

**P10 2021 - Fast Close Instructions**

**BPC STAT FINANCE REQUIREMENTS & INSTRUCTIONS**

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# General reporting reminders

## Sales return provisions

We would like to remind end markets/DRBUs, that in line with IFRS 15 Revenue from Contracts with Customers, an entity must book a sales return provision based on an estimate of likely returns. As a minimum, a provision must be booked at each reporting period (half-year and year-end) and reversed and/or utilised appropriately in the following periods.

The practice of accepting returned stock from customers can arise from:

* contractual agreement (e.g. where specific terms and conditions apply)
* under warranty (faulty goods)
* by BAT’s choice (e.g. to ensure stock in the market is sufficiently fresh)
* or by general business practice (constructive obligation where goods have been accepted in the past the expectation arises that returns will continue to be accepted in the future).

Further details can be found in GMAPP, IFRS 15:

https://bat.sharepoint.com/:w:/r/sites/StatutoryReporting/SiteAssets/GMAPP/IFRS%20documents/1.1.15%20IFRS%2015%20Revenue%20from%20Contracts%20with%20Customers.doc?d=wcd2c83aab6f74004846e3dfbc7f25375&csf=1&web=1&e=XQ9hla

## “Provisions” for write down of assets

A common error across many markets at Q2 was the accounting for asset write downs.

**A “provision” for write down against any asset is NOT a provision**, and must be shown as a deduction from the carrying value of the relevant asset e.g.

* provision for bad debts = reduction in receivables
* provision for stock obsolescence = reduction in inventories
* provision for impairment of machinery = reduction in PPE

Please do not record any of the above transactions in Provisions section (BCL30000) or Accruals section (BCL63100).

## Internal transactions

All internal transactions must be recognised on internal accounts and counterparts should match.

Any RRB recharges not processed must be reversed from RRB WBS to original cost centres (related control VAL\_0012 will validate if balance of account POI11000 is less than 100,000 GBP).

NB: It is not allowed to record external accruals for internal transactions as these distort the external reporting. Any internal balances recognised in external accounts will have to be reversed.

## Pension transactions

Even though pensions disclosure is not required at P10, cash flows, such as benefits payments or funding of the schemes, must be recorded as soon as they occur. IAS 19 charge, as per GMAPP, should be booked quarterly. If this has been booked for Q3 there is no additional requirement for P10.

## Regrouping changes

Due to uncertainty related to nature of data posted on the accounts some accounts have been removed from automatic regrouping and should be regrouped manually every quarter. Please see below link to communication on this change.

<https://bat.sharepoint.com/:b:/r/sites/GBSWeeklyCommunications/Shared%20Documents/2021/Week%2026/Regrouping%20-%20Global%20program%20adjustment.pdf?csf=1&web=1&e=lvOBDp>

* 1. Main account for corporate taxes

The main income statement account to use for corporate taxes is 6050101100 (Current Tax – National & Federal Taxes). Tax accounts for state and local taxes (6050102100 or 6050103100) should only be used for corporate income taxes levied by authorities acting at a sub-federal or sub-national level. Use of the incorrect account will cause validations when completing the tax reconciliation (iTX03 or iTX04).

## Tax on adjusting items

For actuals (H1, P10, YE), tax on adjusting items needs to be entered in both BPC STAT (iTX03 or iTX04 for UK companies) and BPC MGMT (i106).

# System changes

## New Group entities

* MX20 – BAT DBS Mexico SA de CV – subsidiary (TT1009056)
* US19 – BTomorrow Inc – subsidiary (TT1009099)
* US20 – KBio Inc. – subsidiary (DS1005122)
* GBKB – KBio Holdings Limited – subsidiary (TT1009167)

## Input forms/reports changes

* Input form 0007 – we have removed the requirement to disclose COVID impact;
* Report 0007 has been updated to reflect only the external balances that are disclosed in the annual report and avoid distortion from the internal balances. For FY21, the marketing and consultancy costs reported by end markets will be disclosed external. Each market is responsible for ensuring that the external costs reported are correct (as shown on 0007). Finance Director sign off is confirmation that these costs are correct to use for external reporting;
* Input form i0027 and report 0027 have been descoped as this information will be sourced directly from HR team;
* Input form i0016 and report 0016 have been split in two:
  + Input form i0016A and report 0016A that cover Recognised Deferred Tax movements and analysis;
  + Input form i0016B and report 0016B that cover Unrecognised Deferred Tax Assets movements and analysis;
* Input form i0022 – this now includes validation data retrieved from BPC MGMT; a report corresponding to this input form (0022C) will be created;
* Report D1017 has been updated to reflect better the need to comment movements in external balances that impact the external disclosures.

Full list of applicable input forms and reports for each period is specified in Report Library by Period file, located in the BPC Server Report folder under Published Reports -> Analysis Reports -> Audit Pack Help Files.

## WHT account revision

* WHT accounts in ECC have been revised, retaining a WHT account for each transaction type (eg royalties vs services). WHT account names have been updated to reflect the change
* Separate accounts have been retained for internal vs external transactions given cash flow calculation requirements in BPC
* The changes are summarised below:



# Key reporting dates

3rd of Nov – General Ledger soft close

05th of Nov – General Ledger hard close (any subsequent transactions must follow ledger re-opening process)

15th of Nov – Commentaries report submitted to Group Accounts

16th of Nov – all additional disclosure notes and financial statements have been reviewed and approved. Data is ready for Group Review

16th of Nov – Finance Directors have signed-off financial statements

# Links to updated documentation

* 1. Updated - GMAPP section 1 – IFRS Requirements

[IFRS Requirements (GMAPP) (sharepoint.com)](https://bat.sharepoint.com/sites/StatutoryReporting/SitePages/IFRS-Requirements-(GMAPP).aspx)

* 1. Updated – GMAPP section 3 – Guidance on completing additional disclosure input schedules

[Additional Disclosures (sharepoint.com)](https://bat.sharepoint.com/sites/StatutoryReporting/SitePages/Additional-Disclosures.aspx)