等学校—教材—英文 IV. ①F234.4

中国版本图书馆CIP数据核字(2013)第109358号

策划编辑:石会敏

责任编辑:石会敏 文字编辑:徐 颢

印 刷:三河市鑫金马印装有限公司

装 订:三河市鑫金马印装有限公司

出版发行:电子工业出版社

北京市海淀区万寿路173信箱 邮编 100036

开 本:787×1092 1/16 印张:34.25 字数:877千字 插页:1

印 次:2013年6月第1次印刷

定 价:69.00元

凡所购买电子工业出版社图书有缺损问题,请向购买书店调换。若书店售缺,请与本社发行部联系,联系及购电话:(010)88254888。

质量投诉请发邮件至 zltts@phei.com.cn, 盗版侵权举报请发邮件至 dbqq@phei.com.cn。

服务热线:(010)88258888。

前言

本书旨在向读者呈现一个全面的会计准则体系及财务报告框架，以确保学生能够获得必要的会计知识和技能。学生在对会计理论知识深入学习后不仅可以对当前的会计制度进行批判性的评价，还可以从基础理论的角度评估诸多改进性意见。本书主要包括：

- 现行的国际会计准则（ISA）和国际财务报告准则（IFRS）；
- 公开报告中截选的会计案例；
- 提纲挈领的复习题；
- 不同难度的练习题；
- 丰富的参考文献。

我们假设本书的使用者具备基本的财务会计知识，正文和习题也是基于这一假设而编写的。为了使会计初学者也能够理解书中所讲内容，我们在第一部分“编制财务报表”中通俗地对会计学基础进行了讲解，以帮助那些没有会计学基础的读者学习。

本书提供了足够的广度和深度以满足不同阶段读者的需求。教师可以使用本书来完成本科二年级、最后一年以及研究生阶段的一系列教学计划。

以下课程均划分为财务会计模块和报告分析模块：

- 会计、工商管理 and 经济学方向本科二年级学生的课程；
- 会计、工商管理 and 经济学方向本科最后一年学生的课程；
- MBA 课程；
- 专业学位硕士课程；
- 为学生进行专业性会计考试而开设的课程。

第 14 版的变动

会计准则

2005 年 1 月英国上市公司和非上市公司已申请采用国际准则。

非上市公司继续采用英国公认会计原则，会计准则理事会（ASB）承诺英国公认会计原则将逐步与国际标准接轨。

目前公司使用的小企业财务报告准则将会继续使用下去。2009 年国际会计准则理事会（IASB）为中小型企业（SME）发布了相关的国际财务报告准则（IFRS）。

会计准则——第 15 版的更新

第 9 章和第 10 章涵盖了全球标准的演变和一个全球性的概念框架。

本书所涉及的主题和国际准则列示如下：

第 3 章 编制财务报表	国际会计准则（IAS）第 1 号
第 4 章 编制财务报表附注	国际会计准则第 10 号和第 24 号
	国际财务报告准则（IFRS）第 10 号和第 8 号
第 5 章 现金流量表	国际会计准则第 7 号
第 7 章 物价变动会计	国际会计准则第 29 号

第 13 章 负债	国际会计准则第 37 号
第 14 章 金融工具	国际会计准则第 32 号和第 39 号
	国际财务报告准则第 7 号和第 9 号
第 15 章 员工福利	国际会计准则第 19 号和第 26 号
	国际财务报告准则第 2 号
第 16 章 公司所得税	国际会计准则第 12 号
第 17 章 不动产、厂房和设备	国际会计准则第 16 号、第 20 号、第 23 号
	第 36 号和第 40 号
	国际财务报告准则第 5 号
第 18 章 租赁	国际会计准则第 17 号
第 19 章 研发、商誉、无形资产和品牌	国际会计准则第 38 号
	国际财务报告准则第 3 号
第 20 章 存货	国际会计准则第 2 号
第 21 章 创建合同	国际会计准则第 11 号
第 22~26 章 企业合并	国际会计准则第 21 号、第 28 号
	国际财务报告准则第 3 号、第 10 号、第 11 号和第 12 号
第 27 章 每股收益	国际会计准则第 33 号

财务报表的编制

第 1 章和第 2 章涵盖了以权责发生制为基础的现金流的会计计量和报告。第 3~5 章包括了利润表、资产负债表和现金流量表的编制。

收入及资产价值的计量

第 6 章和第 7 章分别介绍了衡量经济收入的方法、物价变动会计。第 8 章介绍了国际会计准则理事会关于收入确认的建议。

英国的监管框架及其分析

英国上市公司将继续受到本国公司法的监管，以达到诸如经营和财务审查、英国企业公司治理准则的要求。

英国的监管框架及其分析——第 15 版的变动

下列章节被酌情保留和更新：

- 第 11 章 道德行为及对会计师的意义
 - 第 12 章 股本、可分配利润和减少股本
 - 第 13 章 资产负债表外融资，现改名为负债
 - 第 28 章 回顾财务比率分析
 - 第 29 章 解析财务分析——如何选择使用财务比率
- 本书的内容坚持与时俱进，响应读者的建设性意见。

最新发展

一方面，监管机构正采取措施向国际财务会计报告准则趋同。此举得到了广泛的支持。另一方面，

在美国和欧洲地区近年来时有爆出会计丑闻和不断增长的高管薪酬似乎并未与公司业绩之间呈现明显的相关关系而致股东们怨气积聚的背景下，监管机构还需更多考虑公司治理问题。

编制者、利益相关者、审计师、学者和准则制定者会继续对财务报告的内容进行探讨，这反映了理论和实践之间仍存在紧张关系。

- 编制者倾向于使用历史成本来编制报告，但这不能为股东提供评价过去业绩或是预测未来赢利的相关信息；
- 股东倾向于可预计未来股利及资本增长或可预计对环境和社会造成影响的前瞻性报告；
- 利益相关者倾向于量化的信息，以披露对环境和社会造成的影响，并采取措施减少负面影响；
- 审计师倾向于可验证的财务报告，以便审核数字，避免在未来发现数字错误；
- 会计学者倾向于财务报告能反映会计实质，并且能够提供评估管理绩效和评价公司适应能力的相关信息；
- 准则制定者倾向于会计学者的观点，认为财务报告要基于交易的商业实质。

为了更好地理解理论和实践存在的紧张关系，学生需要：

- 掌握依据历史成本和现实成本惯例编制财务报告的技能，这两种方法都出现在年度财务报告中；
- 了解强制性准则和自愿性准则的要点；
- 了解灵活编制财务报告对赢利及资产负债表中数字的影响程度；
- 了解财务报告在描述经济实质时的局限性；
- 在时间允许的情况下，了解原始材料以及其他已公布的材料。

教学手册

本书提供的教学手册包括了所有习题答案和高质量的幻灯片。授课教师只要向出版商提出申请，便可免费获得该手册（请在华信教育资源网上注册申请，另本书大量的习题可在该网站直接下载）。教师可以在网站上下载电子版的教学手册，下载地址是 www.pearsoned.co.uk/elliott-elliott。

Preface

Our objective is to provide a balanced and comprehensive framework to enable students to acquire the requisite knowledge and skills to appraise current practice critically and to evaluate proposed changes from a theoretical base. To this end, the text contains:

- current IASs and IFRSs;
- illustrations from published accounts;
- a range of review questions;
- exercises of varying difficulty;
- extensive references.

We have assumed that readers will have an understanding of financial accounting to a foundation or first-year level, although the text and exercises have been designed on the basis that a brief revision is still helpful. For the preparation of financial statements in Part 1 we have structured the five chapters to assist readers who may have no accounting knowledge.

Lecturers are using the text selectively to support a range of teaching programmes for second-year and final-year undergraduate and postgraduate programmes. We have therefore attempted to provide subject coverage of sufficient breadth and depth to assist selective use.

The text has been adopted for financial accounting, reporting and analysis modules on:

- second-year undergraduate courses for Accounting, Business Studies and Combined Studies;
- final-year undergraduate courses for Accounting, Business Studies and Combined Studies;
- MBA courses;
- specialist MSc courses; and
- professional courses preparing students for professional accountancy examinations.

Changes to the fourteenth edition

Accounting standards

UK listed companies, together with those non-listed companies that so choose, have applied international standards from January 2005.

For non-listed companies that choose to continue to apply UK GAAP, the ASB has stated its commitment to progressively bringing UK GAAP into line with international standards.

For companies currently applying FRSE, this will continue. The IASB issued *IFRS for SMEs* in 2009.

Accounting standards – fifteenth edition updates

Chapters 9 and 10 cover the evolution of global standards and a global conceptual framework.

Topics and International Standards are covered as follows:

Chapter 3	Preparation of financial statements	IAS 1
Chapter 4	Preparation of additional financial statements	IAS 10, IAS 24, IFRS 5 and IFRS 8
Chapter 5	Statements of cash flows	IAS 7
Chapter 7	Accounting for price-level changes	IAS 29
Chapter 13	Liabilities	IAS 37
Chapter 14	Financial instruments	IAS 32, IAS 39, IFRS 7 and IFRS 9

Chapter 15	Employee benefits	IAS 19, IAS 26 and IFRS 2
Chapter 16	Taxation in company accounts	IAS 12
Chapter 17	Property, plant and equipment (PPE)	IAS 16, IAS 20, IAS 23, IAS 36, IAS 40 and IFRS 5
Chapter 18	Leasing	IAS 17
Chapter 19	R&D; goodwill and intangible assets; brands	IAS 38 and IFRS 3
Chapter 20	Inventories	IAS 2
Chapter 21	Construction contracts	IAS 11
Chapters 22–26	Consolidation	IAS 21, IAS 28, IFRS 3, 10, 11 and 12
Chapter 27	Earnings per share	IAS 33

Preparation of financial statements

Chapters 1 and 2 continue to cover accounting and reporting on a cash flow and accrual basis. Chapters 3 to 5 cover the preparation of Statements of income, financial position and cash flows.

Income and asset value measurement systems

Chapters 6 and 7 cover the economic income approach and accounting for price-level changes. Chapter 8 introduces the IASB proposals for revenue recognition.

The UK regulatory framework and analysis

UK listed companies will continue to be subject to national company law, and mandatory and best practice requirements such as the *Operating and Financial Review* and the *UK Code of Corporate Governance*.

UK regulatory framework and analysis – fifteenth edition changes

The following chapters have been retained and updated as appropriate:

- Chapter 11 Ethical behaviour and implications for accountants
- Chapter 12 Share capital, distributable profits and reduction of capital
- Chapter 13 Off balance sheet finance now retitled Liabilities
- Chapter 28 Review of financial ratio analysis
- Chapter 29 Analytical analysis – selective use of ratios

Our emphasis has been on keeping the text current and responsive to constructive comments from reviewers.

Recent developments

In addition to the steps being taken towards the development of IFRSs that will receive broad consensus support, regulators have been active in developing further requirements concerning corporate governance. These have been prompted by the accounting scandals in the USA and, more recently, in Europe and by shareholder activism fuelled by the apparent lack of any relationship between increases in directors' remuneration and company performance.

The content of financial reports continues to be subjected to discussion with a tension between preparers, stakeholders, auditors, academics and standard setters; this is mirrored in the tension that exists between theory and practice.

- Preparers favour reporting transactions on a historical cost basis which is reliable but does not provide shareholders with relevant information to appraise past performance or to predict future earnings.
- Shareholders favour forward-looking reports relevant in estimating future dividend and capital growth and in understanding environmental and social impacts.

- Stakeholders favour quantified and narrative disclosure of environmental and social impacts and the steps taken to reduce negative impacts.
- Auditors favour reports that are verifiable so that the figures can be substantiated to avoid them being proved wrong at a later date.
- Academic accountants favour reports that reflect economic reality and are relevant in appraising management performance and in assessing the capacity of the company to adapt.
- Standard setters lean towards the academic view and favour reporting according to the commercial substance of a transaction.

In order to understand the tensions that exist, students need:

- the skill to prepare financial statements in accordance with the historical cost and current cost conventions, both of which appear in annual financial reports;
- an understanding of the main thrust of mandatory and voluntary standards;
- an understanding of the degree of flexibility available to the preparers and the impact of this on reported earnings and the figures in the statement of financial position;
- an understanding of the limitations of financial reports in portraying economic reality; and
- an exposure to source material and other published material in so far as time permits.

Instructor's Manual

A separate Instructors' Manual has been written to accompany this text. It contains fully worked solutions to all the exercises and is of a quality that allows them to be used as overhead transparencies. The Manual is available at no cost to lecturers on application to the publishers. An electronic version of the Instructors' Manual is also available for download at www.pearsoned.co.uk/elliott-elliott.

Barry and Jamie Elliott

Full contents

Part 1 Preparation of financial statements

Chapter 1 Accounting and reporting on a cash flow basis..... 2

1.1 Introduction.....	2
1.2 Shareholders.....	2
1.3 What skills does an accountant require in respect of external reports?.....	3
1.4 Managers.....	3
1.5 What skills does an accountant require in respect of internal reports?	3
1.6 Procedural steps when reporting to internal users	4
1.7 Agency costs ²	6
1.8 Illustration of periodic financial statements prepared under the cash flow concept to disclose realised operating cash flows.....	6
1.9 Illustration of preparation of statement of financial position.....	10
1.10 Treatment of non-current assets in the cash flow model.....	11
1.11 What are the characteristics of these data that make them reliable?	12
1.12 Reports to external users	12
Summary.....	13
Review questions	14
References.....	14

Chapter 2 Accounting and reporting on an accrual accounting basis 15

2.1 Introduction.....	15
2.2 Historical cost convention	16
2.3 Accrual basis of accounting.....	16
2.4 Mechanics of accrual accounting—adjusting cash receipts and payments ...	17
2.5 Subjective judgements required in accrual accounting—adjusting cash payments in accordance with the matching principle.....	17

2.6 Mechanics of accrual accounting—the statement of financial position	18
2.7 Reformatting the statement of financial position	18
2.8 Accounting for the sacrifice of non-current assets	19
2.9 Reconciliation of cash flow and accrual accounting data.....	22
Summary	23
Review questions.....	24
References	24

Chapter 3 Preparation of financial statements..... 25

3.1 Introduction	25
3.2 Preparing an internal statement of income from a trial balance.....	25
3.3 The format of statements of income for publication	27
3.4 Other comprehensive income.....	29
3.5 Accounting for current tax	31
3.6 Presentation using IAS 1 Alternative method (Format 2)	32
3.7 The statement of financial position	33
3.8 Statement of changes in equity	33
3.9 The accounting rules for asset valuation	34
3.10 The explanatory notes that accompany a statement of financial position	35
3.11 Has prescribing the formats meant that identical transactions are reported identically?	37
3.12 What does an investor need in addition to the financial statements to make decisions?	39
3.13 ASB review of narrative reporting.....	44
3.14 What is meant by a fair view?.....	44
Summary	46
Review questions.....	46

References	47
Chapter 4 Annual Report: additional financial statements	48
4.1 Introduction	48
4.2 The value added by segment reports	48
4.3 Detailed review and evaluation of IFRS 8— <i>Operating Segments</i> ¹	49
4.4 IFRS 5—meaning of ‘held for sale’	55
4.5 IFRS 5—implications of classification as held for sale	56
4.6 Meaning and disclosure of ‘discontinued operations’	56
4.7 IAS 10—events after the reporting period ⁴	58
4.8 Related party disclosures	59
Summary	62
Review questions	63
References	63

Chapter 5 Statements of cash flows	64
5.1 Introduction	64
5.2 Development of statements of cash flows	64
5.3 Applying IAS 7 (revised) <i>Statements of Cash Flows</i>	66
5.4 Step approach to preparation of a statement of cash flows—indirect method	68
5.5 Statement of cash flows—direct method	70
5.6 Additional notes required by IAS 7	70
5.7 Analysing statements of cash flows	71
5.8 Critique of cash flow accounting	75
5.9 Summary proposal for change in presentation of the financial statements	75
Summary	77
Review questions	77
References	78

Part 2 Income and asset value measurement systems

Chapter 6 Income and asset value measurement: an economist’s approach	80
6.1 Introduction	80
6.2 Role and objective of income measurement	80
6.3 Accountant’s view of income, capital and value	82
6.4 Critical comment on the accountant’s measure	85
6.5 Economist’s view of income, capital and value	86
6.6 Critical comment on the economist’s measure	91
6.7 Income, capital and changing price levels	91
Summary	93
Review questions	93
References	94
Bibliography	94

Chapter 7 Accounting for price-level changes	95
7.1 Introduction	95
7.2 Review of the problems of historical cost accounting (HCA)	95

7.3 Inflation accounting	95
7.4 The concepts in principle	96
7.5 The four models illustrated for a company with cash purchases and sales	97
7.6 Critique of each model	100
7.7 Operating capital maintenance—a comprehensive example	103
7.8 Critique of CCA statements	112
7.9 The ASB approach	113
7.10 The IASC/IASB approach	115
7.11 Future developments	116
Summary	118
Review questions	118
References	118
Bibliography	119

Chapter 8 Revenue recognition	120
8.1 Introduction	120
8.2 The issues	120
8.3 The challenge	121
8.4 Revenue defined— <i>IAS 18 Revenue</i>	121
8.5 Proposed IFRS	124
Summary	128
Review questions	129
References	130

Part 3 Regulatory framework – an attempt to achieve uniformity

Chapter 9	Financial reporting—evolution of global standards.....	132	Chapter 10	Concepts—evolution of a global conceptual framework.....	155
9.1	Introduction.....	132	10.1	Introduction.....	155
9.2	Why do we need financial reporting standards?.....	132	10.2	Historical overview of the evolution of financial accounting theory.....	156
9.3	Why do we need standards to be mandatory?.....	133	10.3	FASB Concepts Statements.....	159
9.4	Arguments in support of standards.....	134	10.4	IASC Framework for the Preparation and Presentation of Financial Statements.....	162
9.5	Arguments against standards.....	135	10.5	ASB Statement of Principles 1999 ⁹	163
9.6	Standard setting and enforcement in the UK under the Financial Reporting Council (FRC).....	135	10.6	Conceptual framework developments.....	170
9.7	The Accounting Standards Board (ASB).....	136	Summary.....		171
9.8	The Financial Reporting Review Panel (FRRP).....	136	Review questions.....		173
9.9	Standard setting and enforcement in the US.....	137	References.....		173
9.10	Why have there been differences in financial reporting?.....	139	Chapter 11	Ethical behaviour and implications for accountants.....	175
9.11	Efforts to standardise financial reports.....	143	11.1	Introduction.....	175
9.12	What is the impact of changing to IFRS?.....	145	11.2	The meaning of ethical behaviour.....	175
9.13	Progress towards adoption by the USA of international standards.....	146	11.3	The accounting standard setting process and ethics.....	176
9.14	Advantages and disadvantages of global standards for publicly accountable entities.....	147	11.4	The IFAC Code of Ethics for Professional Accountants.....	177
9.15	How do reporting requirements differ for non—publicly accountable entities?.....	148	11.5	Implications of ethical values for the principles versus rules—based approaches to accounting standards.....	179
9.16	Does the need for standards and effective enforcement still exist in the 21st century?.....	151	11.6	Ethics in the accountants’ work environment—a research report.....	182
9.17	Move towards a conceptual framework.....	151	11.7	Implications of unethical behaviour for stakeholders using the financial reports.....	183
Summary.....		152	11.8	The increasing role of whistle—blowing.....	188
Review questions.....		152	11.9	The role of financial reporting authorities.....	189
References.....		153	11.10	Why should students learn ethics?.....	191
			Summary.....		192
			Review questions.....		193
			References.....		195

Part 4 Statement of financial position—equity, liability and asset measurement and disclosure

Chapter 12	Share capital, distributable profits and reduction of capital.....	198	12.1	Introduction.....	198
			12.2	Common themes.....	198

12.3	Total owners' equity: an overview	199	14.4	IAS 39 Financial Instruments: Recognition and Measurement	240
12.4	Total shareholders' funds: more detailed explanation	200	14.5	IFRS 7 Financial Statement Disclosures ⁶	249
12.5	Accounting entries on issue of shares	203	14.6	Financial instruments developments	253
12.6	Creditor protection: capital maintenance concept	204	Summary	255	
12.7	Creditor protection: why capital maintenance rules are necessary	204	Review questions	256	
12.8	Creditor protection: how to quantify the amounts available to meet creditors' claims	205	References	256	
12.9	Issued share capital: minimum share capital	205	Chapter 15 Employee benefits	257	
12.10	Distributable profits: general considerations	206	15.1	Introduction	257
12.11	Distributable profits: how to arrive at the amount using relevant accounts	207	15.2	Greater employee interest in pensions	257
12.12	When may capital be reduced?	208	15.3	Financial reporting implications	258
12.13	Writing off part of capital which has already been lost and is not represented by assets	208	15.4	Types of scheme	258
12.14	Repayment of part of paid-in capital to shareholders or cancellation of unpaid share capital	213	15.5	Defined contribution pension schemes	260
12.15	Purchase of own shares	213	15.6	Defined benefit pension schemes	260
Summary		215	15.7	IAS 19 (revised) <i>Employee Benefits</i>	261
Review questions		216	15.8	The liability for pension and other post-retirement costs	261
References		216	15.9	The statement of comprehensive income	264
Chapter 13 Liabilities		217	15.10	Comprehensive illustration	264
13.1	Introduction	217	15.11	Plan curtailments and settlements	266
13.2	Provisions—their impact on the statement of financial position	217	15.12	Multi-employer plans	266
13.3	ED IAS 37 Non-financial Liabilities	225	15.13	Disclosures	267
13.4	ED/2010/1 Measurement of Liabilities in IAS 37	231	15.14	Other long-service benefits	267
Summary		231	15.15	Short-term benefits	268
Review questions		231	15.16	Termination benefits ⁸	268
References		232	15.17	Exposure draft of amendments to IAS 19	269
Chapter 14 Financial instruments		233	15.18	IFRS 2 Share-Based Payment	270
14.1	Introduction	233	15.19	Scope of IFRS 2	271
14.2	Financial instruments—the IASB's problem child	233	15.20	Recognition and measurement	271
14.3	IAS 32 Financial Instruments: Disclosure and Presentation ¹	235	15.21	Equity-settled share-based payments	271
			15.22	Cash-settled share-based payments	274
			15.23	Transactions which may be settled in cash or shares	275
			15.24	IAS 26 Accounting and Reporting by Retirement Benefit Plans	275
			Summary	277	
			Review questions	278	
			References	278	

Chapter 16	Taxation in company accounts	279	17.15	Investment properties	323
16.1	Introduction	279	17.16	Effect of accounting policy for PPE on the interpretation of the financial statements	324
16.2	Corporation tax	279		Summary	326
16.3	Corporation tax systems—the theoretical background	280		Review questions	326
16.4	Corporation tax systems—avoidance and evasion	281		References	327
16.5	Corporation tax—the system from 6 April 1999	283	Chapter 18	Leasing	328
16.6	IFRS and taxation	285	18.1	Introduction	328
16.7	IAS 12—accounting for current taxation	286	18.2	Background to leasing	328
16.8	Deferred tax	287	18.3	Why was the IAS 17 approach so controversial?	330
16.9	FRS 19 (the UK standard on deferred taxation)	294	18.4	IAS 17—classification of a lease	331
16.10	A critique of deferred taxation	295	18.5	Accounting requirements for operating leases	332
16.11	Examples of companies following IAS 12	298	18.6	Accounting requirements for finance leases	333
16.12	Value added tax (VAT)	299	18.7	Example allocating the finance charge using the sum of The digits method	333
	Summary	299	18.8	Accounting for the lease of land and buildings	337
	Review questions	300	18.9	Leasing—a form of off balance sheet financing	338
	References	300	18.10	Accounting for leases—a new approach	339
Chapter 17	Property, plant and equipment (PPE)	302	18.11	Accounting for leases by lessors	341
17.1	Introduction	302		Summary	342
17.2	PPE—concepts and the relevant IASs and IFRSs	302		Review questions	342
17.3	What is PPE?	303		References	343
17.4	How is the cost of PPE determined?	303	Chapter 19	R&D; goodwill; intangible assets and brands	344
17.5	What is depreciation?	305	19.1	Introduction	344
17.6	What are the constituents in the depreciation formula?	308	19.2	Accounting treatment for research and development	344
17.7	How is the useful life of an asset determined?	308	19.3	Research and development	344
17.8	Residual value	309	19.4	Why is research expenditure not capitalised?	345
17.9	Calculation of depreciation	309	19.5	Capitalising development costs	346
17.10	Measurement subsequent to initial recognition	313	19.6	The judgements to be made when deciding whether to capitalise development costs	347
17.11	IAS 36 impairment of assets	315	19.7	Disclosure of R&D	348
17.12	IFRS 5 non-current assets held for sale and discontinued operations	320	19.8	IFRS for SMEs	348
17.13	Disclosure requirements	321	19.9	Goodwill	349
17.14	Government grants towards the cost of PPE	321	19.10	The accounting treatment of goodwill	349

19.11	Critical comment on the various methods that have been used to account for goodwill	350	20.10	Published accounts	384
19.12	Negative goodwill	353	20.11	Agricultural activity	385
19.13	Intangible assets	353		Summary	388
19.14	Brand accounting	356		Review questions	388
19.15	Justifications for reporting all brands as assets	357		References	389
19.16	Accounting for acquired brands	358	Chapter 21	Construction contracts	390
19.17	Emissions trading	359	21.1	Introduction	390
19.18	Intellectual property	361	21.2	The need to replace IAS 11 <i>Construction Contracts</i> ¹	390
19.19	Review of implementation of IFRS 3	364	21.3	Identification of contract revenue	391
	Summary	366	21.4	Identification of contract costs	392
	Review questions	366	21.5	Proposed new accounting rules	393
	References	368	21.6	Approach when a contract can be separated into components	394
Chapter 20	Inventories	370	21.7	Accounting for a contract	395
20.1	Introduction	370	21.8	Illustrated—profitable contract using step approach	396
20.2	Inventory defined	370	21.9	Illustrated—loss—making contract using step approach	398
20.3	The controversy	370	21.10	Developments in accounting for revenue	398
20.4	IAS 2 Inventories	372	21.11	Public—private partnerships (PPPs)	399
20.5	Inventory valuation	372		Summary	405
20.6	Work-in-progress	378		Review questions	406
20.7	Inventory control	380		References	406
20.8	Creative accounting	380			
20.9	Audit of the year—end physical inventory count	383			

Part 5 Consolidated accounts

Chapter 22	Accounting for groups at the date of acquisition	408	22.11	How to calculate fair values	417
22.1	Introduction	408	22.12	IFRS 10—summary of significant revisions	418
22.2	The definition of a group	408		Summary	418
22.3	Consolidated accounts and some reasons for their Preparation	408		Review questions	419
22.4	The definition of control	410		References	420
22.5	Alternative methods of preparing consolidated accounts	411	Chapter 23	Preparation of consolidated statements of financial position after the date of acquisition	421
22.6	The treatment of positive goodwill	413	23.1	Introduction	421
22.7	The treatment of negative goodwill	413	23.2	Pre—and post—acquisition profits/losses	421
22.8	The comparison between an acquisition by cash and an exchange of shares	413	23.3	Inter—company balances	423
22.9	Non—controlling interests	414	23.4	Unrealised profit on inter—company sales	425
22.10	The treatment of differences between a subsidiary's fair value and book value	416	23.5	Provision for unrealised profit affecting a non—controlling interest	429

23.6	Uniform accounting policies and reporting dates	429	25.5	The treatment of provisions for unrealised profits	443
23.7	How is the investment in subsidiaries reported in the parent's own statement of financial position?	429	25.6	The acquisition of an associate part-way through the year	443
	Summary	429	25.7	Joint arrangements	444
	Review questions	429		Summary	446
	References	430		Review questions	447
	References	430		References	447
Chapter 24	Preparation of consolidated statements of comprehensive income, changes in equity and cash flows	431	Chapter 26	Accounting for the effects of changes in foreign exchange rates under IAS 21	449
24.1	Introduction	431	26.1	Introduction	449
24.2	Preparation of a consolidated statement of comprehensive income—the Ante Group	431	26.2	The difference between conversion and translation and the definition of a foreign currency transaction	449
24.3	The statement of changes in equity (SOCE) ³	433	26.3	The functional currency	449
24.4	Other consolidation adjustments	434	26.4	The presentation currency ⁵	450
24.5	Dividends or interest paid by the subsidiary out of pre-acquisition profits	435	26.5	Monetary and non-monetary items	450
24.6	A subsidiary acquired part of the way through the year	435	26.6	The rules on the recording of foreign currency transactions carried out directly by the reporting entity	450
24.7	Published format statement of comprehensive income	437	26.7	The treatment of exchange differences on foreign currency transactions	451
24.8	Consolidated statements of cash flows	438	26.8	Foreign exchange transactions in the individual accounts of companies illustrated—Boil plc	451
	Summary	439	26.9	The translation of the accounts of foreign operations where the functional currency is the same as that of the parent	452
	Review questions	439	26.10	The use of a presentation currency other than the functional currency	453
	References	439	26.11	Granby Ltd illustration	454
Chapter 25	Accounting for associates and joint ventures	440	26.12	Granby Ltd illustration continued	455
25.1	Introduction	440	26.13	Implications of IAS 21	457
25.2	Definitions of associates and of significant influence	440	26.14	Critique of use of presentation currency	457
25.3	The treatment of associated companies in consolidated Accounts	440		Summary	457
25.4	The Brill Group—the equity method illustrated	441		Review questions	458
				References	458

Part 6 Interpretation

Chapter 27	Earnings per share	460	27.2	Why is the earnings per share figure important?	460
27.1	Introduction	460			

27.3	How is the EPS figure calculated?	461		Wetherspoon	486
27.4	The use to shareholders of the EPS ...	462	28.8	Description of subsidiary ratios	488
27.5	Illustration of the basic EPS calculation	463	28.9	Limitations of ratio analysis	497
27.6	Adjusting the number of shares used in the basic EPS calculation	463	28.10	Earnings before interest, tax, depreciation and amortization (EBITDA) used for management control purposes	500
27.7	Rights issues	466		Summary	501
27.8	Adjusting the earnings and number of shares used in the diluted EPS calculation	470		Review questions	501
27.9	Procedure where there are several potential dilutions	472		References	502
27.10	Exercise of conversion rights during financial year	473	Chapter 29	Analytical analysis—selective use of ratios	503
27.11	Disclosure requirements of IAS 33 ...	473	29.1	Introduction	503
27.12	The Improvement Project	475	29.2	Improvement of information for shareholders	503
27.13	Convergence project	476	29.3	Disclosure of risks and focus on relevant ratios	505
	Summary	476	29.4	Shariah compliant companies—why ratios are important	511
	Review questions	476	29.5	Ratios set by lenders in debt covenants ...	513
	References	478	29.6	Predicting corporate failure	515
Chapter 28	Review of financial ratio analysis	479	29.7	Performance related remuneration—shareholder returns	521
28.1	Introduction	479	29.8	Valuing shares of an unquoted company—quantitative process	524
28.2	Initial impressions	479	29.9	Professional risk assessors	528
28.3	What are accounting ratios?	480		Summary	530
28.4	Revision of key ratios	481		Review questions	531
28.5	Key ratios for JD Wetherspoon	483		References	531
28.6	Comment on the current ratio	485			
28.7	Interpreting the key ratios—JD				