1) Related party disclosures
2) Changes in accounting policies, accounting estimates and errors
3) Events after balance sheet date

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IAS 24 – related party disclosures

- The presence of related party transactions in a set of accountants can seriously undermine the fair presentation of the company´s results!
- IAS 24 was adopted in 1984

Related party

(a) directly, or indirectly through intermediaries, the party:

(i) controls, or is controlled by, or is under common control with the entity,

(ii) has an interest in the entity that gives it significant influence over the entity

(iii) has joint control over the entity

b) the party is a member of the key management personnel of the entity or its parent

c) The party is a close member of the family and any individual referred to in (a) or (b)

d) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significantly influenced by, or for whcih significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or ©

e) The party is a post-employment benefit plan of the entity, or of any entity that is a related party of entity

Related party disclosures

Relationships between parents and subsidiaries shall be disclosed regardless of whether any transactions have occurred with the related party. The disclosure should include the parent and ultimate parent company if different.

Disclosures is required of key management personnel compensation in total grouped in various types of benefit.

- IAS 24 related party disclosures – lots of requirements:

  - a description of the relationship;

  - a description of the transaction;

  - the amounts involved;

Related party – ifrs for sme

- Section 33 – Related party disclosures
- Disclosures – financial position and comprehensive income are influenced by related party transactions and due amounts involved

1) Definition of related parties:

   - disclosures: relationship parent – subsidiry company,

   - disclosures: key management compensation,

   - disclosures: related party transactions;

Disclosures requirement

- Sales and purchases of goods,
- Sales and purchases of plants,
- Sales and purchases of services,
- Leases contracts,
- Transfers of borrowings, research and development, ..

Accounting policy, accounting estimates and errors

- It is solved by IAS 8
- It was adopted in 1978
- Last amendments are from 2005 (zrušeny alternativní řešení).
- It used to have two parts:

a) Extraordinary income statement (deleted)

b) Accounting policy …..

The standard is split into three parts

Changes in accounting estimates

- Bad debts, inventory obsolescence, provision for warranty obligations, useful lives of property, platn and equipment, fair values of financial assets and liabilities…
- According to IAS 8 it is not an error,
- Apply prospectively,

Accounting errors

- Material errors connected prior recognition, it is important for comparability, …
- The correction is recognised in net profit of this (last) accounting period
- How does this work: entity will issue annual report for current period with comparison for last period

Changes in accounting policy

- The change is required by a standard or interpretation or if the change will result in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity´s financial position, financial performance or cash flow

- Applying retrospectively

Accounting policy, estimates and errors - IFRS for SME

- Section 10
- Accounting estimates – an entity can follow requirements of IFRS full version

- **Rules:**

- consistency
- the change will result in the financial statements providing reliable and more relevant information
- retrospective application

Accounting policy, estimates and errors - IFRS for SME

- **Accounting estimates**

 - Result of new information or new development – it is not an error;

- Applying prospectively – recognised in retained earnings;

- It is necessary to disclose substance and changes in estimates…

- **Accounting errors**

- Omission or incorrect in accounting items in final statements
- Mathematical errors, wrong application of accounting policy, fraud, ….
- Applying retrospectively

Events after balance sheet date

- Events between:

1) Balance sheet date and
2) The date that the financial statements are authorised

- It contains positive and negative events:

  - adjusting events,
  - non-adjusting events,

Events after balance sheet date

- **Adjusting events =** post balance sheet events which provide additional evidence of conditions existing at the end of the reporting period.

- **Non-adjusting events =** post balance sheet events which concern conditions not existing at the end to the reporting period.

Events after balance sheet date

- **!!! !!**

  IAS 10 requires that an entity should not prepare its financial statements on a going concern basis if management determines after the reporting period that it intends to liquidate the entity or cease trading. In which case the balance sheet would need to be presented on a non-going concern basis.

Events after balance sheet date

- The financial statements should disclose the event in the notes if they are material non-adjusting events after the reporting period.

- Disclosures:

a) The nature of the event
b) An estimate of the financial effect, or a statement that it is not possible to estimate the financial effect.

Events after balance sheet date

Non-adjusting events:

- business combination,
- sale of subsidiary company,
- announcement of the liquidation,
- announcement of restructuring,
- natural disasters,

Events after balance sheet date – ifrs for sme

- Section 32

  (a) adusting events,

  (b) non-adjusting events,

Thank you for your attention!