



THE ACADEMIC YEAR  
2024-2025

**Ministry of Higher Education and Scientific Research**  
**University of Algeria -3-**  
**Faculty of Economic, Commercial and Management Sciences**  
**Department of Accounting Sciences**

**A publication titled:**

**INTERNATIONAL FINANCIAL**  
**REPORTING STANDARDS**

**IFRS S1**

**guided lecture for the benefit of LMD students: First year Master's  
in Accounting and Auditing**

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**Ministry of Higher Education and Scientific Research**  
**University of Algeria -3-**  
**Faculty of Economic, Commercial and Management Sciences**  
**Department of Accounting Sciences**

**A publication titled:**

**Lectures in the module:**

**INTERNATIONAL FINANCIAL**  
**REPORTING STANDARDS**  
**IFRS**

**Directed course for the benefit of LMD students: First year Master's in Accounting  
and Auditing**

**Prepared by Dr. Amina Tounsi**

**The academic year :2024-2025**

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## List of Abbreviation

EXPLANTATION	ABRIVIATION
<b>International Accounting Standards Committee</b>	<b>IASC</b>
<b>International Accounting Standards</b>	<b>IAS</b>
<b>The Standard Interpretations Committee</b>	<b>SIC</b>
<b>d'International Accounting Standards Board</b>	<b>IASB</b>
<b>International financial reporting standards</b>	<b>IFRS</b>
<b>L'International Financial Reporting Interpretations Committee</b>	<b>IFRIC</b>
<b>Financial Accounting Standards Board</b>	<b>FASB</b>
<b>International Financial Accounting Committee</b>	<b>IFAC</b>
<b>Canadian Institute of Chartered Accountants</b>	<b>CICA</b>
<b>Institute of Chartered Accountants in England and Wales</b>	<b>ICAEW</b>
<b>The American Institute of CPAs</b>	<b>AICPA</b>
<b>FAIR VALUE WITH VALUTION differences shown in Profit and Loss</b>	<b>FVTPL</b>

## ➤ **Module Specifications**

- **First: General information**

Faculty of Economic, Commercial and Management Sciences - University of Algiers 3-Dali Ibrahim

**-Department:** Financial and Accounting Sciences

A module provided under the pedagogical programme for students: Master Year 1 Master in Economics, Commerce and Management Sciences (LMD).

**-Level:** First Year Master Accounting and Auditing.

**Publication's Education Unit:** Basic.

**module Balance:** 04.

**module coefficient:** 02.

- **Second: Prerequisites:**

module **title:** IFRS/IFRS (first semester S1 );

**CONTACT hours :** Lecture: 1 hour 30 minutes. - Directed works: 1 hour 30 minutes.

**MODULE Assessment:** Written exam for lecture at the end of the semester , assessment of jobs and other work, as well as written exam for targeted work

- **Third: LEARNING OBJECTIVES:**

**-Objectives of the publication:** This Module aims to enable the student to know: the most important IFRS for compilation of accounts, business integration and IFRS for financial instruments.

- **-Prior knowledge required:** The student's acquisition of financial accounting is the first year of Bachelor's degree and his/her IAS course is the second year of Bachelor's degree and the two in-depth financial accounting materials.

Results to be achieved:

-Access the applicant to the most important financial reporting standards for the compilation of accounts and business integration;

-Access to the student's knowledge of the most important financial reporting standards for financial instruments.

**Reference List for Metric Preparation:**

Preparation of the module needs to adopt many references from laws, books, specialized websites and other lectures displayed on educational sites (reference list can be found).

➤ **Evaluation méthodes:**

Lecture exam by the end of the semester ;

Oriented work examination, which is in the form of twice a hexagon to assess students' level of assimilation or with the lecture exam;

continuous household functions in the form of exercises;

- **Timing of évaluation:**

Evaluation of the scale exam is after fourteen weeks of lectures and guided work.

Evaluation of the work directed shall be:

Through periodic functions with each series and up to four functions be in the form of a supplementary exercise;

Through weekly interaction, discussion, participation and preparation;

## **General presentation:**

IFRS is a series of lectures for students of the year. First Master specializes in accounting, auditing, accounting, accounting and taxes. International accounting represents a stage in the development of accounting thinking resulting from the development of international economic transactions in general and multinational companies in particular.

From the end of the 19th century, companies were organized into groups of companies. It then became difficult for investors, shareholders, or banks to have an overall view. Combining individual accounts is not possible, particularly when the member companies of a group have different tax rules, heterogeneous closing dates, or when the accounts are not prepared in the same currencies.

Accounting rules specific to consolidation have been put in place to prepare the financial documents of groups. The objective of consolidated accounts is to present the assets, financial position, and results of the companies included in the consolidation as if they were a single company. They allow managers, bankers, investors, etc., to have an economic view of the group.

In addition financial instruments under IFRS can include financial assets not represented by securities or contracts, such as trade receivables or cash, and financial liabilities such as trade payables, borrowings, or cash credits. In financial (banking and insurance) and non-financial companies, they represent a significant portion (very significant for financial companies) of assets and liabilities.

This publication is a series of lectures and applications according to the new ministerial programme and includes two chapters:

### **Chapter I : IFRS for Financial Instruments**

### **Chapter II: IFRS for Compilation of Accounts and Merger of Companies.**



# **Chapter I :** **IFRS for Financial** **Instruments**

## Chapter I : IFRS for financial instruments

### ➤ Introduction to Chapter I:

The development of the global economy and the liberalization of capital movements over the past thirty years have led to an increase in the number and activities of multinational companies and the flow of capital in various global stock markets, in addition to the impact of globalization and economic blocs like the European Union on local economies. This has resulted in the erosion of geographical and economic borders, leading to the inability of financial information provided by local accounting systems to meet the needs of various users (investors, shareholders, lenders, etc.) and assist them in making appropriate economic decisions. Consequently, various countries around the world have sought to achieve a convergence between locally applied accounting standards (by striving to unify them) and international accounting standards. The new accounting standards are unified standards prepared by the International Accounting Standards Board.

The IASC, which has now been replaced by the International Accounting Standards Board (IASB), is a private organization chosen by the European Union and the European Parliament to prepare a unified accounting reference, with the desire to reduce the entry costs for foreign investors. These standards aim to achieve consistency and harmony among various international accounting systems, consequently requiring companies that announce a public offering to adjust their financial statements to ensure transparency, credibility, and comparability of information both temporally and spatially for companies, so that it meets the requirements of the international environment. Additionally, it aims to provide credibility to financial markets, especially in light of the financial scandals affecting the accounting sector. This chapter has been dedicated to this matter.

✓ **Educational Objectives:** In this chapter, the student will be able to:

1. Understand the concept of financial instruments and their various types;
  2. Learn about the measurement and disclosure methods of financial instruments in accounting;
  3. Recognize the different international financial reporting standards related to financial instruments (IAS/IFRS); –
- International Accounting Standard 32 (**IAS-32**): "Financial Instruments - Presentation" has **been repealed and replaced by IFRS 7**.
  - International Financial Reporting Standard 7 (**IFRS-7**): "Financial Instruments - Disclosure"
  - International Financial Reporting Standard 13 (**IFRS-13**): "Fair Value Measurement"
  - International Financial Reporting Standard 9 (**IFRS-9**): "Financial Instruments - Recognition/Measurement"
  - International Financial Reporting Standard 2 (**IFRS-2**): "Share-Based Payments"
  - International Accounting Standard 33 (**IAS-33**): "Earnings Per Share"
  - International Accounting Standard 28 (**IAS-28**): "Investments in Associates and Joint Ventures" has **been repealed and replaced by IFRS 11**.

## I. IFRS 07 Financial Instruments: Disclosures

### I. 1 Presentation of IFRS 07 Financial Instruments: Disclosures

1. **ABOUT : IFRS 7** requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. IFRS 7 was originally issued in August 2005 and applies to annual periods beginning on or after 1 January 2007

2. **History of IFRS 7 :**

The historical evolution of International Financial Reporting Standard No. 07 since its emergence as a draft work, including the amendments made to it up to the latest amendment illustrated in the following table.

**Table 1 : The History of IFRS07**

<b>Date</b>	<b>Development</b>	<b>Comments</b>
<b>22 July 2004</b>	Exposure Draft ED 7 <i>Financial Instruments: Disclosures</i> published	Comment deadline 14 September 2009
<b>18 August 2005</b>	IFRS 7 <i>Financial Instruments: Disclosures</i> issued	Effective for annual periods beginning on or after 1 January 2007
<b>22 May 2008</b>	Amended by <i>Improvements to IFRSs</i> (required disclosures when interests in jointly controlled entities are accounted for at fair value through profit or loss, presentation of finance costs)	Effective for annual periods beginning on or after 1 January 2009
<b>13 October 2008</b>	<i>Reclassification of Financial Assets (Amendments to IAS 39 and IFRS 7)</i> issued	Effective 1 July 2008
<b>23 December 2008</b>	Exposure Draft <i>Investments in Debt Instruments (Proposed Amendments to IFRS 7)</i> published	Comment deadline 15 January 2009 (Project subsequently abandoned in January 2009)
<b>5 March 2009</b>	<i>Improving Disclosures about Financial Instruments (Amendments to IFRS 7)</i> issued	Effective for annual periods beginning on or after 1 January 2009
<b>6 May 2010</b>	Amended by <i>Improvements to IFRSs</i> (clarification of disclosures)	Effective for annual periods beginning on or after 1 January 2011
<b>7 October 2010</b>	<i>Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)</i> issued	Effective for annual periods beginning on or after 1 July 2011
<b>16 December 2011</b>	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)</i> issued	Effective for annual periods beginning on or after 1 January 2013

<b>16 December 2011</b>	<i>Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)</i> issued	Effective for annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied)*
<b>19 November 2013</b>	<i>IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)</i> issued, implementing additional disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied*
<b>25 September 2014</b>	Amended by <i>Improvements to IFRSs 2014</i> (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)	Effective for annual periods beginning on or after 1 January 2016
<b>26 September 2019</b>	<i>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)</i> issued, requiring additional disclosures around uncertainty arising from the interest rate benchmark reform	Effective for annual periods beginning on or after 1 January 2020
<b>27 August 2020</b>	Amended by <i>Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i> ; the amendments require additional disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks	Effective for annual periods beginning on or after 1 January 2021
<b>12 February 2021</b>	Amended by <i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)</i> ; the amendments state that information about the measurement basis of financial instruments represent material accounting policy information and give examples	Effective for annual periods beginning on or after 1 January 2023
<b>25 May 2023</b>	Amended by <i>Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)</i> ; the amendments add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements	Effective for annual periods beginning on or after 1 January 2024
<b>9 April 2024</b>	Amended by IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> ; the amendments move the disclosure requirements in IAS 1:80A and IAS 1:136A regards puttable financial instruments classified as equity instruments to IFRS 7	Effective for annual periods beginning on or after 1 January 2027
<b>30 May 2024</b>	Amended by <i>Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)</i> to address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 <i>Financial Instruments</i>	Effective for annual periods beginning on or after 1 January 2026

18 July 2024	Amended by <i>Annual Improvements to IFRS Accounting Standards — Volume 11</i>	The amendments are effective for annual reporting periods beginning on or after 1 January 2026
SOURCE : <a href="https://www.iasplus.com/en/standards/ifrs/ifrs7">https://www.iasplus.com/en/standards/ifrs/ifrs7</a>		

### 3. Objective OF IFRS7

The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate:

- (a) the significance of financial instruments for the entity’s financial position and performance; and
- (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. The principles in this IFRS complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 Financial Instruments: Presentation and IFRS 9 Financial Instruments (YOUNG, 2017)

### 4. SCOPE OF IFRS7

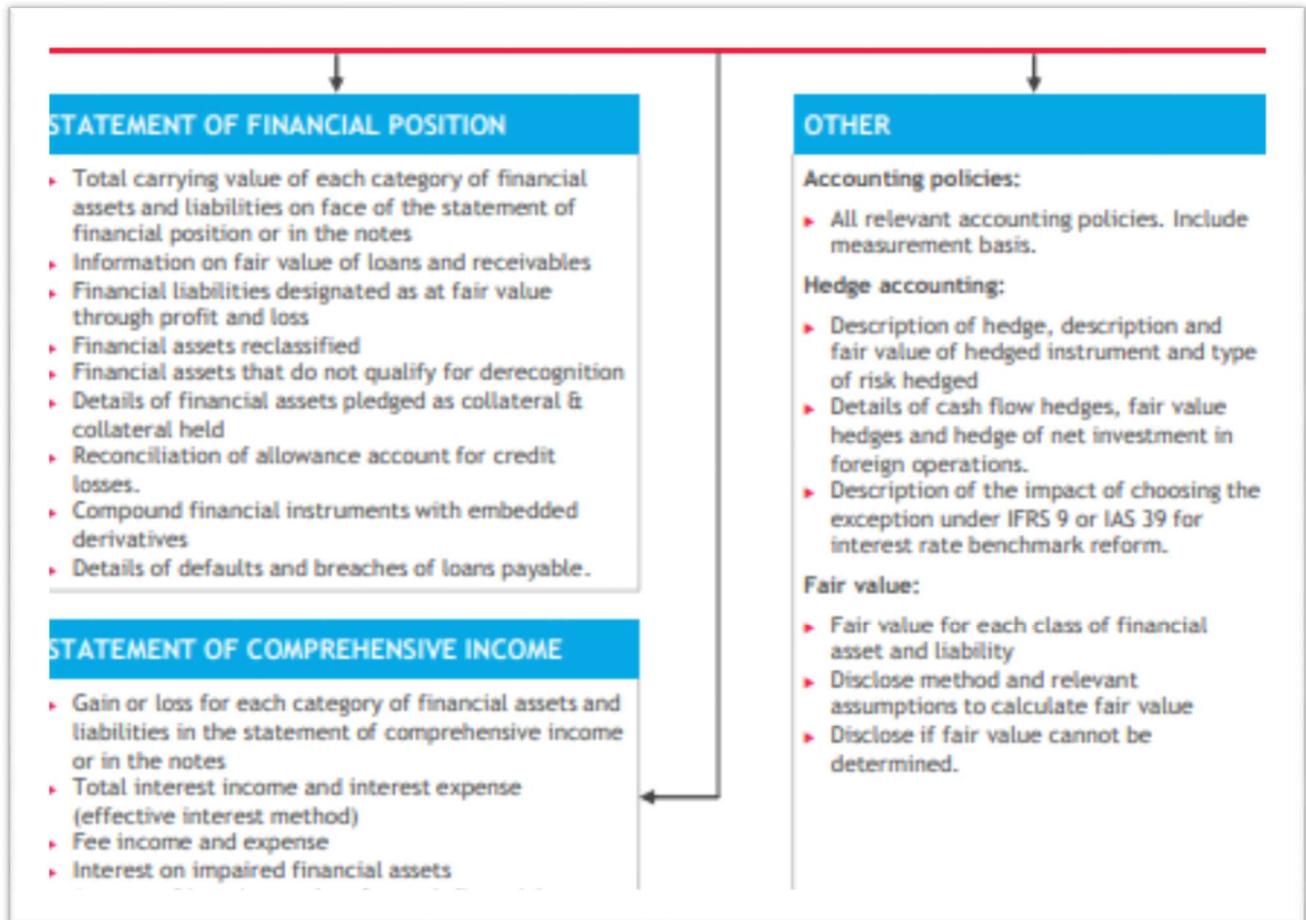
IFRS 7 applies to all recognised and unrecognised financial instruments (including contracts to buy or sell non-financial assets) except:

- Interests in subsidiaries, associates or joint ventures, where IAS 27/28 or IFRS 10/11 permit accounting in accordance with IAS 39/IFRS 9
- Assets and liabilities resulting from IAS 19
- Insurance contracts in accordance with IFRS 4 (excluding embedded derivatives in these contracts if IAS 39/IFRS 9 require separate accounting)
- Financial instruments, contracts and obligations under IFRS 2, except contracts within the scope of IAS 39/IFRS 9
- Puttable instruments .

## 5. DISCLOSURE REQUIREMENTS OF IFRS7

### 5.1 DISCLOSURE REQUIREMENTS: SIGNIFICANCE OF FINANCIAL INSTRUMENTS IN TERMS OF THE FINANCIAL POSITION AND PERFORMANCE

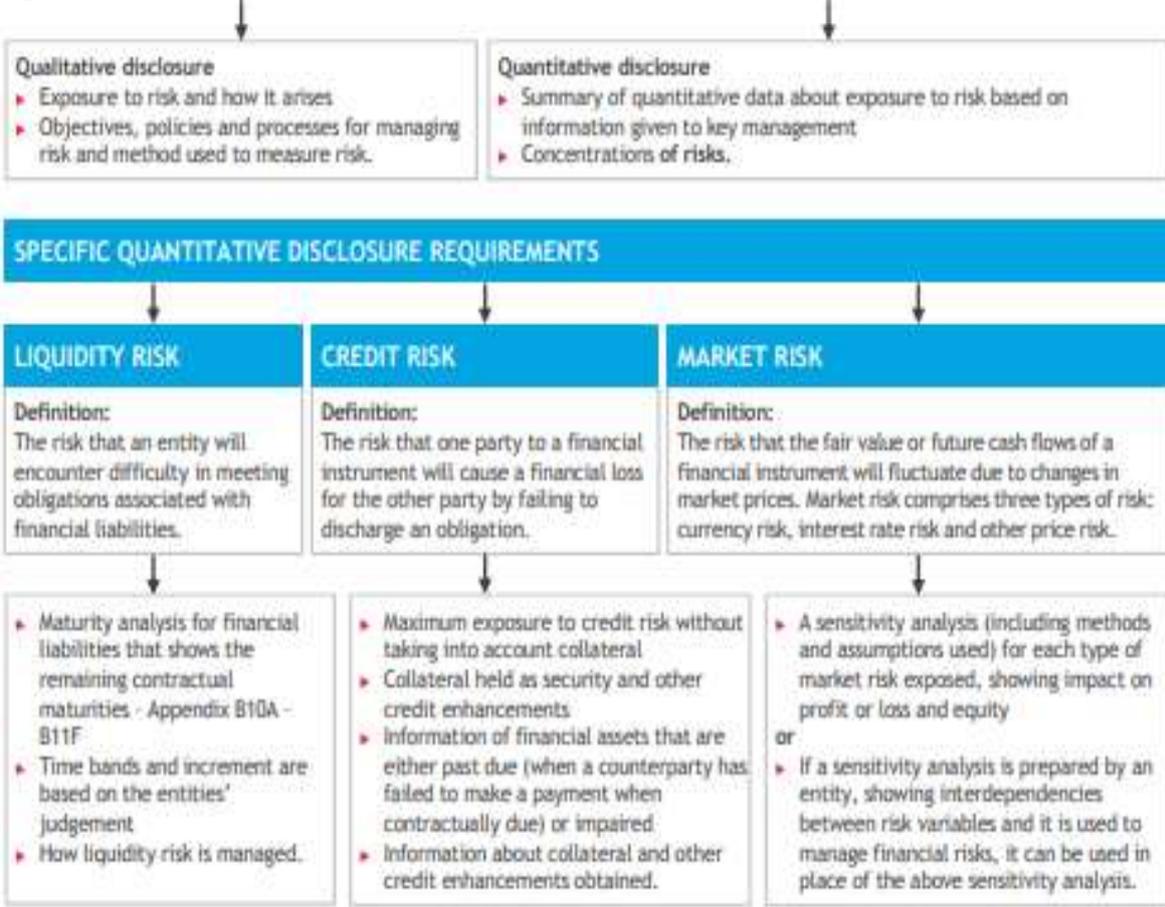
#### Figure N01 : DISCLOSURE REQUIREMENTS IN TERMS OF FINANCIAL POSITION –IFRS7-



(GLOBAL, IFRS AAG 31 December 2022, 2022)

**5.2 DISCLOSURE REQUIREMENTS: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS AND HOW THE RISKS ARE MANAGED**

**Figure N02 :DISCLOSURE REQUIREMENTS- ABOUT RISKS-**



(GLOBAL, IFRS AAG 31 December 2022, 2022)

The above figure illustrates the disclosure requirements in general, classified by types of risks. It includes an explanation of liquidity risks, cash flow risks, market risks, and specifies the type of disclosures needed for each type of risk.

## 6. FAIR VALUE (FV) HIERARCHY

All financial instruments measured at fair value must be classified into the levels below (that reflect how fair value has been determined):

- **Level 1:** Quoted prices, in active markets
- **Level 2:** Level 1 quoted prices are not available but fair value is based on observable market data
- **Level 3:** Inputs that are not based on observable market data.
- A financial Instrument will be categorised based on the lowest level of any one of the inputs used for its valuation. The following disclosures are also required:
- Significant transfers of financial instruments between each category – and reasons why
- For level 3, a reconciliation between opening and closing balances, incorporating; gains/losses, purchases/sales/settlements, transfers
- Amount of gains/losses and where they are included in profit and loss
- For level 3, if changing one or more inputs to a reasonably possible alternative would result in a significant change in FV, disclose this fact.

## 7. TRANSFER OF FINANCIAL ASSETS

Information for transferred assets that are and that are not derecognised in their entirety:

- Information to understand the relationship between financial assets and associated liabilities that are not derecognised in their entirety
- Information to evaluate the nature and risk associated with the entities continuing involvement in derecognised assets . (GLOBAL, IFRS AT A GLANCE, 2022).
- 

## I.2. APPLICATION ABOUT IFRS7 FINANCIAL INSTRUMENTS Disclosures

### 1. Application 01 : credit risks

On 31/12/2016, the balance of loans granted to customers at Bank S amounted to 40 million dinars, due over the next 18 months.

**Requirement:** Show how Bank S can present disclosures regarding the loan maturities that represent financial assets for the bank.

✓ **Solution application 01:**

The bank should use its estimates to determine the appropriate number of time periods necessary to present the loan maturities, and the bank can specify the following periods as one of its options.

The total	less than three months	from three to six months	more than six months and less than a year	and more than a year
40 million	8 million	12 million	10 million	10 million.

### 2. Application 02 : Liquidity Risks

On 31/12/2016, the records of the Jordanian company showed financial liabilities due and short-term bank loans amounting to 12 million.

Required: Explain how the Jordanian company will disclose the liquidity risks of these liabilities in accordance with International Financial Reporting Standard No. 7.

✓ **Solution of application 02:**

According to International Financial Reporting Standard No. 07, the company will disclose an analysis of the existing financial due dates and categorize them into appropriate time periods as follows.

<b>The total</b>	<b>less than three months</b>	<b>from three to six months</b>	<b>more than six months and less than 9month</b>	<b>and more than a year</b>
<b>12 million</b>	<b>5 million</b>	<b>3 million</b>	<b>2million</b>	<b>2 million.</b>

The mentioned standard requires disclosure on how to manage risks, and the following policies and procedures can be assumed for this company to manage liquidity risks: The company maintains short-term financial investments in highly liquid treasury bills and certificates of deposit issued by banks with high credit ratings. The company only has an overdraft from one of the commercial banks, which allows it to obtain direct facilities if the company needs to access cash within the next year.

(NACER, 2024, pp. 170-173)

### **3. APPLICATION 03 : Importance of financial instruments**

What is Information must be provided at different levels in order to appreciate the importance of financial instruments?. in relation to the financial situation and the performance of the entity

✓ **Solution of application 03 :** The main information regarding the financial situation is as follows. (tort, 2022, pp. 149-150)

<b>At the level of the financial situation statement</b>	<b>Main information required</b>
categories of financial assets and liabilities	at the time when you call each active category of financials at fair value of the bias results
active in the financial past at fair value through profit or loss	maximum position at risk. of imitation by a credit derivative amounting to the change in fair value related to the modification of credit risk from the financial asset to the financial liability and, where applicable, of derivatives.
<b>depreciation</b>	<b>Impairment for expected credit losses related to default risk assessed, except for exceptions over the lifetime, applies to financial assets measured at amortized cost or at fair value through OCI. A simplified impairment method based on lifetime expected credit losses is provided for trade receivables (and contract assets) resulting from IFRS 15 and lease receivables.</b>  <b>Derecognition and Reclassification</b>

	.
<b>deconsolidation and reclassification</b>	<b>Under IFRS 9, a financial asset is eligible for derecognition when the contractual rights to the cash flows associated with the asset expire or are transferred. In the event of a change in the business model, the financial assets concerned must be reclassified prospectively.</b>
<b>Hedge Accounting</b>	<b>IFRS 9 provides specific hedge accounting requirements, with the potential retention of IAS 39 requirements for fair value hedging against interest rate risk on a portfolio of financial assets or liabilities</b>

## II. IFRS9 Financial Instruments' Recognition and Measurement'

### II.1. PRESENTATION of IFRS9 Financial Instruments Recognition and Measurement'

1. About :IFRS 9 'Financial Instruments' issued on 24 July 2014 is the IASB's replacement of IAS 39 'Financial Instruments: Recognition and Measurement'. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The Standard supersedes all previous versions of IFRS 9 and is effective for periods beginning on or after 1 January 2018.

### 2. History of IFRS9 Financial Instruments' Recognition and Measurement'

The historical development of International Financial Reporting Standard 09 since its emergence as a working draft, through the amendments that have been made to it until the last amendment illustrated in the following table

*Table 2the history ofIFRS09*

Date	Development	Comments
14 July 2009	Exposure Draft ED/2009/7 <i>Financial Instruments: Classification and Measurement</i> published	Comment deadline 14 September 2009
12 November 2009	IFRS 9 <i>Financial Instruments</i> issued, covering classification and measurement of financial assets	Original effective date 1 January 2013, later removed
11 May 2010	Exposure Draft ED/2010/4 <i>Fair Value Option for Financial Liabilities</i> published	Comment deadline 16 July 2010
28 October 2010	IFRS 9 <i>Financial Instruments</i> reissued, incorporating new requirements on accounting for financial liabilities and carrying over from IAS 39 the requirements for derecognition of financial assets and financial liabilities	Original effective date 1 January 2013, later removed
19 November 2013	IASB issues IFRS 9 <i>Financial Instruments (Hedge Accounting and amendments to IFRS 9,</i>	Removed the mandatory effective date of IFRS 9 (2009) and IFRS 9 (2010)

	<p><b>IFRS 7 and IAS 39) amending IFRS 9 to:</b></p> <p><b>include the new general hedge accounting model;</b></p> <p><b>allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in other comprehensive income; and</b></p> <p><b>remove the 1 January 2015 effective date</b></p>	
24 July 2014	IASB issues IFRS 9 <i>Financial Instruments</i>	<p>IFRS 9 (2014) was issued as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.</p> <p>This amendment completes the IASB's financial instruments project and the Standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted (subject to local endorsement requirements).</p>
12 September 2016	IASB issues <i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)</i> to address concerns about the different effective dates of IFRS 9 and the new insurance contracts standard	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
12 October 2017	IASB issues <i>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</i> to address the concerns about how IFRS 9 classifies particular prepayable financial assets	The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019; early application is permitted.

<b>14 May 2020</b>	Amended by <i>Annual Improvements to IFRS Standards 2018–2020</i> (fees in the ‘10 per cent’ test for derecognition of financial liabilities). Click for <a href="#">more information</a>	Effective for annual periods beginning on or after 1 January 2022
<b>9 December 2021</b>	IASB issues <i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)</i> to permit entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before	An entity that elects to apply the amendment applies it when it first applies IFRS 17.
<b>30 May 2024</b>	<i>Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)</i> published	The amendments are effective for reporting periods beginning on or after 1 January 2026. An entity is required to apply the amendments retrospectively.
<b>18 July 2024</b>	Amended by <i>Annual Improvements to IFRS Accounting Standards — Volume 11</i>	The amendments are effective for annual reporting periods beginning on or after 1 January 2026
<b>18 December 2024</b>	<i>Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)</i> published	The amendments are effective for annual reporting periods beginning on or after 1 January 2026. The amendments are to be applied retrospectively.
SOURCE : (IFRS O. , 2024, p. 6)		

### 3. Scope OF IFRS9 Financial Instruments' Recognition and Measurement'

IFRS 9 requires that the same impairment model apply to all of the following:

[IFRS 9 paragraph 5.5.1]

- Financial assets measured at amortised cost;
- Financial assets mandatorily measured at FVTOCI;
- Loan commitments when there is a present obligation to extend credit (except where these are measured at FVTPL);
- Financial guarantee contracts to which IFRS 9 is applied (except those measured at FVTPL);
- Lease receivables within the scope of IFRS 16 *Leases*; and Contract assets within the scope of IFRS 15 *Revenue from Contracts with Customers* [i.e. rights to consideration following transfer of goods or services]

### 4. Overview of IFRS9 Financial Instruments' Recognition and Measurement'

#### • Initial measurement of financial instruments

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. [IFRS 9, paragraph 5.1.1]

#### • Subsequent measurement of financial assets

- ✓ IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications - those measured at amortised cost and those measured at fair value.
- ✓ Where assets are measured at fair value, gains and losses are either recognised entirely in profit or loss (fair value through profit or loss, FVTPL), or recognised in other comprehensive income (fair value through other comprehensive income, FVTOCI).
- ✓ For debt instruments the FVTOCI classification is mandatory for certain assets unless the fair value option is elected. Whilst for equity investments, the FVTOCI classification is an election. Furthermore, the requirements for reclassifying gains or losses recognised in other comprehensive income are different for debt instruments and equity investments.
- ✓ The classification of a financial asset is made at the time it is initially recognised, namely when the entity becomes a party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

#### • Debt instruments

A debt instrument that meets the following two conditions must be measured at amortised cost (net of any write down for impairment) unless the asset is designated at FVTPL under the fair value option (see below):

- ✓ **Business model test:** The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realise its fair value changes).
- ✓ **Cash flow characteristics test:** The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Assessing the cash flow characteristics also includes an analysis of changes in the timing or in the amount of payments. It is necessary to assess whether the cash flows before and after the change represent only repayments of the nominal amount and an interest rate based on them.

The right of termination may for example be in accordance with the cash flow condition if, in the case of termination, the only outstanding payments consist of principal and interest on the principal

amount and an appropriate compensation payment where applicable. In October 2017, the IASB clarified that the compensation payments can also have a negative sign.\*

*\*Prepayment Features with Negative Compensation (Amendments to IFRS 9)*; to be applied retrospectively for fiscal years beginning on or after 1 January 2019; early application permitted

A debt instrument that meets the following two conditions must be measured at FVTOCI unless the asset is designated at FVTPL under the fair value option (see below):

- ✓ **Business model test:** The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- ✓ **Cash flow characteristics test:** The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other debt instruments must be measured at fair value through profit or loss (FVTPL).

- **Fair value option**

- ✓ Even if an instrument meets the two requirements to be measured at amortised cost or FVTOCI, IFRS 9 contains an option to designate, at initial recognition, a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. [IFRS 9, paragraph 4.1.5]
- ✓ **Equity instruments** All equity investments in scope of IFRS 9 are to be measured at fair value in the statement of financial position, with value changes recognised in profit or loss, except for those equity investments for which the entity has elected to present value changes in 'other comprehensive income'. There is no 'cost exception' for unquoted equities.
- ✓ **'Other comprehensive income' option** If an equity investment is not held for trading, an entity can make an irrevocable election at initial recognition to measure it at FVTOCI with only dividend income recognised in profit or loss.

#### 4. Measurement guidance

Despite the fair value requirement for all equity investments, IFRS 9 contains guidance on when cost may be the best estimate of fair value and also when it might not be representative of fair value.

- **Subsequent measurement of financial liabilities**

IFRS 9 doesn't change the basic accounting model for financial liabilities under IAS 39. Two measurement categories continue to exist: FVTPL and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied. [IFRS 9, paragraph 4.2.1]

- **Fair value option**

IFRS 9 contains an option to designate a financial liability as measured at FVTPL if [IFRS 9, paragraph 4.2.2]:

- doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or

- the liability is part or a group of financial liabilities or financial assets and financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related. [IFRS 9, paragraph 4.3.5]

IFRS 9 requires gains and losses on financial liabilities designated as at FVTPL to be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed. [IFRS 9, paragraphs 5.7.7-5.7.8]

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss, the entity may only transfer the cumulative gain or loss within equity.

- **Derecognition of financial assets**

The basic premise for the derecognition model in IFRS 9 (carried over from IAS 39) is to determine whether the asset under consideration for derecognition is: [IFRS 9, paragraph 3.2.2]

- an asset in its entirety or
- specifically identified cash flows from an asset (or a group of similar financial assets) or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets). or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets)

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions: [IFRS 9, paragraphs 3.2.4-3.2.5]

- the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
- the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient),
- the entity has an obligation to remit those cash flows without material delay

Once an entity has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the entity has neither retained nor transferred substantially all of the risks and rewards of the asset, then the entity must assess whether it has relinquished control of the asset or not. If the entity does not control the asset then derecognition is appropriate; however if the entity has retained

control of the asset, then the entity continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

These various derecognition steps are summarised in the decision tree in paragraph .

- **Derecognition of financial liabilities**

A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss

- **Reclassification**

For financial assets, reclassification is required between FVTPL, FVTOCI and amortised cost, if and only if the entity's business model objective for its financial assets changes so its previous model assessment would no longer apply. [IFRS 9, paragraph 4.4.1]

If reclassification is appropriate, it must be done prospectively from the reclassification date which is defined as the first day of the first reporting period following the change in business model. An entity does not restate any previously recognised gains, losses, or interest.

IFRS 9 does not allow reclassification:

- for equity investments measured at FVTOCI, or
- where the fair value option has been exercised in any circumstance for a financial assets or financial liability.
- **Cash flow hedge:** a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss. [IFRS 9 paragraph 6.5.2(b)]

For a cash flow hedge the cash flow hedge reserve in equity is adjusted to the lower of the following (in absolute amounts):

- the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- the cumulative change in fair value of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in OCI and any remaining gain or loss is hedge ineffectiveness that is recognised in profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial item or becomes a firm commitment for which fair value hedge accounting is applied, the amount that has been accumulated in the cash flow hedge reserve is removed and included directly in the initial cost or other carrying amount of the asset or the liability. In other cases the amount that has been accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period(s) as the hedged cash flows affect profit or loss.

When an entity discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until the future cash flows occur; if the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss .

A hedge of the foreign currency risk of a firm commitment may be accounted for as a fair value hedge or a cash flow hedge.

## 5. . Disclosures OF IFRS9 Financial Instruments' Recognition and Measurement'

IFRS 9 amends some of the requirements of **IFRS 7 Financial Instruments: Disclosures** including adding disclosures about investments in equity instruments designated as at FVTOCI, disclosures on risk management activities and hedge accounting and disclosures on credit risk management and impairment.

- Interaction with IFRS 4

On **12 September 2016**, the IASB issued amendments to IFRS 4 providing two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. (PLUS, IFRS 9 — Financial Instruments, 2025).

## II.2. APPLICATION ABOUT IFRS9 Financial Instruments' Recognition and Measurement'

### 1. Application 01 : Processing of commissions and purchase expenses upon initial measurement of financial assets.

On 1/9/2015, the Arab Corporation purchased 10,000 shares of Arab Bank for long-term investment at a price of 10 dinars per share, and the purchase commission amounted to 2000 dinars. On 31/12/2015, it was assumed that the fair value of the Arab Bank share was 14 dinars per share. On 03/01/2016, the Arab Corporation sold 4000 shares at a price of 12 dinars. On 31/12/2016, it was assumed that the fair value of the share was 9 dinars.

**Required:** State the necessary accounting treatment for the above according to International Financial Reporting Standard No. 09, noting that the company chose to present the fair value adjustment within comprehensive income.

#### ✓ The solution of application 01

- involves proving the purchase record

A/the financial asset account at fair value from through comprehensive income as of 1/9/2015	102000
A/Cash account	102000



amortization schedule and determine the expense of the loan for each due payment. (2) Accounting entries on July 1st N, December 31st N, and July 1st 1 + N.

✓ **Solution application 03**

✓ **The first case: HYBRID bonds**

**A. Analysis of different values.**

- Convertible bonds issued Annual interest:  $10,000 \times 100 \times 5\% = 50,000$
- Present value of interest:  $50,000 [1 - (1.06)^{-10}] / 0.06 = 368,004$
- Present value of repayment:  $10,000 \times 100 \times (1.06)^{-10} = 558,395$

Total 926,399

Value of conversion right 73.601

$1,000,000 = 10,000 \times 10$  Issue price

**B. Bonds secured by subscription to shares Annual repayment of the loan:**

$$123,291 = [10 - (10.4)^{-1} / 0.04] \times 100 \times 10,000$$

- Present value of the loan:  $[1 - (1.06)^{-10}] / 0.06 = 907,433$

123,291

- Value of subscription guarantee in shares:  $10,000 - 907,433 = 72,567$

Shares 98                      980,000

**C. Interest rate swaps**

- The current rate is 6%, the cycle on the swap (a variable rate higher than 6.5%) does not require intervention at this time.
- It's just a premium and can be evaluated at its cost, that is,  $100,000 \times 0.5\% = 500$  DZD.
- On the other hand, since the fixed rate for the loan is 6.5% while the current variable rate is 6%, Sonatrach has an advantage which can be calculated as  $(100,000 \times (6.5\% - 6\%)) \times 3 = 1500$  DZD.
- Thus, the total value of the operation is:  $1500 - 500 = 1000$  DZD.

**D. Convertible bonds earned**

- **Present value of interest:**  $2000 \times 100 \times 5\% \times [1 - (1.06)^{-5} / 0.06] = 42124$
- **Present value of redemption:**  $2000 \times 100 \times (1.06)^{-5} = 149452$
- **Total** 191576
- **Value of the conversion right:** 2424
- **Issue price:**  $2,000 \times 97 = 194,000$

**E/Stock Portfolio**

It was possible to evaluate the premium using mathematical models such as the Scholes formula. We will use the data from the exercise

- Number of options required:  $550000 / 3980 = 140$
- Value of options:  $140 \times (4020 - (3930 + 5)) = 13300$
- Value of securities earned  $550000 - 13300 = 536700$
- Total 550000
- The second case: mandatory loans

\*Loan Repayment The fixed annual installment is  $10000 \times 100 \times = 129,505$  DZD.

The effective rate is the rate that satisfies:  $i/ ]5- (i +1 ) - 1 [ \times 129,505 = 6832 -( 96 \times 10000)$

6% = i

- Consumption Table

Net value cost amortized	interest at 6%	actual payment	capital repaid	interest obligations	depreciated obligations	live obligations	DATE
953168							0
880856	57190	129500	79500	50000	795	10000	1
804185	52852	129525	83500	46025	835	9205	2
722886	48251	129550	87700	41950	877	8370	3
636794	43373	129469	92000	37465	920	7493	4
545536	38207	129465	96600	32865	966	6573	5
448733	32732	129535	101500	28035	1015	5607	6
346197	26924	129440	106500	22960	1065	4592	7
237433	20771	129535	111900	17635	1119	3527	8
122139	14246	129540	117500	12040	1175	2408	9
0	7326	129465	123300	6165	1233	1233	10

(khaled, 2023)

### III. IFRS13 Fair Value Measurement

#### III. 1 Presentation of IFRS13 Fair Value Measurement

##### 1. ABOUT :

IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. IFRS 13 was originally issued in May 2011 and applies to annual periods beginning on or after 1 January 2013.

##### 2. History of IFRS 13 Fair Value Measurement

The historical development of International Financial Reporting Standard 13 since its emergence as a working draft, through the amendments that have been made to it until the last amendment illustrated in the following table.

*Table 3 The history of IFRS13*

Date	Development	Comments
September 2005	Project on fair value measurement added to the IASB's agenda	History of the project
30 November 2006	Discussion Paper <i>Fair Value Measurements</i> published	Comment deadline 2 April 2007
28 May 2009	Exposure Draft <i>Fair Value Measurement</i> published	Comment deadline 28 September 2009
29 June 2010	Exposure Draft <i>Measurement Uncertainty Analysis Disclosure for Fair Value Measurements</i> published	Comment deadline 7 September 2010
19 August 2010	Staff draft of a IFRS on fair value measurement released	
12 May 2011	IFRS 13 <i>Fair Value Measurement</i> issued	Effective for annual periods beginning on or after 1 January 2013
12 December 2013	Amended by <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (short-term receivables and payables)	Amendment to the basis for conclusions only
12 December 2013	Amended by <i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (scope of portfolio exception in paragraph 52)	Effective for annual period beginning on or after 1 July 2014
<b>Source : (IASB, 2024)</b>		

### 3. Objective of standards IFRS13

IFRS 13 objective is:

- defines fair value
- sets out in a single IFRS a framework for measuring fair value
- requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for:

- share-based payment transactions within the scope of [IFRS 2 Share-based Payment](#)
- leasing transactions within the scope of [IAS 17 Leases](#)
- measurements that have some similarities to fair value but that are not fair value, such as net realisable value in [IAS 2 Inventories](#) or value in use in [IAS 36 Impairment of Assets](#).

### 4. Key definitions

- **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
- **Active market** :A market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis
- **Exit price** :The price that would be received to sell an asset or paid to transfer a liability
- **Highest and best use** :The use of a non-financial asset by market participants that would maximise the value of the asset or the group of assets and liabilities (e.g. a business) within which the asset would be used
- **Most advantageous market** :The market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs
- **Principal market** :The market with the greatest volume and level of activity for the asset or liability.

### 4. SCOPE Of IFRS13 FAIR VALUE

IFRS 13 is applicable to all [fair value](#) measurements that are either required or permitted by other IFRSs. However, there are specific exceptions detailed in IFRS 13. (IFRS C. , 2025)

### 5. FAIR VALUE hierarchy

IFRS 13 seeks to increase consistency and comparability in [fair value measurements](#) and related [disclosures](#) through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation [techniques](#) into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement)

### ✓ **Level 1 inputs**

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date. [IFRS 13:76]

A quoted market price in an active market provides the most reliable evidence of fair value and is used without adjustment to measure fair value whenever available, with limited exceptions. [IFRS 13:77]

If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the fair value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. [IFRS 13:80]

### ✓ **Level 2 inputs**

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. [IFRS 13:81]

Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- inputs other than quoted prices that are observable for the asset or liability, for example
  - interest rates and yield curves observable at commonly quoted intervals
  - implied volatilities
  - credit spreads
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs').

### ✓ **Level 3 inputs**

Level 3 inputs are unobservable inputs for the asset or liability. [IFRS 13:86]

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, taking into account all information about market participant assumptions that is reasonably available. [IFRS 13:87-89]

## **6. Measurement of fair value**

### **• Overview of fair value measurement approach**

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires an entity to determine all of the following: [IFRS 13:B2]

- ✓ the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- ✓ for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- ✓ the principal (or most advantageous) market for the asset or liability
- ✓ the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the [fair value hierarchy](#) within which the inputs are categorised.

- **Guidance on measurement**

IFRS 13 provides the guidance on the measurement of fair value, including the following:

- ✓ An entity takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at measurement date (e.g. the condition and location of the asset and any restrictions on the sale and use of the asset) [IFRS 13:11]
- ✓ Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions [IFRS 13:15]
- ✓ Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability [IFRS 13:24]
- ✓ A fair value measurement of a non-financial asset takes into account its highest and best use [IFRS 13:27]
- ✓ A fair value measurement of a financial or non-financial liability or an entity's own equity instruments assumes it is transferred to a market participant at the measurement date, without settlement, extinguishment, or cancellation at the measurement date [IFRS 13:34]
- ✓ The fair value of a liability reflects non-performance risk (the risk the entity will not fulfil an obligation), including an entity's own credit risk and assuming the same non-performance risk before and after the transfer of the liability [IFRS 13:42]
- ✓ An optional exception applies for certain financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, provided conditions are met (additional disclosure is required). [IFRS 13:48, IFRS 13:96]

- **Valuation techniques**

An entity uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. [IFRS 13:61, IFRS 13:67]

The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants and the measurement date under current market conditions. Three widely used valuation techniques are: [IFRS 13:62]

- ✓ **market approach** – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business)
- ✓ **cost approach** – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost)

- ✓ **income approach** – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

In some cases, a single valuation technique will be appropriate, whereas in others multiple valuation techniques will be appropriate.

## 7. Disclosure of IFRS13 FAIR VALUE

- **Disclosure objective**

IFRS 13 requires an entity to disclose information that helps users of its financial statements assess both of the following: [IFRS 13:91]

- ✓ for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements
- ✓ for fair value measurements using significant unobservable inputs ([Level 3](#)), the effect of the measurements on profit or loss or other comprehensive income for the period.

- **Disclosure exemptions**

The disclosure requirements are not required for: [IFRS 13:7]

- ✓ plan assets measured at fair value in accordance with [IAS 19 Employee Benefits](#)
- ✓ retirement benefit plan investments measured at fair value in accordance with [IAS 26 Accounting and Reporting by Retirement Benefit Plans](#)
- ✓ assets for which recoverable amount is fair value less costs of disposal in accordance with [IAS 36 Impairment of Assets](#).

- **Identification of classes**

Where disclosures are required to be provided for each class of asset or liability, an entity determines appropriate classes on the basis of the nature, characteristics and risks of the asset or liability, and the level of the [fair value hierarchy](#) within which the fair value measurement is categorised. [IFRS 13:94]

Determining appropriate classes of assets and liabilities for which disclosures about fair value measurements should be provided requires judgement. A class of assets and liabilities will often require greater disaggregation than the line items presented in the statement of financial position. The number of classes may need to be greater for fair value measurements categorised within [Level 3](#).

Some disclosures are differentiated on whether the measurements are:

- ✓ Recurring fair value measurements – fair value measurements required or permitted by other IFRSs to be recognised in the statement of financial position at the end of each reporting period
- ✓ Non-recurring fair value measurements are fair value measurements that are required or permitted by other IFRSs to be measured in the statement of financial position in particular circumstances.

- **Specific disclosures required**

To meet the [disclosure objective](#), the following minimum disclosures are required for each [class](#) of assets and liabilities measured at fair value (including measurements based on fair value within the scope of this IFRS) in the statement of financial position after initial recognition (note these are requirements have been summarised and additional disclosure is required where necessary): [IFRS 13:93]

- ✓ the fair value measurement at the end of the reporting period\*
- ✓ for non-recurring fair value measurements, the reasons for the measurement\*

- ✓ the level of the [fair value hierarchy](#) within which the fair value measurements are categorised in their entirety (Level 1, 2 or 3)\*
- ✓ for assets and liabilities held at the reporting date that are measured at fair value on a recurring basis, the amounts of any transfers between Level 1 and [Level 2](#) of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred, separately disclosing and discussing transfers into and out of each level
- for fair value measurements categorised within [Level 2](#) and [Level 3](#) of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement, any change in the valuation techniques and the reason(s) for making such change (with some exceptions)\*
- for fair value measurements categorised within [Level 3](#) of the fair value hierarchy, quantitative information about the significant unobservable inputs used in the fair value measurement (with some exceptions)
- for recurring fair value measurements categorised within [Level 3](#) of the fair value hierarchy, a reconciliation from the opening balances to the closing balances, disclosing separately changes during the period attributable to the following:
  - total gains or losses for the period recognised in profit or loss, and the line item(s) in profit or loss in which those gains or losses are recognised – separately disclosing the amount included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised
  - total gains or losses for the period recognised in other comprehensive income, and the line item(s) in other comprehensive income in which those gains or losses are recognised
  - purchases, sales, issues and settlements (each of those types of changes disclosed separately)
  - the amounts of any transfers into or out of [Level 3](#) of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into [Level 3](#) shall be disclosed and discussed separately from transfers out of [Level 3](#)
- for fair value measurements categorised within [Level 3](#) of the fair value hierarchy, a description of the valuation processes used by the entity
- for recurring fair value measurements categorised within [Level 3](#) of the fair value hierarchy:
  - a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement. If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, the entity also provides a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement
  - for financial assets and financial liabilities, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated
- if the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use\*. (IAS, 2025)

The disclosure requirements under IFRS 13, detailed in IFRS 13.91-99, are summarised below:

**Table 4 the disclosure requirements under IFRS13**

Disclosure requirements	Item measured at fair value						Item measured at cost, fair value disclosed		
	Recurring			Non-recurring			L1	L2	L3
	L1	L2	L3	L1	L2	L3			
Fair value at end of reporting period	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reasons for the measurement				✓	✓	✓			
Level within fair value hierarchy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Transfers between the levels in the hierarchy	✓	✓	✓						
Policy for determining when transfers between hierarchy have occurred	✓	✓	✓						
Description of valuation technique and inputs used		✓	✓		✓	✓		✓	✓
Changes to valuation technique and reasons		✓	✓		✓	✓		✓	✓
Quantitative information about significant unobservable inputs			✓			✓			
Reconciliation of opening and closing balance (including information on transfers in or out)			✓						
Unrealised gains/losses recognised in profit or loss			✓						
Description of valuation processes and policies			✓			✓			
Sensitivity to changes in unobservable inputs (narrative)			✓						
Sensitivity to reasonably possible change in assumptions (quantitative, for financial instruments only)			✓						
If highest and best use differs from current use, reasons why (non-financial assets only)	✓	✓	✓	✓	✓	✓	✓	✓	✓
If portfolio exception in paragraph 48 of the standard is applied (financial instruments only)	✓	✓	✓						

**SOURCE :** (Foundation, 2017)

It should be noted that the disclosure requirements of IFRS 13 do not apply to the fair value measurement at the initial recognition of an asset or liability (IFRS 13.BC184). Other IFRS Standards, such as IFRS 7, mandate the disclosure of fair value for assets and liabilities that are not measured at fair value in the statement of financial position. Certain disclosure requirements of IFRS 13 are also relevant to these disclosures . were L1 it means level01 and L2 it means level 02 and L3 it means level03.

## III.2. APPLICATION ABOUT IFRS13 FAIR VALUE

### 1. APPLICATION 01

- What is 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. According to IFRS 13, fair value?
- A company A has measured all of its assets and liabilities at fair value in accordance with IFRS 13.

Explain the most important aspects of the disclosure required under IFRS 13. And Why is fair value disclosure important?

✓ **Solution application 01 :**

**First :** is 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. According to IFRS 13, fair value is showing in table :

Items	Comments on the terms used in the definition of fair value
<b>Asset or Liability</b>	Consideration of the characteristics of the asset or liability as they would be perceived by market participants, namely the condition of the asset, its location, and any restrictions on its sale or use. Measurement can be carried out at the level of a standalone asset or a group of assets (CGU).
<b>Transaction</b>	Assuming an exchange in a normal transaction under market conditions, namely the principal market for the asset (or liability) or the most advantageous market identified based on reasonably available information. In the presence of an active market, the fair value corresponds to the price in that market, directly observable or estimated using another valuation technique, regardless of the entity's ability to sell the asset or transfer the liability.
<b>Market Participants</b>	Measurement at fair value based on pricing assumptions that market participants would make in their best economic interest.
<b>price</b>	Price resulting from market conditions at the measurement date, i.e., corresponding to an exit value, observable or estimated using valuation techniques and without adjustment for transaction costs unless the location is a characteristic of the asset concerned

- **Second :**

- **The most important aspects of disclosure required by IFRS 13 include:**

- \*The valuation methods used.

- \*The key assumptions used in the valuation.

- \*The fair value hierarchy for each class of assets and liabilities.

- \*Detailed information on changes in fair value during the period.

- **Fair value disclosure is important because it:**

Provides users of financial statements with information about the fair value of assets and liabilities, helping them make informed decisions. It enhances transparency and reliability in financial statements. It helps understand the risks associated with assets and liabilities measured at fair value.

## 2. Application 02 : Defined fair value

An institution has a plot of land that it purchased at the beginning of 2012 at a cost of 1000 DZD. We will study the various possible cases for dealing with revaluation differences in accounting,

Required :defined the fair value in all cases ?

✓ **Solution application 02** :which are summarized in the following table:

<p>If the fair value is 1400, the revaluation difference is positive +400. Thus, the net accounting value of H211 becomes equal to the fair value of 1400. The revaluation difference is 400, the net accounting value becomes equal to the fair value of 1400 DZD</p>	<p>If the fair value is 600, the revaluation difference is negative -400. The amount from 681 to 2911 is recorded at 400, and the net accounting value of 211/H becomes equal to the fair value of 600 DZD</p>	<p><b>First re-evaluation 2012/12/31</b></p>
<p><b>Case 1:</b> If the fair value is 1,600, the revaluation difference is positive: <math>1,600 - 1,400 = 200</math>.</p> <p>The revaluation difference is recorded as 200, the net accounting value of 211H becomes equal to the fair value of 1,600 DZD.</p>	<p><b>Case 01:</b> Fair value 400 Negative revaluation difference <math>400 - 600 = 200</math> We record from H 681 to H 2911 a value of 200, and the net accounting value of H/211 becomes equal to the fair value of 400 DZD</p>	<p><b>2013/12/31 second re-evaluation</b></p>

<p><b>Case 02</b> Fair value 1200 Negative revaluation difference <math>1200 - 1400 = -200</math> less than the previous positive valuation difference</p>	<p><b>Case 02:</b> Fair value 700 Positive revaluation difference <math>700 - 600 = 100</math> less the previous decrease and the net accounting value becomes 700 DZD</p>	
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Revaluation differences, the net value of account becomes $1400 - 200 = 1200$ Fair value = Q M S		
<b>Case 03</b> Fair value 900- Negative revaluation difference 1400- -900=-500 less than the previous positive valuation difference Revaluation differences, the net value of 211 becomes 1400-500=900. .Fair value = Q.M.S	<b>Case 03:</b> Fair value +1100 Positive revaluation difference 110-600=500, greater than the previous impairment by 400 , the net accounting value becomes H/211: 600+400+100=1100	

Source : (hanifa, 2012, pp. 124-125)

### 3. Application 03 :Fair Value Hierarchy

Company A has valued a financial asset (stocks) in its investment portfolio. There is no active market for this asset, but there is available information about the prices of similar assets in the market.

**Required:**

Determine which level of the fair value hierarchy will be used in this situation.

Explain why this level was chosen.

✓ **Solution application 03:**

Level 2 of the fair value hierarchy will be used.

Level 2 was chosen because the available information about the prices of similar assets is considered observable inputs (Level 2 inputs), not direct inputs from the market (Level 1 inputs), and does not require significant estimation (Level 3 inputs)

### 4. Application 04

Al-Amira Company has an investment in shares of Amina Company. The purchase price of the shares was 2,000,000 Algerian dinars. The share price in the active market (fair value) was 2,200,000 DZD.

Expected selling costs: 20,000 DZD.

**Required:**

- Determine the fair value of the investment according to IFRS 13.
- Determine the impact on the company's income statement and balance sheet.

✓ **Solution application 04:**

- Fair value: The fair value of the investment is 2,200,000 DZD.
- Impact:
  - **Income statement:** An unrealized gain of 200,000 DZD (2,200,000 - 2,000,000) is recorded in the income statement.
  - **Balance sheet:** The value of the investment on the balance sheet is increased by 200,000 DZD, bringing the total investment value to 2,200,000 DZD.

## IV. IFRS 02 PAYMENT BASED SHARES

### IV.1. PRESENTATION OF IFRS 02 PAYMENT BASED SHARES

#### 1. ABOUT :

standard ifrs02 called: "adoption of International Financial Reporting Standards for the first time" is one of the standards issued by the International Accounting Standards Board, this standard is applied by the entity in order to clarify how to measure transactions made with employees or external parties and settled through equity

2. **The History of IFRS02 PAYMENT BASED SHARES** : This standard was issued in 2004 from the first January in 2005, and this standard came to indicate how to process and display the operations involving the acquisition of goods or services by the establishment, including transactions that are carried out together in exchange for payment with property rights instruments, and may take the form of shares or stock options.

*Table 5 THE History of IFRS2*

Date	Development	Comments
July 2000	G4+1 Discussion Paper <i>Accounting for Share-Based Payments</i> published	Comment deadline 31 October 2000
July 2001	Project added to IASB agenda	History of the project
<u>20 September 2001</u>	IASB invites comments on G4+1 Discussion Paper <i>Accounting for Share-Based Payments</i>	Comment deadline 15 December 2001
<u>7 November 2002</u>	Exposure Draft ED 2 <i>Share-Based Payment</i> published	Comment deadline 7 March 2003
<u>19 February 2004</u>	IFRS 2 <i>Share-based Payment</i> issued	Effective for annual periods beginning on or after 1 January 2005
<u>2 February 2006</u>	Exposure Draft <i>Vesting Conditions and Cancellations</i> published	Comment deadline 2 June 2006
<u>17 January 2008</u>	Amended by <i>Vesting Conditions and Cancellations (Amendments to IFRS 2)</i>	Effective for annual periods beginning on or after 1 January 2009
<u>16 April 2009</u>	Amended by <i>Improvements to IFRSs</i> (scope of	Effective for annual periods beginning on or after 1 July 2009

	<b>IFRS 2 and revised IFRS 3)</b>	
<b><u>18 June 2009</u></b>	<b>Amended by <i>Group Cash-settled Share-based Payment Transactions</i></b>	<b>Effective for annual periods beginning on or after 1 January 2010</b>
<b><u>12 December 2013</u></b>	<b>Amended by <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (definition of vesting condition)</b>	<b>Effective for annual periods beginning on or after 1 July 2014</b>
<b><u>20 June 2016</u></b>	<b>Amended by <i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</i></b>	<b>Effective for annual periods beginning on or after 1 January 2018</b>

SOURCE : (STANDARDS, 2025)

### 3. Objective of IFRS02 PAYMENT BASED SHARES :

the objective of International Financial Reporting Standard No. 02IFRS this standard aims to describe and describe how to report on transactions that involve payment through the issuance of shares, in particular, the standard requires that the effects of those transactions are reflected in the statement of income and financial position, including the expenses associated with granting employees of the included stock options

### 4. Scope of application of IFRS 02:

the standard should be applied to all payments made on the basis of share payments, in particular. The issue of property rights settlements:

- any operations that include the acquisition of goods or services by the entity and payment is made through property rights instruments, including shares, options for payment in shares
- Cash settlements based on the share price: these are payments based on the share price for a cash settlement where the entity receives goods and services in exchange for assuming the obligation of suppliers to pay amounts determined based on the share price of the entity or any other proprietary rights instruments.
- The operations through which the entity obtains goods or services, so that the terms of the agreement include giving the entity or the supplier of these goods or services the option to make payment in cash or other assets or through the issuance of proprietary rights instruments

### 5. Definitions OF IFRS02 :

- **Equity settlements** is the process of payment on the basis of shares to settle equity when the entity obtains goods and services, and payment is made in the form of **equity instruments**, either shares or options for payment in shares .

Processing of payments on the basis of shares. Operations that involve the entity obtaining goods or services in exchange for equity instruments in the entity, and may be in the form of issuing shares or concluding stock options contracts, or the entity obtaining goods and services in

exchange for its obligation to pay in amounts determined on the basis of changes in the prices of the established shares or any other equity instruments of the entity.

- **Date of grant** :the date is the date on which the establishment agrees with another party - including employees - the payment agreement negotiates and the establishment agrees with another party on the granting of cash or other assets or property rights instruments of the establishment provided that the conditions specified for such grants are fulfilled by the other party.
- **An implied value**: represents the difference between the fair value of the shares that the counterparty has the right to acquire or subscribe to and the specified execution price that the counterparty is required to pay –if it commits to pay a certain amount –for these shares, for example, if the execution price of the stock option right is 25dZ –the amount required to be paid by the counterparty to the enterprise –and the fair value of the share is 65dZ, the implied value is 40dZ.
- **A stock option** is a contract that gives its holder the right, without committing to it, to subscribe to shares established at a specific or determinable price during a certain period of time .
- **The period of fulfillment of the conditions**: is the period during which all the transfer conditions specified in the payment agreement on the basis of shares must be met.

#### 6. Requirements of the standard :

The standard requires the recognition of goods and services that were received or obtained in the process of payment on the basis of shares at the date of acquisition of the good or service /if the payment process is based on the basis of the settlement of rights ownership of the issue of shares, the property rights are increased, but if the settlement is made on the basis of monetary settlement, the obligations are recognized . When the goods and services obtained in share-based repayments are not eligible for recognition as an asset and do not meet the conditions of the asset, they are recognized as an expense.

- **Processing payments with third parties on the basis of property rights** : All transactions settled through equity are measured by the fair value of the goods or services received on the date of purchase, and if the fair value cannot be determined reliably, in this case, the fair value of the goods and services is measured by the fair value of the shares granted on the date of purchase or the so-called settlement date model .
- **Operations performed with employees** :operations performed with employees are usually measured using the grant date model, i.e. the operation is recorded at the fair value of the equity instrument on the original date on which it was granted /while operations from non-employees are measured using the service date model, i.e. operations are recorded at the fair value of the goods and services acquired on the date on which they were received. When the bonuses and incentives granted to employees are related to conditions that will be met in the future, their cost should be recognized as an expense over the periods during which these conditions are met and recorded on the creditor side of the property rights

## IV. 2 APPLICATION ABOUT IFRS02 PAYMENT BASED SHARES

### 1. APPLICATION 01 :

On 1/1/2013, the Arab Company purchased equipment with a fair value of 50,000 ledge in exchange for issuing 10,000 shares with a nominal value of one dinar per share, the fair market value of the share reached 6 ledge per share

**Required:** - what is the value at which the tortures will appear in the books on the date of purchase  
 - Proof of the necessary entry for the purchase equipment

#### ✓ SOLUTION OF APPLICATION 01 :

The Equipment is proved in the amount of 50000dz, which is its fair value  
 \* **proof of purchase ::**

	50000		Equipment	*****
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10000	1*10000	Capital	*****	
40000		Additional capital	*****	

## 2. APPLICATION 02

On 1/1/2013, the Arab Company purchased equipment whose fair value cannot be determined in exchange for issuing 10,000 shares with a nominal value of one dinar per share, the fair market value of the share reached a date of 6d per share What is required: what is the value at which the tortures will appear in the books on the date of purchase Proof of the necessary entry for the purchase equipment

### ✓ Solution of application 02

1\*The equipment is proved in the amount of 60000dz, which is the fair value of the issued shares  
/2 \* proof of the necessary entry for the purchase equipment\*2

	60000		equipment	*****
10000	1*10000	Capital	*****	
50000		Additional capital	*****	

**3. Application 03: on 1/1/2013, Princess SPA company awarded each of its 1000 employees 20 shares in the form of equity in recognition of their achievements, where their rights are exercised on 31/12/2016. Assuming that their right to 80% of the shares was exercised and that the share prices on the market were as follows:**

- 1/1/2013 da14  
-31/12/2013 17da  
31/12/2016 18da

**Required :**how much is the commitment of the qualified movers to be credited for these shares on 31/12/2016.

✓ **Solution of application 03:** The amount of the employee competency obligation as of 31/12/2016

**number of employees \*number of bonus rights shares \*percentage of employees exercising the bonus shares \*change in the percentage of shares  $100*20*80%* (-18-14)=64000da$**

## 4. APPLICATION 04:

On 1/1/2016, Princess SPA was awarded bonuses-in the form of property rights in recognition of their achievements, where their rights will be exercised on 31/12/2018.- Where each of its employees gets 100 stock options of the 200 employees and each option has the right to receive an ordinary share, provided that they continue to work for the company for the next three years.The company estimated the fair value of each option right at 6dj at the date of Grant, and its nominal value is 1dj per share . The company also estimated that the weighted average of employees who may leave their jobs before three years is 20%.They will therefore lose their right to exercise the option and the market price of the stock at exercise is 15% per share .- Service history-

**Required: in light of the previous data, what is the compensation expense that the company will recognize at the end of each of the three years.**

✓ : **SOLUTION OF APPLICATION 04**

Qualified expenses are recognized as follows :

Total cumulative compensation expense	Annual compensation expense	year
32000	32000	$\frac{3}{6} * 0.8 * 100 * 200$
64000	32000	$\frac{3}{6} * 0.8 * 100 * 200$
96000	32000	$\frac{3}{6} * 0.8 * 100 * 200$

**Accounting Record:**

**1/1/2016 - No accounting record. No compensation expense.**

**On 12/31/2013 of each year for a period of 3 years**

**On 12/31/2013 of each year for a period of 3 years 12/31/2016-12/31/2017-12/31/2018**

	32000		compensation expense	*****
32000		Additional paid - up capital stock options	*****	

At the end of the third year the registration is as follows ::

	96000		Additional paid-in capital and stock options	*****
16000	0.8*200000	capital	*****	
80000		Additional capital	*****	



## V. IAS 33 EARNINGS PER SHARE

### V. 1 PRESENTATION OF IAS 33 EARNINGS PER SHARE

#### 1. About :

IAS 33 sets out how to calculate both basic earnings per share (EPS) and diluted EPS. The calculation of Basic EPS is based on the weighted average number of ordinary shares outstanding during the period, whereas diluted EPS also includes dilutive potential ordinary shares (such as options and convertible instruments) if they meet certain criteria. IAS 33 was reissued in December 2003 and applies to annual periods beginning on or after 1 January 2005.

#### 2. Historique of IAS33

The historical development of International accounting Standard 33 since its emergence as a working draft, through the amendments that have been made to it until the last amendment illustrated in the following table

**Table05 teh history of IAS33**

<b>January 1996</b>	<b>Exposure Draft E33 <i>Earnings Per Share</i></b>	
<b>February 1997</b>	IAS 33 <i>Earnings Per Share</i>	Effective for annual periods beginning on or after 1 January 1999
<b>18 December 2003</b>	Revised version of IAS 33 issued by the IASB	Effective for annual periods beginning on or after 1 January 2005
<b>7 August 2008</b>	IASB proposes to amend IAS 33. Click for <a href="#">Press Release</a> (PDF 48k).	
<b><u>6 September 2007</u></b>	Amended by IAS 1 <i>Presentation of Financial Statements</i> (2007)	Effective for annual periods beginning on or after 1 January 2009
<b>12 May 2011</b>	Amended by IFRS 10 <i>Consolidated Financial Statements</i> and IFRS 11 <i>Joint Arrangements</i>	Effective for annual periods beginning on or after 1 January 2013
<b>12 May 2011</b>	Amended by IFRS 13 <i>Fair Value Measurements</i>	Effective for annual periods beginning on or after 1 January 2013
<b>16 June 2011</b>	Amended by IAS 1 <i>Presentation of Items of Other Comprehensive Income</i>	Effective for annual periods beginning on or after 1 July 2012
<b>24 July 2014</b>	Amended by IFRS 9 <i>Financial Instruments</i>	Effective for annual periods beginning on or after 1 January 2018
<b><u>9 April 2024</u></b>	Amended by IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	The amendments to IAS 33 permit an entity to disclose additional earnings per share in the notes only if the numerator is either a total or subtotal identified in IFRS 18 or is a management performance measure. The amendments need to be applied when IFRS 18 is applied, which is effective for annual periods beginning on or after 1 January 2027

Source : (PLUS, IASPLUS, 2025)

### 3. The objective of IAS33 EARNINGS PER SHARE

The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. Even though earnings per share data have limitations because of the different accounting policies that may be used for determining 'earnings', a consistently determined denominator enhances financial reporting. The focus of this Standard is on the denominator of the earnings per share calculation.

### 4. Scope of IAS33 EARNINGS PER SHARE

This Standard shall apply to the separate or individual financial statements of an entity:

..the consolidated financial statements of a group with a parent:

\*whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) or

\*that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing ordinary shares in a public market.

.An entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.

When an entity presents both consolidated financial statements and separate financial statements prepared in accordance with IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements respectively, the disclosures required by this Standard need be presented only on the basis of the consolidated information. An entity that chooses to disclose earnings per share based on its separate financial statements shall present such earnings per share information only in its statement of comprehensive income. An entity shall not present such earnings per share information in the consolidated financial statements.

### 5. Key Definitions :

The following terms are used in this Standard with the meanings specified:

**Antidilution** is an increase in earnings per share or a reduction in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

A **contingent share agreement** is an agreement to issue shares that is dependent on the satisfaction of specified conditions.

**Contingently issuable ordinary shares** are ordinary shares issuable for little or no cash or other consideration upon the satisfaction of specified conditions in a contingent share agreement.

**Dilution** is a reduction in earnings per share or an increase in loss per share resulting from the assumption that convertible instruments are converted, that options or warrants are exercised, or that ordinary shares are issued upon the satisfaction of specified conditions.

*Options, warrants and their equivalents* are financial instruments that give the holder the right to purchase ordinary shares.

An *ordinary share* is an equity instrument that is subordinate to all other classes of equity instruments.

A *potential ordinary share* is a financial instrument or other contract that may entitle its holder to ordinary shares.

*Put options on ordinary shares* are contracts that give the holder the right to sell ordinary shares at a specified price for a given period.

Ordinary shares participate in profit for the period only after other types of shares such as preference shares have participated. An entity may have more than one class of ordinary shares. Ordinary shares of the same class have the same rights to receive dividends.

## 6. Measurement OF IAS33

### 6.1 Basic earnings per share

An entity shall calculate basic earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

The objective of basic earnings per share information is to provide a measure of the interests of each ordinary share of a parent entity in the performance of the entity over the reporting period.

### 6.2 Earnings

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of:

- (a) profit or loss from continuing operations attributable to the parent entity; and
- (b) profit or loss attributable to the parent entity .

shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

All items of income and expense attributable to ordinary equity holders of the parent entity that are recognised in a period, including tax expense and dividends on preference shares classified as liabilities are included in the determination of profit or loss for the period attributable to ordinary equity holders of the parent entity .

The after-tax amount of preference dividends that is deducted from profit or loss is:

- (a) the after-tax amount of any preference dividends on non-cumulative preference shares declared in respect of the period; and  
the after-tax amount of the preference dividends for cumulative preference shares required for the period, whether or not the dividends have been declared.
- (b) dividends for the period does not include the amount of any preference dividends for cumulative preference shares paid or declared during the current period in respect of previous periods.

Preference shares that provide for a low initial dividend to compensate an entity for selling the preference shares at a discount, or an above-market dividend in later periods to compensate investors for purchasing preference shares at a premium, are sometimes referred to as increasing rate preference shares. Any original issue discount or premium on increasing rate preference shares is amortised to retained earnings using the effective interest method [ and treated as a preference dividend for the purposes of calculating earnings per share.

Preference shares may be repurchased under an entity's tender offer to the holders. The excess of the fair value of the consideration paid to the preference shareholders over the carrying amount of the preference shares represents a return to the holders of the preference shares and a charge to retained earnings for the entity. This amount is deducted in calculating profit or loss attributable to ordinary equity holders of the parent entity.

Early conversion of convertible preference shares may be induced by an entity through favourable changes to the original conversion terms or the payment of additional consideration. The excess of the fair value of the ordinary shares or other consideration paid over the fair value of the ordinary shares issuable under the original conversion terms is a return to the preference shareholders, and is deducted in calculating profit or loss attributable to ordinary equity holders of the parent entity.

Any excess of the carrying amount of preference shares over the fair value of the consideration paid to settle them is added in calculating profit or loss attributable to ordinary equity holders of the parent entity

### 6.3 Shares

For the purpose of calculating basic earnings per share, the number of ordinary shares shall be the weighted average number of ordinary shares outstanding during the period.

Using the weighted average number of ordinary shares outstanding during the period reflects the possibility that the amount of shareholders' capital varied during the period as a result of a larger or smaller number of shares being outstanding at any time. The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares bought back [Refer: Illustrative Examples, example 2] or issued during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period; a reasonable approximation of the weighted average is adequate in many circumstances.

Shares are usually included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue), for example:

- (a) ordinary shares issued in exchange for cash are included when cash is receivable;
- (b) ordinary shares issued on the voluntary reinvestment of dividends on ordinary or preference shares are included when dividends are reinvested;
- (c) ordinary shares issued as a result of the conversion of a debt instrument to ordinary shares are included from the date that interest ceases to accrue;
- (d) ordinary shares issued in place of interest or principal on other financial instruments are included from the date that interest ceases to accrue;
- (e) ordinary shares issued in exchange for the settlement of a liability of the entity are included from the settlement date;
- (f) ordinary shares issued as consideration for the acquisition of an asset other than cash are included as of the date on which the acquisition is recognised; and
- (g) ordinary shares issued for the rendering of services to the entity are included as the services are rendered.

The timing of the inclusion of ordinary shares is determined by the terms and conditions attaching to their issue. Due consideration is given to the substance of any contract associated

Ordinary shares issued as part of the consideration transferred in a business combination [Refer: IFRS 3 paragraph 37] are included in the weighted average number of shares from the acquisition date. This is because the acquirer incorporates into its statement of comprehensive income the acquiree's profits and losses from that date.

Ordinary shares that will be issued upon the conversion of a mandatorily convertible instrument are included in the calculation of basic earnings per share from the date the contract is entered into.

Contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share only from the date when all necessary conditions are satisfied (ie the events have occurred). Shares that are issuable solely after the passage of time are not contingently issuable shares, because the passage of time is a certainty. Outstanding ordinary shares that are contingently returnable (ie subject to recall) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall.]

The weighted average number of ordinary shares outstanding during the period and for all periods presented shall be adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

Ordinary shares may be issued, or the number of ordinary shares outstanding may be reduced, without a corresponding change in resources. Examples include:

- a capitalisation or bonus issue (sometimes referred to as a stock dividend);
- a bonus element in any other issue, for example a bonus element in a rights issue to existing shareholders.

### 6.3 Diluted earnings per share

An entity shall calculate diluted earnings per share amounts for profit or loss attributable to ordinary equity holders of the parent entity and, if presented, profit or loss from continuing operations attributable to those equity holders.

For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, [Refer: paragraphs 19–29, A2 and A15] for the effects of all dilutive potential ordinary shares.

The objective of diluted earnings per share is consistent with that of basic earnings per share— to provide a measure of the interest of each ordinary share in the performance of an entity— while giving effect to all dilutive potential ordinary shares outstanding during the period. As a result:

- profit or loss attributable to ordinary equity holders of the parent entity [Refer: paragraphs 12–18, A1, A13 and A14] is increased by the after-tax amount of dividends and interest
- (a) recognised in the period in respect of the dilutive potential ordinary shares and is adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares; and
  - (b) the weighted average number of ordinary shares outstanding [Refer: paragraphs 19–29, A2 and A15] is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 6 Dilutive potential ordinary shares

Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

An entity uses profit or loss from continuing operations attributable to the parent entity as the control number to establish whether potential ordinary shares are dilutive or antidilutive. Profit or loss from continuing operations attributable to the parent entity is adjusted in accordance with paragraph 12 and excludes items relating to discontinued operations.

In determining whether potential ordinary shares are dilutive or antidilutive, each issue or series of potential ordinary shares is considered separately rather than in aggregate. The sequence in which potential ordinary shares are considered may affect whether they are dilutive. Therefore, to maximise the dilution of basic earnings per share, each issue or series of potential ordinary shares is considered in sequence from the most dilutive to the least dilutive, ie dilutive potential ordinary shares with the lowest ‘earnings per incremental share’ are included in the diluted earnings per share calculation before those with a higher earnings per incremental share. Options and warrants are generally included first because they do not affect the numerator of the calculation.

- **Options, warrants and their equivalents**

For the purpose of calculating diluted earnings per share, an entity shall assume the exercise of dilutive options and warrants of the entity. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the period. [Refer: paragraphs A4 and A5] The difference

between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price of ordinary shares during the period shall be treated as an issue of ordinary shares for no consideration.

Options and warrants are dilutive when they would result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. [Refer: paragraphs A4 and A5] The amount of the dilution is the average market price of ordinary shares during the period minus the issue price. Therefore, to calculate diluted earnings per share, potential ordinary shares are treated as consisting of both the following:

- (a) a contract to issue a certain number of the ordinary shares at their average market price during the period. Such ordinary shares are assumed to be fairly priced and to be neither dilutive nor antidilutive. They are ignored in the calculation of diluted earnings per share.
- (b) a contract to issue the remaining ordinary shares for no consideration. Such ordinary shares generate no proceeds and have no effect on profit or loss attributable to ordinary shares outstanding. Therefore, such shares are dilutive and are added to the number of ordinary shares outstanding in the calculation of diluted earnings per share.

[Refer: Illustrative Examples, examples 9 and 12]

Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period [Refer: paragraphs A4 and A5] exceeds the exercise price of the options or warrants (ie they are 'in the money'). Previously reported earnings per share are not retroactively adjusted to reflect changes in prices of ordinary shares.

For share options and other share-based payment arrangements to which IFRS 2 Share-based Payment applies, [Refer: IFRS 2 paragraphs 2–6] the issue price referred to in paragraph 46 and the exercise price referred to in paragraph 47 shall include the fair value (measured in accordance with IFRS 2) of any goods or services to be supplied to the entity in the future under the share .

Employee share options with fixed or determinable terms and non-vested ordinary shares are treated as options in the calculation of diluted earnings per share, even though they may be contingent on vesting. They are treated as outstanding on the grant date. Performance-based employee share options are treated as contingently issuable shares because their issue is contingent upon satisfying specified conditions in addition to the passage of time.

If an entity presents items of profit or loss in a separate statement as described in paragraph 10A of IAS 1 (as amended in 2011), it presents basic and diluted earnings per share for the discontinued operation, as required in paragraph 68, in that separate statement or in the notes.

An entity shall present basic and diluted earnings per share, even if the amounts are negative (ie a loss per share).

## 7. Disclosure of IAS33

An entity shall disclose the following:

(a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a reconciliation of those amounts to profit or loss attributable to the parent entity for the period. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.

(b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a reconciliation of these denominators to each other. The reconciliation shall include the individual effect of each class of instruments that affects earnings per share.

instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented.

°C. Description of instruments with potential future dilutive effect not included in calculation of diluted earnings per share Disclosure

## V. 2 APPLICATION ABOUT IAS33 EARNINGS PER SHARES

### 1. Application 01 : The stock profit

On 1/1/2016, the number of shares of the Global Company was 1,000,000 ordinary shares with a nominal value of one dinar. The company also had preferred shares with a nominal value of one million dinars that yield 6% dividends. During the year 2016, the following occurred:

On 1/4/2016, the company increased its capital by issuing 500,000 additional shares which were sold at a price of 2.5 dinars per share.

On 1/8/2016, the company purchased 150,000 of its own shares as treasury shares.

On 1/10/2016, the company distributed one free share for every ordinary share.

On 1/12/2016, the company sold 60,000 treasury shares. The net profit of the company from continuous operations was 600,000 dinars.

**Required:** Calculate the weighted average shares of ordinary shares during 2016 and calculate the basic earnings per share for the year 2016.

✓ **Solution application 01 :**

- Calculating the weighted average of common shares during the year 2016,

the weighted average	Period in months	Number of stock	period	
500000	$(1000000*2)*(12/3)$	3	1000000	1/1/2016
1000000	$(1500000*2)*(12/4)$	4	1500000	1/4/2016
450000	$(1350000*2)*(12/2)$	2	1350000	1/8/2016
450000	$(2700000*2)*(12/2)$	2	2700000	1/10/2016
230000	$(2760000*2)*(12/1)$	1	2760000	1/12/2016
		0	2760000	31/12/2016
2630000		12		total

it is noted from the above table that the distribution of free shares is treated as if it occurred at the beginning of the year. For this reason, the number of outstanding shares during the previous period before the distribution was multiplied by two, and a stock split is treated the same way as the distribution of free shares.

- The stock profit = the net annual profits from continuing operations - the preferred stock share of profits / the weighted average number of shares during the year.

$$\text{The stock profit} = 300000 - 1000000 * 6\% / 2630000 = 0.09125$$

### 2. Application 02 : Diluted earnings per share

In the year 2016, the number of weighted ordinary shares at Al-Shorouk Company 1000000 shares, and the following additional information is provided :

\* The company has preferred shares with a nominal value of one million dinars that yield 8% annual profits, and it holds a total of 400 shares convertible to ordinary shares at a rate of one preferred share convertible to 02 ordinary shares.

\*The company also has bonds with a nominal value of one million dinars with an interest rate of 6% annually, totaling 100,000 bonds convertible into ordinary shares at a rate of one bond convertible to four ordinary shares.

\*The company's profit from continuing operations for the year 2016 was 250,000 dinars, and the corporate income tax is 25%.

- Required :** -calculate both basic earnings per share  
- calculate diluted earnings per share.

✓ **Solution application 02**

\*The basic earnings per share = the net annual profits from continuing operations-  
divided by premium shares /the weighted average number of shares during the year  
 $=250000-1000000*8\%/1000000=0.17$

- calculate the diluted earnings per share

. To calculate the diluted earnings per share, financial instruments convertible into ordinary shares are arranged according to their effect on earnings per share.

**The effect of converting preferred shares is**

$$1000000*8\%/400000*2=0.100$$

- that since the calculated value is less than the basic earnings per share, the conversion of preferred shares should proceed.

**The effect of converting bonds. :**

$$1000000*6\%*(1.0.25)/100000*4=0.1125$$

**\*Arranging financial instruments according to the degree of impact their conversion has on the profitability of :**

- preferred shares 0.100
- bonds 0.1125

Accordingly, the calculation of the low profitability of the share begins in light of the conversion of preferred names, followed by the impact of the conversion of bonds.

- **The profitability of the share in the case of converting preferred shares.**  
 $250000/1000000+400000*2=0.1388$
- The profitability of the share in the case of converting preferred shares and bonds.  
 $250000+1000000*6\%*(1-0.25)/100000+400000*2+100000*4=0.13409$
- Based on the above, the preferred names and bonds are reduced, and thus the profitability of the share is reduced to 0.13409, where the company is required to disclose both the basic earnings per share of 0.17 0and the diluted earnings per share.

### **3. Application 03 : Number of potential shares**

On 1/1/2016, the Arab company granted one of its employees the option to purchase 10,000 shares at an exercise price of 5 dinars, for a period of two years. When preparing the financial statements on 31/12/2016, the average price of ordinary shares throughout the year was 10 dinars. **REQUIRED :** What is the number of potential shares that will be added to the weighted average of ordinary shares when calculating the diluted earnings per share?

- ✓ **Solution to Application 03:** According to the requirements of standard No. 33, the number of shares to be issued to the option holder will be calculated if it were settled through shares only, thus:

$$10000*10-5=50000$$

- The net gains acquired by the option holder will be granted in ordinary shares equivalent to 50,000 dinars. Since the average fair market price of the share is 10 dinars, the company will issue 5,000 shares to the option holder without receiving any cash amounts from him.
- Accordingly, the number of potential shares for the option is 5,000 ordinary shares.



# **Chapter II: IFRS for Compilation of Accounts and Merger of Companies**

## Chapter II: IFRS for Compilation of Accounts and Merger of Companies

### ➤ Introduction to Chapter II :

Accounting for business combinations is a branch of financial accounting that deals with the recording and evaluation of transactions that lead to the merger of two or more companies into a single economic entity. From an accounting perspective, a business combination is the process by which one company acquires control of another, with all assets, liabilities, and rights being owned by the acquiring company. This may occur through:

- Purchase of shares.
- Purchase of assets.
- Full legal merger (one company dissolves into another).

Its accounting treatment is governed by a set of International Financial Reporting Standards, which we will discuss in this chapter.

### ➤ Learning Objectives

Through this chapter, the student will be able to explain and understand:

1. Identify the origin, scope, and objective of International Financial Reporting Standard 1 (IFRS 1), the first adoption of international financial reporting standards;
2. Identify the origin, scope, and objective of International Financial Reporting Standard 3 (IFRS 3), Business Combinations;
3. Identify the origin, scope, and objective of International Financial Reporting Standard 10 (IFRS 10), Consolidated Financial Statements;
4. Identify the origin, scope, and objective of International Financial Reporting Standard 11 (IFRS 11), Joint Arrangements;
5. Identify the origin, scope, and objective of International Financial Reporting Standard 12 (IFRS 12), Disclosure of Interests in Other Entities;
6. Identify the origin, scope, and objective of International Financial Reporting Standard 27 (IAS-27), "Single Financial Statements"
7. Identify the concept and types of business combinations according to both legal and economic standards;
8. Identify the methods and ways of preparing consolidated financial statements;

## **I. IFRS01 "Adoption of IFRS for the first time"**

### **I. 1 PRESENTATION OF IFRS01 "adoption of IFRS for the first time"**

- 1. About:** standard IFRS called "adoption of IFRS for the first time" is one of the standards issued by the International Accounting Standards Board, this standard is applied by an entity that adopts IFRS for the first time, or an entity that presents its financial statements under IFRS for the first time. This standard aims to present the basic procedures, rules and requirements to be followed by an entity when it adopts IFRS for the first time as a basis for preparing its financial statements, such as the treatment of some assets that conflict with the requirements of international standards, as well as the treatment of some liabilities or the reclassification of some items in accordance with the requirements of international standards, or related to accounting measurement, and this standard also presented how to address the differences resulting from the adoption of International Financial Reporting Standard
- 2. The Historical of the standard :** On June 2003, the International Financial Reporting Standard adopted IFRS 1 ifrs appeared for the first time 'Started and started working in January 2004 'On December 1/1/2009, 2003, the amended version of it was issued by the IASB; and the beginning of its implementation by companies that adopt IFRS for the first time, as it will be applied in the transition phase .
- 3. Objective of the standard:**  
the objective of IFRS 01 ifrs is to ensure that the preliminary financial statements and interim financial statements include high- quality financial information, verified by the following: Maw provides transparency to its users and provides comparative information for all periods shown 'It provides an appropriate starting point for International Financial Reporting Standards 'An object can be prepared at a cost that does not exceed the benefit to its users.
- 4. .Scope of application of the standard:**

an entity must apply this International Financial Reporting Standard in:

\* Its first financial statements prepared in accordance with International Financial Reporting Standards

‘ \*Each preliminary financial report, if any, you submit in accordance with the International Financial Reporting Standards. In accordance with IAS 34" **preliminary financial report**" for part of the period covered by the first financial statements prepared for IFRS.

The first financial statements of an entity prepared in accordance with IFRS are the first annual financial statements in which an entity applies IFRS, **in accordance with the Express and unreserved provision in those financial statements for compliance with IFRS**. The financial statements prepared in accordance with IFRS are the first financial statements of an entity if the entity has presented its latest previous financial statements in accordance with national requirements.

## 5. Measurement and recognition requirements : Measurement and recognition requirements

:

- **The entity must prepare and present an opening Financial :**  
Position list prepared in accordance with the international financial report. This is the starting point for its accounting in accordance with International Financial Reporting Standards. It is the opening Financial Position list prepared in accordance with IFRS for IFRS on the date of conversion to standards .
- IFRS Full retroactive application of the financial statements for the year preceding the year of application of IFRS for the first time is required in order to achieve an important feature, which is comparability. The basis for the preparation of the opening budget in accordance with International Financial Reporting Standards. IFRS 01 requires some requirements and represents the following:
- **A. Recognition of all assets and liabilities that are required by IFRS** to be recognized and did not appear in the financial statements of enterprises before the adoption of the standards for the first time, such as if they did not recognize financial derivatives in the balance sheet but recognized off-balance sheet, pension liabilities and provisions for estimated liabilities when selling guaranteed goods These assets and liabilities must be recognized by adjusting the opening balance of the retain.
- **B.Exclude assets and liabilities** that were visible in the financial statements of enterprises before the adoption of the standards for the first time, and which are not recognized by international financial reporting requirements so that these items are closed in the account of retained earnings at the beginning of the year .
- **C. Reclassification of budget items and presentation** in accordance with the requirements of IFRS, for example, the institution classified treasury shares as assets –as found in some national accounting standards - but according to international standards they are presented as equity . **D.** IFRS should be applied in the measurement of all recognized assets and liabilities, including the possibility of An enterprise switches from a certain accounting method followed in the financial statements to another method accepted by International Financial Reporting Standards.for example, an enterprise can follow the revaluation model when measuring the value of long-term assets under IAS No. 16 property, plant and equipment. the fair value at the transition date is considered a new cost of these assets. assets can be revalued at cost adjusted by a general price index, which takes into account the index of a group of goods and services or the cost adjusted by a special index such as the real estate price index.
- **The date of proof** :is the date of the balance sheet that explicitly states that it is in compliance with IFRS, for example 31/12/2016.
- **Transition date:** is the date of the opening balance sheet of the comparative financial statements of previous years, in this case the transition date is 1/1/2015.

**I. APPLICATION ABOUT IFRS1 Adopted the International Financial Reporting Standards for the first time**

**1. Application 01: recognition of assets and liabilities recognized by IFRS standards and vice versa for national standards**

Princess company adopted the International Financial Reporting Standards for the first time as of 1/1/2016 and the company had term contracts for trading on 31/12/2016 with a fair value of 25,000 dinars not visible within the company's accounts under the national standards that the company was following.

**. Required: what is the accounting treatment of the futures item under IFRS1 ?**

- ✓ **solution application01:** Under IFRS one, assets that require IFRS and international accounting standards must be recognized and did not appear in the records of the company that will adopt the international standards, and in this case, IAS 39 requires the recognition of a financial asset in the name of futures contracts with recognition within Calculation of retained earnings .

accordingly, the following entry is prepared:

<b>25000</b>	A/ <b>futures contract</b>		<b>*****</b>
<b>25000</b>	A / <b>retained earnings</b>	<b>****</b>	

**2. Application 02: exclusion of assets and liabilities that are not recognized by International Financial Reporting Standards**

On 31 12 2016, Princess company adopted International Financial Reporting Standards for the first time, and on that date, the company had calculated the search and apparent costs as a moral asset in the amount of 60,000 dinars, these costs were paid over several previous years under the national accounting standards, which the company previously followed..

**Required:** how is the calculation of research costs is treated when adopting the International Financial Reporting Standards for the first time ?

✓ **Solution Application02**

Under the International Financial Reporting Standards, specifically IAS 38 intangible assets, search expenses are treated as a period expense because there is no confirmation to obtain an intangible asset during the search phase, and since the company will follow the International Financial Reporting Standards, there is an IAS one to cancel the recognition of this asset through the calculation of retained earnings as follows:

60000	A/retained earnings		*****
	A/research costs	****	
60000			

The balance of research costs shown in the comparative budget for the comparative year as at 31/12/2015 will also be excluded

### 3. Application 03 : retroactive application of IFRS 1 international financial reporting standards ifrs.

Princess company decided to adopt International Financial Reporting Standards starting from 31/12/2016 and to present comparative information for the year 2015, the company had presented its financial statements for previous years under the national accounting standards. What is

Required : when the Company should prepare the financial center list in accordance with International Financial Reporting Standards ?

- ✓ **The solution application 03** :is that the beginning of the first period in which the company should know complete comparative information is a period that is in 1/1 2015, in this case, the opening Financial Position list that the company needs to prepare under IFRS one will be in 1/1/2015.

When an institution chooses to apply International Financial Reporting Standards for the first time, it must prepare and present its financial statements in accordance with International Financial Reporting Standards on the date of conversion or on the date of conversion to International Financial Reporting Standards, and it must apply all international financial reporting standards on that date and on the dates on which it must present its exposure in accordance with International Financial Reporting Standards Where, according to the periodic accounting standard number one, paragraph 38, the institution is obliged to prepare financial statements for the period and for the previous period in order to achieve the comparative advantage

### 4. Application 04 : Processing of some assets that conflict with the requirements of international standards - the case of fixable development expenses-

On December 31 of the year, the Alfa Foundation decided to fix the expenses of this development upon the success of this application process, where the following table shows the expenses incurred during the two years that one plus one for the two projects A or B

**Required:** what is the necessary accounting registration on 31/ 12 ?.

COSTES YEAR N	COSTES YEAR n-1	PROJECT
5000	10000	PRO A
12000	NO THING	PRO B

✓ **Solution of application 04**

	27000		installable development expenses	*****
17000		proven products of moral assets	*****	
10000		relays of new	*****	

### 5. Application 05 : addressing certain obligations that conflict with IFRS

The Alfa Foundation decided to register its long-term contracts according to the method of progress, knowing that it had previously adopted the method of completion, there are three relevant contracts and their information in the table below:

31 result /12/n	stocks 31/12/n	result /12/31n1-	stocks .31.12.n1-	contract
End of work	0	3000	15000	contract1
6000	30000	4000	20000	contract2
5000	25000	No thing	0	Contract3

**Required :** what is Accounting treatment considering the TVA20%. ?

✓ **Solution application05 :** the correct accounting registration

	50400		Debtors	*****
35000		Goods in progress	*****	
5250		Retained earnings	*****	
1750		Tips on taxes	*****	
8400		Refunded fees on sales	*****	

(obert, 2022, pp. 132-135)

## II. IFRS03 Business Combination

### II. 1 Presentation the standards IFRS03 Business Combination

#### 1. About : standard IFRS03 called: "Business Combination"

is one of the standards issued by the International Accounting Standards Board, this standard is applied by the entity when accounting for business combination, the most important of which is the cancellation of the method of consolidation of interests and the adoption of the accounting method on the date of purchase . outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. A revised version of IFRS 3 was issued in January 2008 and applies to business combinations occurring in an entity's first annual period beginning on or after 1 July 2009.

2. **The history of IFRS03** :As of June 2008, international financial reporting standard appeared IFRS combination 'and started working in January 2009' The following table shows the historical development of Financial Reporting Standard No. 3 from its appearance as a working draft until the latest amendment.

**Table 6the history of ifrs03**

Date	Development	Comments
<b>July 2001</b>	Project added to IASB agenda (carried over from the old IASC)	<u>History of the project</u>
<b><u>5 December 2002</u></b>	Exposure Draft ED 3 <i>Business Combinations</i> and related exposure drafts proposing amendments to IAS 36 and IAS 38 published	Comment deadline 4 April 2003
<b><u>31 March 2004</u></b>	IFRS 3 <i>Business Combinations</i> (2004) and related amended versions of IAS 36 and IAS 38 issued (IFRS 3 supersedes IAS 22)	Effective for business combinations for which the agreement date is on or after 31 March 2004
<b><u>29 April 2004</u></b>	Exposure Draft <i>Combinations by Contract Alone or Involving Mutual Entities</i> published (These proposals were not finalised, but instead considered as part of the June 2005 exposure draft)	Comment deadline 31 July 2004
<b><u>30 June 2005</u></b>	Exposure Draft <i>Proposed Amendments to IFRS 3</i> published	Comment deadline 28 October 2005
<b><u>10 January 2008</u></b>	IFRS 3 <i>Business Combinations</i> (2008) issued	Applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009

<b><u>6 May 2010</u></b>	Amended by <i>Annual Improvements to IFRSs 2010</i> (measurement of non-controlling interests, replaced share-based payment awards, transitional arrangements for contingent consideration)	Effective for annual periods beginning on or after 1 July 2010
<b><u>12 December 2013</u></b>	Amended by <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> (contingent consideration)	Applicable for business combinations for which the acquisition date is on or after 1 July 2014
<b><u>12 December 2013</u></b>	Amended by <i>Annual Improvements to IFRSs 2011–2013 Cycle</i> (scope exception for joint ventures)	Effective for annual periods beginning on or after 1 July 2014
<b><u>12 December 2017</u></b>	Amended by <i>Annual Improvements to IFRS Standards 2015–2017</i>	Effective for annual periods beginning on or after 1 January 2019
<b><u>22 October 2018</u></b>	Amended by <i>Definition of a Business (Amendments to IFRS 3)</i>	Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period
<b><u>14 May 2020</u></b>	Amended by <i>Reference to the Conceptual Framework (Amendments to IFRS 3)</i>	Effective for annual periods beginning on or after 1 January 2022

Source : (PLUS, IFRS03 Business combination, 2025)

**3. The objective of IFRS 03 :** is to describe the accounting treatment of a business merger by the acquisition method, where the merging company will recognize the assets of the merged company at the fair value of its total assets and liabilities at the date of purchase and goodwill is recognized as an asset that is not extinguished but is subject to an impairment testing

**4. Scope of application of the standard:**

an entity must apply this International Financial Reporting Standard in: \* In cases of business mergers, which are either in:

**\*\* The merger of two or more companies into one company –we will see their types later –  
\*\* Purchase of an enterprise for all or part of the shares that make up the capital of a company .**

**4.1définition of combination :** the merger of companies into each other and the control of companies over each other is one of the familiar manifestations in modern times, one or more companies may be merged into an existing company or a new company may be established in which more than one existing company is merged.the merger may also be done by purchasing all or part of the net assets of an existing company. finally, the merger may be done by controlling another company by purchasing all or part of its working capital shares on the stock market. Based on the above,

a corporate merger can be defined as" **the collection of separate enterprises into a single economic unit with an independent moral character, or it is the purchase of a whole or part of existing companies to achieve economic goals."**

**4.2 Reasons for the merger of companies :**

- Profits and increasing them from time to time is the main goal pursued by all companies in the long term, and the company can achieve part of this goal at the internal level by increasing its sales and this is achieved by entering new markets, but at the external level, integration with other companies is considered one of the most important means of increasing those profits because of:
- Improving the administrative efficiency of the merged companies by taking advantage of the successful management skills and experience available in the merged companies in addition to taking advantage of the advantages of reducing administrative expenses‘
- Improve economic efficiency ‘
- Reduce and reduce the risks of the merging company by securing the main production elements of its economic activity through vertical integration ‘
- Maximizing the market share of the merged company in the market in which it operates during horizontal integration .
- Achieve tax savings through the tax exemption benefits provided by tax legislation to stimulate companies to integrate. (BOUTALJA, 2015, pp. 112-114)

**4.3Types of mergers :** we can classify mergers according to two criteria :

**A.Economic criterion:** according to this criterion, we distinguish between vertical, horizontal and mixed integration  
**Horizontal merger:** it is carried out between companies that are similar in activity and its goal is to strengthen the financial position and enhance the competitive position, for example

**-NISSAN-MITSUBISHI RENAULT GROUP**

**- TOYOTA-DAIHATSU-MAZDA GROUP**

**\*\*\*The merger with the aim of achieving vertical integration :**the merger of two or more companies operating in the nature of their integrated activity, such as IBM-LOTUS

**\*\*\*Diversification of activities:** such as merging a bank with an equipment leasing company

- **Legal criterion:** we can distinguish between two types of merger forms: merger with the legal status of the company remaining or the non-legal status of the merged companies remaining, and merger by control .
- **A. Merger with the non-survival of the legal status of the company or of the merged companies :** in this form of merger, there are two basic types of corporate mergers, namely:
  - **Merger of one or more companies into an existing company (merger by absorption):** under this form of merger, two or more companies merge together, so that the merger process results in the survival of one of the merged companies, while the other companies lose their moral character, i.e., this type of merger entails the continuation of the moral character of the merged company, the moral character of the merged companies disappears, and thus the work of the merged companies continues through one company.
  - **Merger by forming a new company (merger by accession):** under this form of merging . The most important reasons for resorting to this type of integration:
    - The desire of the shareholders of the two dissolved companies to get rid of the financial problems they are experiencing and start over with a new name ;
    - The new company can get the trust again by the parties dealing with it.
- **.b .Merger with the legal status of the merged companies remaining full or partial control :** in this type, the merger takes the form of control by one of the companies buying all or part of the ordinary shares of the companies in exchange for issuing shares, paying the price in cash or pledging to pay in the future . These shares are purchased either from the stock market or through negotiation with shareholders. (Al-Dughaiter, 2012)

#### 4. Over view of IFRS03

- **Control Rate and Interest Rate :**

- **Interest rate:**

**Number of share bonds owned by the parent company in the subsidiary / Total number of share bonds of the subsidiary**

- **Control rate :**

**Number of voting rights held by the parent company in the subsidiary / Total number of voting rights of the subsidiary**

- **Acquisition costs :** All acquisition-related costs (e.g. finder's fees, professional or consulting fees, costs of internal acquisition department) are recognised in profit or loss except for costs to issue debt or equity, which are recognised in accordance with IFRS 9 and IAS 32.
- **Contingent consideration :** Among the items recognised will be the acquisition-date fair value of contingent consideration. Changes to contingent consideration resulting from events after the acquisition date are recognised in profit or loss.
- **Goodwill and bargain purchases :** If the consideration transferred exceeds the net of the assets, liabilities and NCI, that excess is recognised as goodwill. If the consideration is lower than the net assets acquired, a bargain purchase is recognised in profit or loss.
- **Business combinations achieved in stages :** If the acquirer increases an existing equity interest so as to achieve control of the acquiree, the previously-held equity interest is remeasured at acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. (IFRS C. , 2025)

## 5. Measurement under IFRS3

Assets and liabilities are measured at their fair values (with a limited number of specified exceptions) at the date the entity obtains control of the acquiree. If the initial accounting for a business combination can be determined only provisionally by the end of the first reporting period, the combination is accounted for using provisional values. Adjustments to provisional values relating to facts and circumstances that existed at the acquisition date are permitted within one year.

The acquirer can elect to measure the components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in liquidation either at fair value or at the NCI's proportionate share of the net assets.

### 5. Requirements of the ifrs 03 Accounting treatment of mergers:

The acquisition method is used for all business combinations.

The acquirer recognises the identifiable assets acquired, the liabilities assumed and any non-controlling interest (NCI) in the acquiree.

Intangible assets, including in-process research and development, acquired in a business combination are recognised separately from goodwill if they arise as a result of contractual or legal rights, or if they are separable from the business. In these circumstances the recognition criteria are always considered to be satisfied .

. **5.1. accounting treatment of mergers by acquisition method** The process of accounting processing according to the purchase method generally goes through the following stages:

**A. Calculation of the cost of buying the merged company:** the cost of buying the merged company is represented in all the amounts spent to own the net assets of this company, and this price can be paid either by a cash amount or by shares, it is worth noting that if the price paid to own the net assets of the merged company By issuing shares, it should be taken into account that the issuance process may result in an issue premium in the amount of the difference between the issue price and the nominal value of the issued share. .

**B. Calculation of the net assets of the merged company on the basis of fair value and market capitalization** In order to arrive at the net assets of the merged company at fair value, the following equation is used:

Net assets at fair value= the total value of the assets of the merged company is valued at their fair value – the total value of liabilities is valued at their fair value.

**C. Calculation of the value of goodwill :** the goodwill of the merger is represented by the difference between the cost of purchasing the merged company on the one hand and the fair value of the net assets purchased on the other hand, and the goodwill resulting from the merger may be either positive or negative.

#### **D. Measuring minority rights**

In each merger, the acquiring company must measure minority or non-controlling interests in the merged or acquired company in one of two ways:

- Based on the fair value of the minority interests, also known as **the full goodwill method**.
- Based on the non-controlling interests' **proportionate share of the fair value of the identifiable net assets** of the merged company.

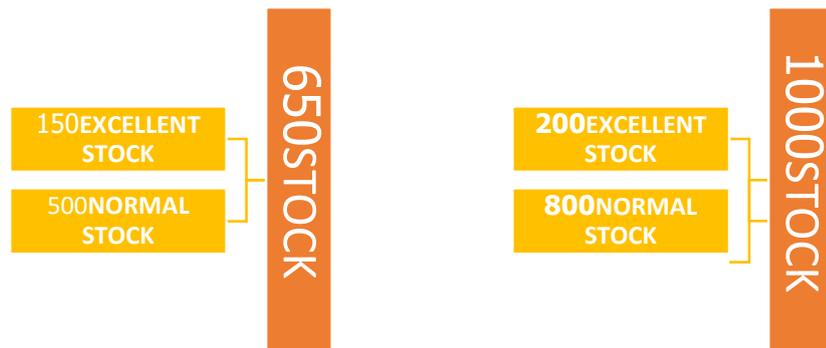
## II. 2 APPLICATION ABOUT IFRS03

**1. APPLICATION 01 :Company F consists of 1000 shares, of which 200 are preferred shares and the remaining 800 are ordinary shares The company owns 150 Preferred Shares and 500 ordinary shares.**

required: calculate the percentage of control and the percentage of interest of company M on company F ,what is the name of Company F, and what is the collection method used.

✓ **SOLUTION APPLICATIO 01:**

**A. Interest rate :**



Components of the company's capital M:

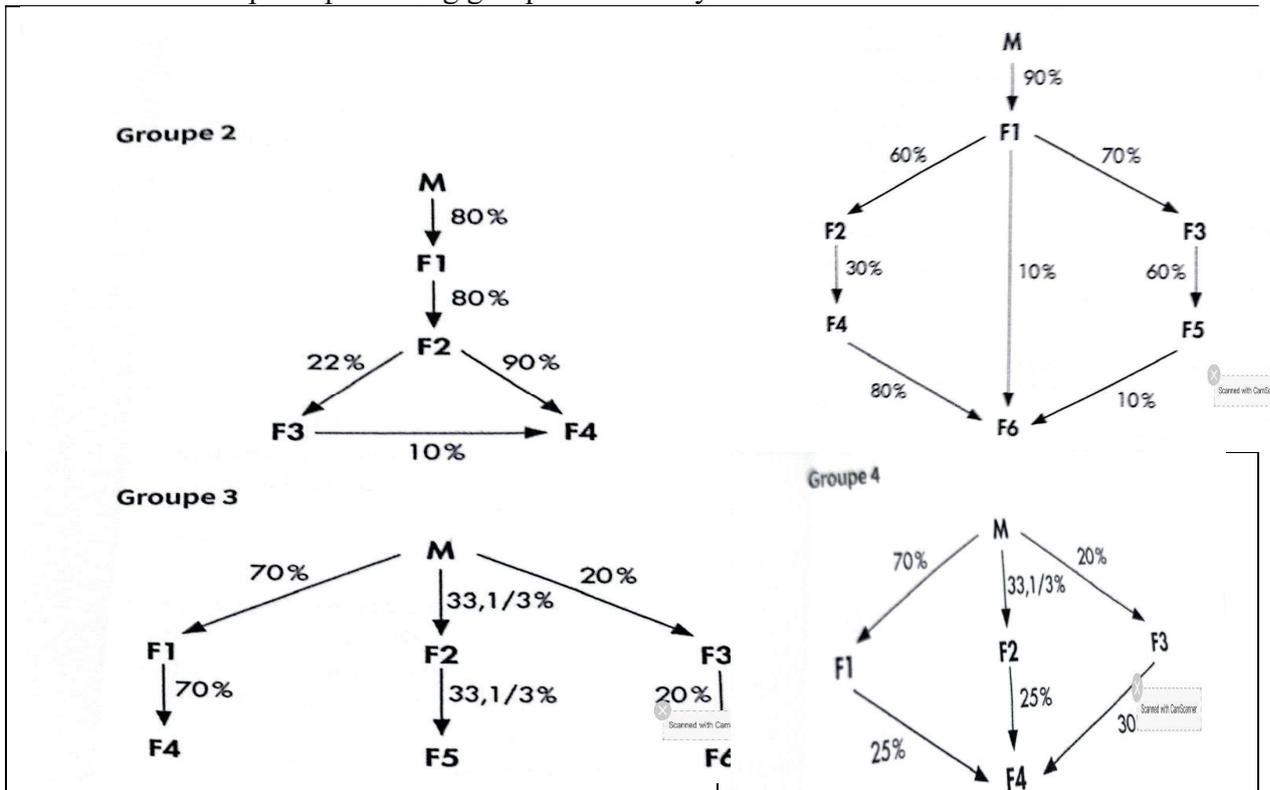
components of the company's capital F:

- **Interest rate** =  $650/1000=65\%$
- **Control rate**= expresses the voting rights owned by the parent company of the subsidiary  
Voting rights F: where each preferred share corresponds to 02 voting rights and each ordinary share corresponds to 01 voting rights  $200*2+800*1=1200$  Voting rightsf in M:  
where each preferred share corresponds to 02 voting rights and each ordinary share corresponds to

01 voting rights  $150*2+500*1=800$  Control ratio:  $800/1200=66.6\%$ the nature of the control is exclusive and the method of accounting processing is total aggregation

## 2. APPLICATION 02 : Interest rate and control rate

Here is a set of shapes representing groupes of society



Required : calculat rate interset and control rate and difinde the type of control

✓ Solution of application 01

**Groupe1**

%control	Type of control	%interets
F1 90%	Legal exclusive control	90%
F2 60%	Legal exclusive control	$90*60=54\%$
F3 70%	Legal exclusive control	$90*70 =63\%$
F4 30%	Significant influence	$54*54*30=16.2\%$
F5 60%	Legal exclusive control	$63*63*63*60=37.8\%$
F6 20%	Significant influence	$90*10+16.2*80+37.8*10=25.74\%$

**Groupe2**

%control	Type of control	%interets
F1 80%	Legal exclusive control	80%
F2 80%	Legal exclusive control	$80*80=64\%$
F3 22%	Significant influence	$64*22 =14.08\%$
F4 90%	Legal exclusive control	$14.8*10+64*90=59.01\%$

### Groupe3

%control	Type of control	%interets
F1 70%	Legal exclusive control	70%
F2 33.1%	Control conjoint	33.1%
F3 20%	Significant influence	20%
F4 70%	Legal exclusive control	$70*70*=49\%$
F5 0%	Outside the scoop	
F6 0%	Outside the scoop	

### Groupe4

%control	Type of control	%interets
F1 70%	Legal exclusive control	70%
F2 33.1%	Legal exclusive control	33.1%
F3 20%	Significant influence	20%
F4 25%	Legal exclusive control	$70*25+33.1*25+20*30=31.83\%$

source (ZARKA, avril2022, pp. 27-30)

### APPLICATION 03 : Goodwill

Company (X) raised 10,000 dinars to purchase 80% of Company (Y)'s shares. The fair market value of the non-controlling interests (minority) shares is 2,100 dinars. The fair net assets of the acquired company (Y) on the date of purchase are 8,000 dinars, noting that.

#### REQUIRED :

1. Calculate the value of the non-controlling interests (minority) using the fair value method, then calculate the goodwill that should appear in the books of the acquiring company (X) after the merger.
2. Calculate the value of the non-controlling interests (minority) using the relative share in the fair value of the net assets of the acquired company, then calculate the goodwill that should appear in the books of the acquiring company (X) after the merger.

#### ✓ Solution application 03 :

- **The value of the non-controlling interests** (minority) according to the fair value method

$$8,000 \times 20\% = 1,600 \text{ dinars}$$

- **The goodwill will** appear in the books of Company (X) after the merger as follows:

$$\text{Goodwill} = \text{Fair value of the consideration provided at the date of the merger} + \text{Value of non-}$$

controlling interests - Fair value of the net assets of the acquired company and contingent liabilities.

$$=8,000-1,600+10,000 -$$

$$=(80\% \times 80,000-10,000) 3,600 \text{ dinars or}$$

- **Value of non-controlling interests** (minority) based on their relative share in the fair value of the net assets of the acquired company = 2,100 dinars

- **Goodwill will appear in the books of Company X after the merger as follows:**

Goodwill - Fair value of the consideration provided at the date of the merger + Value of non-controlling interests - Fair value of the net assets of the acquired company and contingent liabilities.

$$8,000-2,100+10,000 - =4100$$

### III. IFRS 10 — Consolidated Financial Statements

#### III. 1 Presentation of IFRS 10 — Consolidated Financial Statements

1. **About :IFRS 10 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 was issued in May 2011 and applies to annual periods beginning on or after 1 January 2013.**
2. **History of IFRS 10 :** The following table shows the historical development of Financial Reporting Standard No10 from its appearance as a working draft until the latest amendment.

*Table 7 The History of IFRS10*

Date	Development	Comments
April 2002	Project on consolidation added to the IASB's agenda (project history)	
18 December 2008	ED 10 <i>Consolidated Financial Statements</i> published	Comment deadline 20 March 2009
29 September 2010	Staff draft of IFRS X <i>Consolidated Financial Statements</i> published	

12 May 2011	IFRS 10 <i>Consolidated Financial Statements</i> published	Effective for annual periods beginning on or after 1 January 2013
28 June 2012	Amended by <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> (project history)	Effective for annual periods beginning on or after 1 January 2013
31 October 2012	Amended by <i>Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)</i> (project history)	Effective for annual periods beginning on or after 1 January 2014
11 September 2014	Amended by <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	<del>Effective for annual periods beginning on or after 1 January 2016</del> deferred indefinitely (see below)
18 December 2014	Amended by <i>Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)</i> (project history)	Effective for annual periods beginning on or after 1 January 2016
17 December 2015	Amended by <i>Effective Date of Amendments to IFRS 10 and IAS 28</i>	defer the effective date of the September 2014 amendments to these standards indefinitely
18 July 2024	Amended by <i>Annual Improvements to IFRS Accounting Standards — Volume 11</i>	The amendments are effective for annual reporting periods beginning on or after 1 January 2026.

SOURCE : (standards, 2025)

### 3. Objective OF IFRS10

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard:

- requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements
- defines the principle of control, and establishes control as the basis for consolidation
- set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee
- sets out the accounting requirements for the preparation of consolidated financial statements
- defines an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity\*.

### 4. Key definitions :

- **Consolidated financial statements**
  - The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity
- **Control of an investee**
  - An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee
- **Investment entity\***An entity that:
  - obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services
  - commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
  - measures and evaluates the performance of substantially all of its investments on a fair value basis.
- **Parent** :An entity that controls one or more entities
- **Power** :Existing rights that give the current ability to direct the relevant activities
- **Protective rights** :Rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate
- **Relevant activities**
- **Control** :An investor determines whether it is a parent by assessing whether it controls one or more investees. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee

An investor controls an investee if and only if the investor has all of the following elements: power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)

- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns.

Power arises from rights. Such rights can be straightforward (e.g. through voting rights) or be complex (e.g. embedded in contractual arrangements). An investor that holds only protective rights cannot have power over an investee and so cannot control an investee

An investor must be exposed, or have rights, to variable returns from its involvement with an investee to control the investee. Such returns must have the potential to vary as a result of the investee's performance and can be positive, negative, or both

A parent must not only have power over an investee and exposure or rights to variable returns from its involvement with the investee, a parent must also have the ability to use its power over the investee to affect its returns from its involvement with the investee.

When assessing whether an investor controls an investee an investor with decision-making rights determines whether it acts as principal or as an agent of other parties. A number of factors are considered in making this assessment. For instance, the remuneration of the decision-maker is considered in determining whether it is an agent.

## 5. Accounting requirements

### 5.1 Preparation of consolidated financial statements

A parent prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

However, a parent need not present consolidated financial statements if it meets all of the following conditions:

- it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets)
- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, and
- its ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.\*

\* Fair value measurement clause added by *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)* amendments, effective 1 January 2016.

Investment entities are prohibited from consolidating particular subsidiaries (see further information below).

Furthermore, post-employment benefit plans or other long-term employee benefit plans to which IAS 19 *Employee Benefits* applies are not required to apply the requirements of IFRS 10.

### 5.2 Consolidation procedures

Consolidated financial statements: [I

- combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries
- offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (IFRS 3 *Business Combinations* explains how to account for any related goodwill)

- eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full).

A reporting entity includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the reporting entity ceases to control the subsidiary. Income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

The parent and subsidiaries are required to have the same reporting dates, or consolidation based on additional financial information prepared by subsidiary, unless impracticable. Where impracticable, the most recent financial statements of the subsidiary are used, adjusted for the effects of significant transactions or events between the reporting dates of the subsidiary and consolidated financial statements. The difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall be no more than three months

- **Non-controlling interests (NCIs)**

- A parent presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the parent.
- A reporting entity attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The proportion allocated to the parent and non-controlling interests are determined on the basis of present ownership interests.
- The reporting entity also attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- **Changes in ownership interests**

Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners). When the proportion of the equity held by non-controlling interests changes, the carrying amounts of the controlling and non-controlling interests area adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent

If a parent loses control of a subsidiary, the parent :

- derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position
- recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. That retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 *Financial Instruments* or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

If a parent loses control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.\*

\* Added by *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* amendments, effective 1 January 2016, however, the effective date of the amendment was later deferred indefinitely.

- **Investment entities consolidation exemption**

[Note: The investment entity consolidation exemption was introduced by *Investment Entities*, issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014.] IFRS 10 contains special accounting requirements for investment entities. Where an entity meets the definition of an 'investment entity' (see above), it does not consolidate its subsidiaries, or apply IFRS 3 *Business Combinations* when it obtains control of another entity.

An entity is required to consider all facts and circumstances when assessing whether it is an investment entity, including its purpose and design. IFRS 10 provides that an investment entity should have the following typical characteristics:

- it has more than one investment
- it has more than one investor
- it has investors that are not related parties of the entity
- it has ownership interests in the form of equity or similar interests.

The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an investment entity.

An investment entity is required to measure an investment in a subsidiary at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement*.

However, an investment entity is still required to consolidate a subsidiary where that subsidiary provides services that relate to the investment entity's investment activities. [

\* ***Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*** clarifies, effective 1 January 2016, that this relates to a subsidiary that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity's investment activities.

Because an investment entity is not required to consolidate its subsidiaries, intragroup related party transactions and outstanding balances are not eliminated .

Special requirements apply where an entity becomes, or ceases to be, an investment entity. .

The exemption from consolidation only applies to the investment entity itself. Accordingly, a parent of an investment entity is required to consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

### **5.3.Procedures for the preparation of consolidated financial statements**

The task of preparing the consolidated financial statements usually falls on the Accountant of the holding company, who prepares them from the financial statements of both the holding company and the subsidiary, and may also need additional information, not available in the financial statements of companies such as mutual transactions between the two companies :

As for the procedures followed in the preparation of consolidated financial statements, they are as follows:

- Each of the holding and subsidiary companies should prepare its own independent list of its assets and liabilities. Unloading the financial statements of the two companies in a form that is used for this purpose, called **a working paper** worksheet, which takes the following form:

Sample worksheet used in the preparation of consolidated financial statements between the subsidiary and the holding company					
consolidated	settlements		SUBSIDIARY	HOLDING	Explanation
	creditor	Debtor			

of subsidiary holding

**To exclude dual accounts from the group's financial statements:**

- Exclusion of items for investments in the subsidiary by the assets of the holding company in exchange for shareholder rights from the list of the financial position of the subsidiary. In the working papers outside the books of the holding company The assets and liabilities of the subsidiary are presented in the consolidated financial statements at their fair value; if there is any difference between the fair value and the book value, it means that there is a positive or negative goodwill and the difference should be shown in the reconciliation column of the worksheet. If the holding company does not own the subsidiary 100%, such as the holding company owns the entire net assets of the subsidiary, this means that there are two categories that share ownership of the subsidiary: the holding company and the minority shareholders, and therefore the minority rights must be shown. Figure-we collect elements that are similar to each other.

**6.2 Consolidation methods:** the approved consolidation method is chosen based on the type of control applied by the parent company, which is determined by the percentage of voting rights owned directly or indirectly by the parent company in its branches.

**A. Total uniformity method :** this method is based on 03 steps :

\* Integrate the budget and account results of the subsidiary company with the parent company holistically-taking into account the formation of goodwill –.

\* Distribution: the result of the subsidiary company and the private funds between the rights of the parent company and the rights of the minority .

\* Exclusion of mutual operations between the complex between the parent company and subsidiaries.

**B. Relative uniformity method :** this method is based on 03 steps :

\* Integrate the budget and account results of the subsidiary company with the parent company in a proportional manner-taking into account the formation of goodwill –.

\* Minority rights do not appear in this way .

\* Exclusion of mutual operations between the complex between the parent company and subsidiaries.

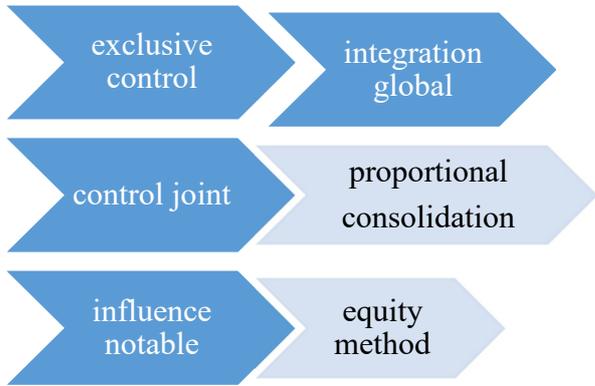
**C. Equation method: this method relates to allied companies on which effective**

influence is exerted, this method is based on 02 steps : For the consolidated budget: the equivalent contribution bonds of the original that have been replaced with private funds must be shown in addition to the result of the session . For the consolidated results calculation table: the share of funds equivalent to these bonds must be restated \* Integration of the budget and accounting results of the subsidiary with the parent company in a proportional manner-taking into account the formation of goodwill –. \* Minority rights do not appear in this way . Exclusion of mutual operations between the complex between the parent company and subsidiaries .

(standards, 2025)\_(ZARKA, avril2022, pp. 17-22)

The following figure summarizes the various types of accounting aggregation.

**Figure n03 :the different methods of consolidation.**



source (ZARKA, avril2022, p. 49)

**7. Disclosure OF IFRS10**

There are no disclosures specified in IFRS 10. Instead, [IFRS 12 Disclosure of Interests in Other Entities](#) outlines the disclosures required. An entity may apply IFRS 10 to an earlier accounting period, but if doing so it must disclose the fact that it has early adopted the standard and also apply:

- [IFRS 11 Joint Arrangements](#)
- [IFRS 12 Disclosure of Interests in Other Entities](#)
- [IAS 27 Separate Financial Statements](#) (as amended in 2011)
- [IAS 28 Investments in Associates and Joint Ventures](#) (as amended in 2011). (standards, 2025)

**II. 2.APPLICATION ABOUT IFRS10 consolidated financial statements**

**1. Application 01: in case the holding company owns 100% of the shares of the subsidiary**

On 1/1/2017, the Company X bought the entire shares of the company Y at a price of 170000dA in cash and the purchase of the company resulted in a holding and subsidiary relationship between the two companies and the budget of the two companies appeared immediately after the purchase as follows :

Subsidiary company Y		Holding X	
fair value	Book value		
25000	25000	20000	cash
40000	45000	130000	

62000 45000 10000	60000 40000 10000	180000 100000 60000 170000	Receivables Merchandise Machines Cars Investing in subsidiaries Y
182000	180000	660000	TOTAL
20000	30000  120000 20000 10000	210000  350000 75000 25000	Accounts payable Capital Additional capital  Retained earnings
	180000	660000	TOTAL

**REQUIERD : preparation of the consolidated Balance on 1/1/2017 and immediately after the acquisition**

✓ **SOLUTION APPLICATION 01**

1 .The cost of investing the purchase of company shares= 170000DZ

2.CALCULAT THE GOOD WILL/BADWILL

3. BADwill =purchase price –the net fair value of the subsidiary's assets  
=Purchase price - (total assets at fair value –payables)

-Accounting restrictions :

**Investment in company Y :**

170000	A / investment in the merged company Y		*****
170000	A / cash	****	

**As for the second entry of the merger, according to which the investment account in company Y is closed and its assets are transferred and consolidated to company Y, assets are debited and liabilities are credited, and therefore the entry appears as follows :**

	A / cash		25000
	A /receivables H/goods		40000
			62000
			45000
			30000

	<b>A / machines A/transport A/equipment A/payables A/investment in the COMPANY X A/ GOOD WILL</b>	<b>20000 170000 8000</b>	
--	---	----------------------------------	--

## 2.Consolidated BALANCE

<b>Preparing the consolidated financial statements between the subsidiary and the holding company in2015/1/1</b>					
<b>CONSILDATE</b>	<b>Settlements</b>		<b>The subsidiary</b>	<b>HOLDING</b>	
	<b>creditor</b>	<b>Debtor</b>			
<b>45000 175000 242000 145000 70000 00000  8000</b>	<b>5000  170000</b>	<b>2000 5000  8000</b>	<b>25000 45000 60000 40000 10000</b>	<b>20000 130000 180000 100000 60000 170000</b>	<b>CASH Receivables Merchandise Machines Cars Investing in subsidiaries Y  GOODWILL</b>
<b>680000</b>			<b>180000</b>	<b>660000</b>	<b>TOTAL</b>
<b>230000 350000 75000 25000</b>	<b>20000</b>	<b>120000 20000 10000</b>	<b>30000 120000 20000 10000</b>	<b>210000 350000 75000 25000</b>	<b>Accounts payable Capital Additional capital Past-due profits</b>
<b>680000</b>	<b>175000</b>	<b>175000</b>	<b>180000</b>	<b>660000</b>	<b>TOTAL</b>

## 2. Application 02: in case the holding company owns 80% of the shares of the subsidiary

On 1/1/2017, the Company X bought the entire shares of the company Y at a price of 153000dA in cash and the purchase of the company resulted in a holding and subsidiary relationship between the two companies and the budget of the two companies appeared immediately after the purchase as follows :

Subsidiary company Y		Holding x	
fair value	Book value		
25000	25000	37000	cash
40000	45000	130000	Receivables
62000	60000	180000	Merchandise
45000	40000	100000	Machines
10000	10000	60000	Cars
		153000	Investing in subsidiaries Y
202000	180000	660000	TOTAL
20000	30000	210000	Accounts payable
	120000	350000	Capital
	20000	75000	Additional capital
	10000	25000	Retained earnings
	180000	660000	TOTAL

**REQUIERD** : preparation of the consolidated Balance on 1/1/2017 and immediately after the acquisition.

✓ **SOLUTION APPLICATION 02**

1 .The cost of investing the purchase of company shares= 153000 DZ

2.Calculat The GOOD WILL

Goodwill =purchase price –the net fair value of the subsidiary's assets  
 =Purchase price - (total assets at fair value –payables)

80%-153000) 20(2000007400- =200-

## 2. Consolidated BALANCE

Preparing the consolidated financial statements between the subsidiary and the holding company in/1/1 2017					
CONSILDATE	Settlements		The subsidiary	HOLDING	
	creditor	Debtor			
82000			25000	37000	CASH Receivables Merchandise Machines Cars Investing in subsidiaries Y
170000	5000		40000	130000	
242000		2000	62000	180000	
145000		5000	45000	100000	
70000	153000		10000	60000	
00000				153000	
7400-		7400-			BADWILL
701100			202000	660000	TOTAL
230000	20000		20000	210000	Accounts payable Capital Additional capital Past-due profits
350000		120000		350000	
75000		20000		75000	
25000		10000		25000	
701100	175000	175000	202000	660000	TOTAL

Accounting restrictions :

\*\* Investment in company Y :

As for the second entry of the merger, according to which the investment account in company

153000	A / investment in the merged company Y	*****
153000	A / cash	****

Y is closed and its assets are transferred and consolidated to company Y, assets are debited and liabilities are credited, and therefore the entry appears as follows :

	A / cash		25000
	A /receivables H/goods		40000
	A / machines A/transport		62000
	A/equipment		45000
	A/payables	20000	30000
	A/investment in the COMPANY X	153000	7400
	A/ BAD WILL		

## Application 03 CONSOLIDATION OF THE 3 METHODS

### A. Consolidated

The M company retains 45% of the participation of the F company, which it suspected during the creation of this company.

**NB:** There is no redistricting operation between M and F (of course, a retirement is required to eliminate these operations<sup>4</sup>)

The individual results statements and accounts of the two companies, previously retired by the group consolidation service, are present as of 12/31/N:

- **Bilan M**

<b>Actif</b>		<b>passive</b>	
<b>Real Estate</b>	<b>18700</b>	<b>Capital</b>	<b>15000</b>
<b>F Titles</b>	<b>450</b>	<b>Reserves</b>	<b>4000</b>
<b>Circulating Active</b>	<b>12150</b>	<b>Results</b>	<b>300</b>
		<b>Dates</b>	<b>12000</b>
<b>Total</b>	<b>31300</b>	<b>Total</b>	<b>31300</b>

- **Bilan F**

<b>Actif</b>		<b>passive</b>	
<b>IMMOBILISATION</b>	<b>1500</b>	<b>Capital</b>	<b>1000</b>
<b>Circulating Active</b>	<b>1000</b>	<b>Reserves</b>	<b>600</b>
		<b>Results</b>	<b>100</b>
		<b>Dates</b>	<b>800</b>
<b>Total</b>	<b>2500</b>	<b>Total</b>	<b>2500</b>

- **RESULTAT ACCOUNT M**

<b>CHARGES</b>		<b>REVENUES</b>	
<b>TOTAL CHARGES</b>	<b>2000</b>	<b>TOTAL REVENUES</b>	<b>2300</b>
<b>RESULTAT</b>	<b>300</b>		
<b>Total</b>	<b>2300</b>	<b>Total</b>	<b>2300</b>

- **RESULTAT ACCOUNT F**

<b>CHARGES</b>		<b>REVENUES</b>	
<b>TOTAL CHARGES</b>	<b>1000</b>	<b>TOTAL REVENUES</b>	<b>1100</b>
<b>RESULTAT</b>	<b>100</b>		
<b>Total</b>	<b>1100</b>	<b>Total</b>	<b>1100</b>

Present the consolidation journal entries allowing for the preparation of the consolidated statement and account of the group's consolidated results as of 12/31/N by retaining the following 3 hypotheses:

H1: No other association in F has a higher stake than M.

H2: The company W holds 55% of F's capital and F's statutes presuppose that decisions can only be made by unanimity

H3: Company H holds 55% of F's capital and thus controls the direction.

**-Show the statement and account of the group's consolidated results as of 31/12/2019. What do you remember?**

✓ **Solution of application03 :**

At the first time, the retained individual accounts of M and F will be represented in a consolidated journal. It comes at the level of the total of accounts:

<b>31/12/N</b>	<b>H1</b>		<b>H2</b>		<b>H3</b>	
	<b>DEBIT</b>	<b>CREDIT</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>DEBIT</b>	<b>CREDIT</b>
<b>Fixed assets</b>	<b>18700</b>		<b>18700</b>		<b>18700</b>	
<b>Titres f</b>	<b>450</b>		<b>450</b>		<b>450</b>	
<b>Current assets</b>	<b>12150</b>		<b>12150</b>		<b>12150</b>	
<b>capital</b>		<b>15000</b>		<b>15000</b>		<b>15000</b>
<b>Reserve</b>		<b>4000</b>		<b>4000</b>		<b>4000</b>
<b>profit</b>		<b>300</b>		<b>300</b>		<b>300</b>
<b>Debts</b>				<b>12000</b>		<b>12000</b>
<b>Transfer of M balance sheet items to the consolidation journal</b>		<b>12000</b>				
<b>31/12/N</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>DEBIT</b>	<b>CREDIT</b>
<b>CHARGES</b>	<b>2000</b>	<b>2300</b>	<b>2000</b>	<b>2300</b>	<b>2000</b>	<b>2300</b>
<b>Incom</b>	<b>300</b>		<b>300</b>		<b>300</b>	
<b>Transfer of M income statement</b>						

<b>items to the consolidation journal</b>						

Reprise the posts from the result account in the consolidation journal

1. To perform an exact control of the preferred price, the consolidation method applied is Global Consolidation: the calculations of the F sont reprised in the consolidation journal for 100%.

2. Mix on the combined control, the applied consolidation method is the proportional integration of French accounts into the calculations of the consolidation journal in the % of the inputs pur M, so it is 45%.

3. Mention of a notable influence, the applied consolidation method is the mise-en-scene of fine calculations that have been reported or the consolidation journal.

Assist the participation titres of M and parts of F.

**Lets do it the same with F**

31/12/N	H1		H2		H3	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<b>Capital F</b>	<b>1000</b>		<b>450</b>			
<b>ReserveF</b>	<b>600</b>		<b>270</b>			
<b>Profit F</b>	<b>100</b>		<b>45</b>			
<b>Equitable shares</b>				<b>450</b>	<b>765</b>	
<b>F at M</b>		<b>450</b>		<b>270</b>		<b>450</b>
<b>Consolidateed reserves</b>		<b>270</b>		<b>45</b>		<b>270</b>
<b>Consolidated resultat</b>		<b>45</b>				<b>45</b>
<b>Mionor interestes on reserve 3</b>		<b>880</b>				
<b>Mionor interestes on reserve4</b>		<b>55</b>				
<b>F own capital split</b>						
<b>31/12/N</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>DEBIT</b>	<b>CREDIT</b>	<b>DEBIT</b>	<b>CREDIT</b>
<b>Resultat global</b>					<b>45</b>	
<b>Quote-part of the results of ME societies</b>						<b>45</b>

Of reprise a calculation of the results of the ME societies

Investments due to M in the capital and reserves of F-coût from the acquisition of titras F by M:  
 $45\% (1000+600)-450-270$

2. Starts with M and F results:  $45\% \times 100 = 45$

3. The numbers for the minor names in the capital and the F reserves:  $55\% \times (1000 + 600) = 880$

4. Input from minor files in F results:  $55\% \times 100-55$

$5.45\% \times 1700-765$

later, it was enough to rewrite the above-mentioned writings to prepare the consolidated results account statement of the group

**Consolidated statement (M + F) as of 31/12/N**

Assets	H1	H2	H3	LIABILITIES	H1	H2	H3
Fixed <sup>1</sup> Assets	20200 0	19375 0	18700 0	Capital <sup>5</sup> Reserve	15000 4270	15000 4270	15000 4270
Titres F <sup>2</sup>	13150	12600	765 12150	conso <sup>6</sup> Reserve	345 935	345 12800	345 12000
Titels ME <sup>3</sup> Current assetes <sup>4</sup>				conso <sup>7</sup> Inter minorit dettes			
<b>Total</b>	<b>33350</b>	<b>31975</b>	<b>31615</b>	<b>Total</b>	<b>33350</b>	<b>31975</b>	<b>31615</b>

1. Write repetitions: The housing units are  $18,700 + 1,500 - 2,020$  (H1),  $18,700 + 6,750$

$19,375$  (H2),  $18,700$  (H3)

2. Write repetitions: The times are  $450 - 450$  in the 3 hypotheses

3. Write repetitions:  $765$  (H3)

4. Write repetitions: The square root is  $12,150 + 1,000 = 13,150$  (H1),  $12,150 + 450$

$12,600$  (H2), of  $12,150$  (H3)

5. Write: The capital is  $15,000 + 1,000 - 1,000 - 15,000$  (H1), of  $15,000 + 450 -$

$450 - 15,000$  (H2), of  $15,000$  (H3)

6. Write: The group reserves are  $4,000 + 600 - 600 + 270 = 4,270$  (H1), of  $4,000 + 270 - 270 -$   
 $270 - 4,270$  (H2), of  $4,000 + 270 = 4,270$  (H3)

7. Write repetitions: The group result is  $300+100-100+45=345$  (H1), of  $300+45-$   
 $45+45=345$  (H2), of  $300+45=345$  (H3)

8. Write repetitions: The minor interests are  $880$  (on the reserves) +  $55$  (on the result) =  
 $935$  (H1)

9. **Repetition of written entries: The dates are** 12,000+800 12,800 (H1), 12,000+360-12,360 (H2), 12,000 (H3),

**Consolidated result account (M + F) as of 31/12/N**

charges	H1	H2	H3	REVENU	H1	H2	H3
Charges result	3300 400	2585 345	2000 345	PRODUCT QP result is ME	3700	2930	2300 45

Recite the writing: The charges are  $2,000 + 1,300 = 3,300$

**Rest group:**  $300+45-345$

**Minor results:** 55

3. **Representation of the writings: The products are**  $2,300 + 1400-3700$  (H1),  $2,300 + 630-2930$ (H2), 2,300 (H3)

**What do you mark?**

Whatever the retention method, the consolidated capital is identical, the percentage of interest is the same in the 3 hypotheses, the financial quote is retained by M in Fest always equal. The financial viability of the group (consolidated capital) is not affected by the consolidation method,

In return, the other posts of the report and the different results account, in order to translate the dependency links as accurately as possible:

**Global integration** reflects the loss of exclusive parental control and financial flows from the consolidated company, with 100% of the reporting and results accounts being theirs, since the mother company has the power to direct financial and operational policy. The financial side that does not belong to the group when it does not have 100% interests is passive in minor interests

**Proportional integration** means that control is shared in common, with a limited number of associates, by including the balance sheet accounts and the affiliate results account integrated up to the maximum extent possible. Each associate does the same by integrating its share of affiliate interests: the power is shared in multiple ways, without any associate being able to impose its decisions on others. It is therefore clearly not computed minor interests

**The equity ratio indicates** that the mother's company has no control over its assets, no reporting accounts, and no results account for which it effectively has no power to deceive. The F titles detained by M are somewhat revalued as a function of the percentage of interests detained and displayed in the consolidated active under the title "feature ratio".

**NB: In the present case, the titles of the consolidated F family are substantiated by their creation. Therefore, there is no difference between the cost of acquiring titles and the total evaluation of the identified active and passive words. When this is not the case, the difference constitutes an acquisition fee.**

(ZARKA, avril2022, pp. 55-59)

#### IV. IFRS11Joint Arrangements

#### IV. 1 Presentation of IFRS11Joint Arrangements

1. **ABOUT :Standard 11ifrs called: "Joint Arrangements" is one of the standards issued by the International Accounting Standards Board, this**

**standard is applied by the entity when accounting for contractual arrangements with third parties .**

**2. History of IFRS11** :Standard starch : As of June 2012, International Financial Reporting Standard No. 11 for common arrangements 11IFRS appeared Started and started working in January 2013:

*Table 8 THE History of IFRS11*

<b>Date</b>	<b>Development</b>	<b>Comments</b>
<b>November 2004</b>	Project on joint arrangements added to the IASB's agenda	History of the project
<b>13 September 2007</b>	Exposure Draft ED 9 <i>Joint Arrangements</i> published	Comment deadline 11 January 2008
<b>12 May 2011</b>	IFRS 11 <i>Joint Arrangements</i> issued	Effective for annual periods beginning on or after 1 January 2013
<b>28 June 2012</b>	Amended by <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	Effective for annual periods beginning on or after 1 January 2013
<b>6 May 2014</b>	Amended by <i>Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)</i>	Effective for annual periods beginning on or after 1 January 2016
<b>12 December 2017</b>	Amended by <i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> .	Effective for annual periods beginning on or after 1 January 2019

;

**3. Objective of the standard:**

the objective of IFRS 11 ifrs is to describe the basis and principles of the processing and financial reporting of Joint Arrangements, in other words joint control, whether it is a joint operational control or a joint venture .

**4. Scope of application of the standard:**

an entity must apply this International Financial Reporting Standard in: \* Joint operational control or joint venture and accounting for its rights and obligations according to the type of Joint Arrangements .

**5. Key definition :**

- **Joint arrangement** :An arrangement of which two or more parties have joint control
- **Joint control** :The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control
- **Joint operation** :A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement
- **Joint venture** :A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement

- **Joint venturer** :A party to a joint venture that has joint control of that joint venture
- **Party to a joint arrangement**  
An entity that participates in a joint arrangement, regardless of whether that entity has joint control of the arrangement
- **Separate vehicle**  
A separately identifiable financial structure, including separate legal entities or entities recognised by statute, regardless of whether those entities have a legal personality
- **Joint arrangements**
  - A joint arrangement is an arrangement of which two or more parties have joint control.
  - A joint arrangement has the following characteristics: the parties are bound by a contractual arrangement, and
    - the contractual arrangement gives two or more of those parties joint control of the arrangement.
    - A joint arrangement is either a joint operation or a joint venture.
- **Joint control** :Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
- **Types of joint arrangements** :Joint arrangements are either joint operations or joint ventures:
  - A **joint operation** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.
  - A **joint venture** is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

## 6. Financial statements of parties to a joint arrangement

**6.1 Joint operations** :A joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRSs.

The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in **IFRS 3 Business Combinations**, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. These requirements apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The requirements above were introduced by *Accounting for Acquisitions of Interests in Joint Operations*, which applies to annual periods beginning on or after 1 January 2016 on a prospective basis to acquisitions of interests in joint operations occurring from the beginning of the first period in which the amendments are applied.

A party that participates in, but does not have joint control of, a joint operation shall also account for its interest in the arrangement in accordance with the above if that party has rights to the assets, and obligations for the liabilities, relating to the joint operation.

**6.2 Joint ventures**

A joint venturer recognises its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 *Investments in Associates and Joint Ventures* unless the entity is exempted from applying the equity method as specified in that standard.

A party that participates in, but does not have joint control of, a joint venture accounts for its interest in the arrangement in accordance with IFRS 9 *Financial Instruments* unless it has significant influence over the joint venture, in which case it accounts for it in accordance with IAS 28 (as amended in 2011).

**6.3 Separate Financial Statements**

The accounting for joint arrangements in an entity's separate financial statements depends on the involvement of the entity in that joint arrangement and the type of the joint arrangement:

- If the entity is a joint operator or joint venturer it shall account for its interest in
  - a joint operation in accordance with paragraphs 20-22;
  - a joint venture in accordance with paragraph 10 of IAS 27 *Separate Financial Statements*.
- If the entity is a party that participates in, but does not have joint control of, a joint arrangement shall account for its interest in:
  - a joint operation in accordance with paragraphs 23;
  - a joint venture in accordance with IFRS 9, unless the entity has significant influence over the joint venture, in which case it is.

**IV. 2 APPLICATION ABOUT IFRS 11**

**1. Application 01 :**

Both Company X and Y agreed to own a joint venture to manufacture a certain type of machinery and sell it in the market where company X manufactures the engine and Company Y manufactures the chassis of the machine, where it was agreed to sell the machine with a profit margin of 30% of the cost upon completion, where the cost of manufacturing the engine was 10000daand the chassis 20000dj .

**Required": accounting treatment in the books of both companies X and Y according to IFRS 11**

✓ **SOLUTION APPLICATION 01**

ACCOUNTING TREATEMENT IN BOOK OF COMPANY X

	10000		Engine-STOCK-	*****
10000		Store production	*****	

**13000\*30+10000=13000. When the motor is sold, it is sold at a sale price**

	13000		Clients	*****
13000		Sales revenue	*****	

ACCOUNTING TREATEMENT IN BOOK OF COMPANY Y

	20000		Engine-STOCK-	*****
--	-------	--	---------------	-------

20000		Store production	*****	
<b>30+20000=26000*%*20000 When the motor is sold, it is sold at a sale price</b>				
	26000		clients	*****
26000		Sales revenue	*****	

## 2. Application 02: joint operational control

On 1/1/2016, Company X and Company Y agreed to purchase equipment worth 300,000 pounds, under an agreement between the two companies so that it will be a joint operational control with a percentage of 70% for Company X and 30% for company P, the useful life of the equipment is 10 years The company uses the straight-line method of depreciation and equipment has been purchased on the account .

**Required: how will the two companies account for equipment under joint control according to IFRS 11 ?**

✓ **Solution of application02**

**in the company x2016/1/1**

	210000		Equipment under common control	*****
210000		Creditors	*****	

**in2016/12/31**

	21000		Provisions for the depreciation of equipment under common control	*****
21000		Accumulated depreciation complex of equipment under joint control	*****	

1/1/2016

\*300000%=30 90000

		90000		Equipment under common control	*****
90000			Creditors	*****	

in2016/12/31

9000=10/90000

	9000		Provisions for the depreciation of equipment under common control	*****
9000		Accumulated depreciation complex of equipment under joint control	*****	

#### IV. IFRS 12 Disclosure of Interests in Other Entities

##### IV. 1 Presentation of IFRS 12 Disclosure of Interests in Other Entities

1. **About** :IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; and the effects of those interests on its financial position, financial performance and cash flows

##### 2. The history of standards IFRS12

In May 2011 the International Accounting Standards Board issued IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 replaced the disclosure requirements in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

##### 1. ABOUT :

IAS 27 outlines when an entity must consolidate another entity, how to account for a change in ownership interest, how to prepare separate financial statements, and related disclosures. Consolidation is based on the concept of 'control' which is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IAS 27 was reissued in January 2008 and applies to annual periods beginning on or after 1 July 2009, and is superseded by IAS 27 'Separate Financial Statements' and IFRS 10 'Consolidated Financial Statements' with effect from annual periods beginning on or after 1 January 2013. Related Interpretations

- IFRIC 17 Distributions of Non-cash Assets to Owners
- SIC-12 Consolidation – Special Purpose Entities
- IAS 27 (revised 2003) supersedes SIC-33 Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interes

## 1. History of IAS 27 :

*Table 10 the history of IAS27*

<b>September 1987</b>	<b>Exposure Draft E30 Consolidated Financial Statements and Accounting for Investments in Subsidiaries</b>
<b>April 1989</b>	IAS 27 Consolidated Financial Statements and Accounting for Investments in Subsidiaries
<b>1 January 1990</b>	Effective date of IAS 27 (1989)
<b>1994</b>	IAS 27 was reformatted
<b>December 1998</b>	IAS 27 was amended by IAS 39 Financial Instruments: Recognition and Measurement effective 1 January 2001
<b>18 December 2003</b>	Revised version of IAS 27 issued by the IASB
<b>1 January 2005</b>	Effective date of IAS 27 (2003)
<b>25 June 2005</b>	Exposure Draft of <a href="#">Proposed Amendments to IFRS 3 and IAS 27</a>
<b>10 January 2008</b>	Revised IAS 27 (2008) issued
<b>22 May 2008</b>	IAS 27 amended for Cost of a Subsidiary in the Separate Financial Statements of a Parent on First-time Adoption of IFRSs
<b>22 May 2008</b>	IAS 27 amended for Annual Improvements to IFRSs 2007 relating to measurement of investments held for sale under IFRS 5 in separate financial statements
<b>1 January 2009</b>	Effective date of the two May 2008 amendments
<b>1 July 2009</b>	Effective date of IAS 27 (2008). Deloitte has published a <a href="#">Special Edition of our IAS Plus Newsletter</a> dealing with the January 2008 revisions to IFRS 3 and IAS 27 (PDF 123k).
<b>6 May 2010</b>	IAS 27 amended for <a href="#">Annual Improvements to IFRSs 2010</a>
<b>1 July 2010</b>	Effective date of May 2010 amendment to IAS 27
<b>12 May 2011</b>	<b>IAS 27 (2008) is superseded by IAS 27 Separate Financial Statements (2011) and IFRS 10 Consolidated Financial Statements effective 1 January 2013</b>
<b>SOURCE :IASPLUS/IAS27</b>	

## 2. Objectives of IAS 27

IAS 27 has the twin objectives of setting standards to be applied:

- in the preparation and presentation of consolidated financial statements for a group of entities under the control of a parent; and
- in accounting for investments in subsidiaries, jointly controlled entities, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

## 3. Key definitions

- **Consolidated financial statements:** the financial statements of a group presented as those of a single economic entity.
- **Subsidiary:** an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).
- **Parent:** an entity that has one or more subsidiaries.

- **Control:** the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- **Identification of subsidiaries**

Control is presumed when the parent acquires more than half of the voting rights of the entity. Even when more than one half of the voting rights is not acquired, control may be evidenced by power:

- over more than one half of the voting rights by virtue of an agreement with other investors, or
- to govern the financial and operating policies of the entity under a statute or an agreement; or
- to appoint or remove the majority of the members of the board of directors; or
- to cast the majority of votes at a meeting of the board of directors.

## 7. Presentation of consolidated financial statements

A parent is required to present consolidated financial statements in which it consolidates its investments in subsidiaries– with the following exception:

A parent is not required to (but may) present consolidated financial statements if and only if all of the following four conditions are met:

- the parent is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial statements;
- the parent's debt or equity instruments are not traded in a public market;
- the parent did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- the ultimate or any intermediate parent of the parent produces consolidated financial statements available for public use that comply with International Financial Reporting Standards.

The consolidated accounts should include all of the parent's subsidiaries, both domestic and foreign: There is no exemption for a subsidiary whose business is of a different nature from the parent's.

- There is no exemption for a subsidiary that operates under severe long-term restrictions impairing the subsidiary's ability to transfer funds to the parent. Such an exemption was included in earlier versions of IAS 27, but in revising IAS 27 in December 2003 the IASB concluded that these restrictions, in themselves, do not preclude control.
- There is no exemption for a subsidiary that had previously been consolidated and that is now being held for sale. However, a subsidiary that meets the IFRS 5 criteria as an asset held for sale shall be accounted for under that Standard.

Special purpose entities (SPEs) should be consolidated where the substance of the relationship indicates that the SPE is controlled by the reporting entity. This may arise even where the activities of the SPE are predetermined or where the majority of voting or equity are not held by the reporting entity.

Once an investment ceases to fall within the definition of a subsidiary, it should be accounted for as an associate under [IAS 28](#), as a joint venture under [IAS 31](#), or as an investment under [IAS 39](#), as appropriate.

## 8. Consolidation procedures

- Intragroup balances, transactions, income, and expenses should be eliminated in full. Intragroup losses may indicate that an impairment loss on the related asset should be recognised.
- The financial statements of the parent and its subsidiaries used in preparing the consolidated financial statements should all be prepared as of the same reporting date, unless it is impracticable to do so. If it is impracticable a particular subsidiary to prepare its financial statements as of the same date as its parent, adjustments must be made for the effects of significant transactions or events that occur between the dates of the subsidiary's and the parent's financial statements. And in no case may the difference be more than three months.
- Consolidated financial statements must be prepared using uniform accounting policies for like transactions and other events in similar circumstances.
- Minority interests should be presented in the consolidated balance sheet within equity, but separate from the parent's shareholders' equity. Minority interests in the profit or loss of the group should also be separately disclosed.
- Where losses applicable to the minority exceed the minority interest in the equity of the relevant subsidiary, the excess, and any further losses attributable to the minority, are charged to the group unless the minority has a binding obligation to, and is able to, make good the losses. Where excess losses have been taken up by the group, if the subsidiary in question subsequently reports profits, all such profits are attributed to the group until the minority's share of losses previously absorbed by the group has been recovered.
  - **Partial disposal of an investment in a subsidiary**
    - The accounting depends on whether control is retained or lost:
      - **Partial disposal of an investment in a subsidiary while control is retained.** This is accounted for as an equity transaction with owners, and gain or loss is not recognised.
      - **Partial disposal of an investment in a subsidiary that results in loss of control.** Loss of control triggers remeasurement of the residual holding to fair value. Any difference between fair value and carrying amount is a gain or loss on the disposal, recognised in profit or loss. Thereafter, apply IAS 28, IAS 31, or IAS 39, as appropriate, to the remaining holding.
- Acquiring additional shares in the subsidiary after control is obtained
- Acquiring additional shares in the subsidiary after control was obtained is accounted for as an equity transaction with owners (like acquisition of 'treasury shares'). Goodwill is not remeasured.

Separate financial statements of the parent or investor in an associate or jointly controlled entity

In the parent's/investor's individual financial statements, investments in subsidiaries, associates, and jointly controlled entities should be accounted for either:

- at cost, or
- in accordance with [IAS 39](#).
- The parent/investor shall apply the same accounting for each category of investments. Investments that are classified as held for sale in accordance with IFRS 5 shall be accounted for in accordance with that IFRS. Investments carried at cost should be measured at the lower of their carrying amount and fair value less costs to sell. The measurement of investments accounted for in accordance with IAS 39 is not changed in such circumstances. An entity shall recognise a dividend from a subsidiary, jointly controlled entity or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

## 7. Disclosure consolidated financial statements

Disclosures required in **consolidated financial statements**:

- the nature of the relationship between the parent and a subsidiary when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power,
- the reasons why the ownership, directly or indirectly through subsidiaries, of more than half of the voting or potential voting power of an investee does not constitute control,
- the reporting date of the financial statements of a subsidiary when such financial statements are used to prepare consolidated financial statements and are as of a reporting date or for a period that is different from that of the parent, and the reason for using a different reporting date or period, and
- the nature and extent of any significant restrictions on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans or advances.

Disclosures required in **separate financial statements that are prepared for a parent that is permitted not to prepare consolidated financial statements**:

- the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used; the name and country of incorporation or residence of the entity whose consolidated financial statements that comply with IFRS have been produced for public use; and the address where those consolidated financial statements are obtainable,
- a list of significant investments in subsidiaries, jointly controlled entities, and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held, and
- a description of the method used to account for the foregoing investments.

Disclosures required in the **separate financial statements of a parent, investor in a jointly controlled entity, or investor in an associate**:

- the fact that the statements are separate financial statements and the reasons why those statements are prepared if not required by law,
- a list of significant investments in subsidiaries, jointly controlled entities, and associates, including the name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held, and
- a description of the method used to account for the foregoing investments. (IASPLUS, 2025)

## V. APPLICATION ABOUT IAS27

### 1. APPLICATION 01 : Accounting according to the cost method

An amount of 1,000 nominal obligations of €100 is effective at a rate of 3.3% over 20 years, the value of the obligations is €95 and the value of the compensation is €110. There is a place to hold a fee account of €2,858.

- **Solution of application 01**

According to the compensation value, the cost of the employee is:  $3.3\% \times 100/110 = 3\%$ . 110

- The constant compensation announcement is:  $110 \times 1,000 \times 0.03/1.1.03^{20} = 7,393.73 \text{ €}$ .
- The effective rate is the rate  $i$  for each  $95 \times 1,000 - 2858 = 7,393.73 * 1 - 1(1+i)^{-20} / i$
- The e rate =5%

### 2. Application 02 : Accounting according to the equity method: a model for discontinued operations.

One of the entities is planning to dispose of a group of assets classified as held for sale, and the information related to them is detailed in the table.

The re-measured carrying amount just before being classified as held for sale.	The carrying amount recorded before being classified as held for sale.	Item
1500	1500	Fame
4000	4600	ItemBuildings, land, equipment - registered at the revaluation amount
5700	5700	-Buildings, land, equipment - registered at cost -
2200	2400	stock
1500	1800	InventoryFinancial assets held for sale
14900	16000	Total

The fair value of the group of assets held for sale, net of selling costs, has been estimated at 13,000 dinars.

. **Requirement:** A statement on how to account for a group of discontinued assets.

✓ **Solution of application02**

. The company recognizes a loss of 1100 immediately after classifying it as held for sale, and the impairment loss is 1900 with the difference of 13000-14900 distributed over the non-current assets with a full impairment of goodwill initially, and then applied to other tangible non-current assets in proportion to their carrying amounts.

The book value after allocating the impairment loss	Allocation of impairment loss	The re-measured carrying amount just before being classified as held for sale.	item
0	1500	1500	Fame
3835	165-	4600	ItemBuildings, land, equipment - registered at the revaluation amount
5465	235	5700	-Buildings, land, equipment - registered at cost -
2200	00	2200	stock
1500	00	1500	InventoryFinancial assets held for sale
13000	1900	14900	Total



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