CHAPTER 6

Measurement

- Elements recognized in financial statements are quantified in monetary terms. The measurement bases in the Framework are: historical cost and current value.

HISTORICAL COST MEASUREMENT BASIS

- Price that gave rise to item being measured

- Provides information derived, at least in part, from the price of the transaction or other event that resulted in the measurement of the item.
- If assets become impaired, the historical cost of assets is reduced, while the historical cost of liabilities is increased if they become onerous.
- The amortized cost method is one way to apply a historical cost measurement basis to financial assets and liabilities.

CURRENT VALUE MEASUREMENT BASIS

- Reflect conditions at measurement date

- Current value provides information updated to reflect conditions at , measurement date
- Current value measurement bases include:
  - Fair Value
  - Value in use (for assets)
    Fulfillment value (for liabilities)
  - Current cost

FAIR VALUE

- 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.
- Reflects market participants' current expectations about the amount, timing and uncertainty of future cash flows

VALUE IN USE / FULFILLMENT VALUE

- Reflects entity-specific current expectations about the amount, timing and uncertainty of future cash flows

CURRENT COST

- Reflects the current amount that would be:
  - Paid to acquire an equivalent asset
  - Received to take on an equivalent liability

CHAPTER 7

Presentation and Disclosure

- Income and expenses are classified and included either:

STATEMENT OF PROFIT OR LOSS

- The primary source of information about an entity's financial performance for the reporting period
- Profit or loss could be a section of a single statement of financial performance or a separate statement
- The statement of financial performance includes a total or subtotal for profit or loss
- In principle, all income and expenses are classified and included in the statement of profit or loss

OTHER COMPREHENSIVE INCOME

- In extraordinary situations, the Board may elect to exclude income or expenses deriving from a change in the current value of an asset or liability from the statement of profit or loss and include them in other comprehensive income.
- The Board may make such a decision when doing so would provide more relevant information or more faithful representation in the statement of profit or loss.

RECYCLING

Income and expenses included in OCI in one period are recycled to P&L in a future period when doing so results in more relevant information or faithful representation; otherwise, no subsequently recycling of such items

CLASSIFICATION

Is the sorting of assets, liabilities, equity, income or expenses on the basis of shared characteristics for presentation and disclosure purposes.

AGGREGATION

The sum up of assets, liabilities, equity, income or expenses that have shared characteristics and are included in the same classification.

OFFSETTING

Occurs when an entity recognizes and measures both an asset and liability as separate unit of account, but groups them into a single net amount in the statement of financial position.