IAS 20 Accounting for Government Grants and Disclosure of Government Assistance sets out the requirements for recognising as income any grants received from government agencies, together with any repayments of such grants.On 1 January 2014, Gilmartin Plc (Gilmartin) applied to a government agency for a grant to assist with the construction of a factory in Portlaoise. The proposed construction cost of the factory was €52 million and the company projected that 350 people would be employed on its completion. The land was already owned by Gilmartin.On 1 March 2014, the government agency offered to grant a sum amounting to 25% of the factory’s construction cost to a maximum of €13 million. The grant aid was to be payable on completion, and would be repayable on demand if total employment at the factory fell below 300 people within 5 years of completion.At the financial year end, 31 March 2014, Gilmartin had accepted the offer of grant aid, and had signed contracts for the construction of the factory at a total cost of €52 million. Construction work was due to commence on 1April 2014.By 31 March 2015, the factory had been completed on budget, 400 people were employed ready to commence manufacturing activities, and the government agency agreed that the conditions necessary for the drawdown of the grant had been met.On 1 April 2015, the factory was brought into use. It was estimated that it would have a ten-year useful economic life. On 1 June 2015, the government agency paid over the agreed €13 million. In addition, the company sought and was paid an employment grant of €1.2 million as employment exceeded original projections. This is expected to be payable annually for 5 years in total, at a rate of €12,000 per additional person employed over 300 in each year. There are no repayment provisions attached to the employment grant. The directors of Gilmartin expect employment levels to exceed 350 people for at least 4 further years from 31 March 2016.REQUIREMENT:(a) Detail the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance with respect to government grants to aid capital expenditure. Your answer should cover the initial recognition and subsequent treatment of these grants. (7 marks)

(b) Discuss, showing calculations and journal entries where relevant, how Gilmartin Plc should record the above transactions and events in its financial statements for years ended 31 March 2014, 2015 and 2016.(10 marks)

(c) Advise what accounting adjustments which would be necessary should it become apparent at 31 March 2017,that employment at the factory would soon drop below 300 people.(3 marks)

2.In relation to lAS 10: Events after the Reporting Period

(a)

i. Explain the term 'Events after the Reporting Period', defining clearly the Period

within which lAS 10 requires events to ocCur in order to be considered as such.

ii. Distinguish clearly between "adjusting" and "non-adusting" events, and explain the

accounting treatment and disclosers required in each case.

(b) It is now August 2016 and Hombolo plc is in the process of finalizing its financial statements

for year ended 31" July 2016. The draft statements were completed on 1 August 2016,

and the audit is currently going on. The financial statements are expected to be approved

by the board of directors on 15 September 2016, and published on 20" September 2016.

The matters (i) to (I v) below have come to light during the audit.

(i) The directors of Hombolo plc wish to propose on 15 September 2016 a dividend to be

paid in November 2016. The amount of dividend will be T2S.60,000,000.

(ii) Some investments held by Hombolo plc at the reporting date have fallen significantly in

value since the reporting date due to a shock increase in interest rates by the Central

Bank on 10" August 2016. The effect of the fall in value is material to the company's

financial position.

(iii) Hombolo plc has been sued by a dlient claiming breach of contract. The suit was filed

early in 2016, but the case was heard in August 2016. No provision had been made, as

the directors expected they would win the case. As required by lAS 37 ('Provisions,

Contingent Liabilfties and ContingentAssets) a điscdosure was made of the contingent

lability in the draft financial statements. The outcome of the case, decided on 25

August, wasa judgement against Hombolo plc for a material sun in damages.

(iv ) On 5th August 2016, Hombolo plc entered into an agreement to acquire another entity.

The acquisition is planned to take place on 15 October 2016.

Required.

Explain the accounting treatment and/or disdosures required as a result of the

event after the reporting date