Tutorial 6 (Week 7): Understanding FS – Receivables

(a) How do you verify that the amounts reported on SBS Transit's Statement of Financial Position for its current and non-current "Trade receivables" appropriately reflect estimates for uncollectible accounts? Which note disclosures would you examine?

(b) Which measurement approach under IFRS 9 does SBS Transit uses to calculate its expected credit loss (ECL) and loss allowance? In your view, is this approach appropriate for a transport operator such as SBS Transit? Why or why not?

(c) What were the balances of SBS Transit's loss allowance account as at 31 December 2024 and 2023? Why do you think the allowance almost tripled in 2024 as compared to 2023?

(d) How much ECL did SBS Transit recognize in 2024 and 2023, and where would you find these amounts in SBS Transit's Income Statement?

(e) In calculating its ECL, how does SBS Transit determine the probabilities of default for its customers? Suppose in 2024, one of its largest institutional customers (e.g. a government agency contractor) is facing financial distress, how would this affect your assessment of the adequacy of SBS Transit's loss allowance?

(f) Assume that in 2024, SBS Transit had to write off $100,000 of trade receivables that had not been provided for at the end of 2023. How should this write-off be accounted for, and what does it indicate about the accuracy of management's earlier estimates?

~ End of Tutorial 6 ~