**INSTITUTE OF FINANCE MANAGEMENT**

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**ADVANCED FINANCIAL REPORTING I**

**BACC3 AND BAIT 3 AND BAS 3 (2022/2023)**

**REVIEW QUESTIONS**

**IAS10: EVENTS AFTER THE REPORTING PERIOD**

**QUESTION 1**

1. In relation to IAS 10 Events After the Reporting Period

* Explain the term “Events after the reporting period” defining clearly the period within IAS10 requires events to occur in order to be considered as such
* Distinguish clearly between adjusting and non-adjusting events and explain the accounting treatment and disclosure required in each case

**QUESTION 2**

An Entity ‘s current year ends 30th June 2019. Its financial statements were authorized for issue by its directors on 6th October 2019.The following matters have been brought to your attention;

1. On 10th July 2019, an entity sold some inventory for TZS 80,000,000. This inventory had been included in the year-end inventory count at cost of TZS 100.000,000
2. On 15th July 2019, an entity received information that one of their largest customers had gone bankrupt. At 30th June 2019, this customer owed the entity TZS 235,000,000
3. The directors of the entity wish to propose on 15th July 2019 a dividend was paid in August 2019. The amount of dividend is TZS 60,000,000
4. On 5th August 2019, an entity entered into an agreement to acquire another entity. The acquisition was planned to close on 15th August 2019
5. An entity has investment worth TZS 1,000,000,000 on its financial statements at 30thJune 2019. Due to continuing recession, the investment reduced in value to TZS 900,000,000 by 15th July 2019
6. On 18th November 2019 the government announced tax changes which have the effect of increasing the entity’s deferred tax liability by TZS 6,500,000 as at 30th 2019
7. 0n 30th June 2019 an employee of the entity fell and injured her back at work. This employee has commenced legal action. The solicitor for the entity informed the entity on 10th August 2019 that it is probable they will be found liable and have to pay this employee TZS 33,000,000. The employee has worked for the entity for the past four years.
8. An entity purchased a motor vehicle on 29 June 2019 and paid a nonrefundable deposit of TZS 5,000,000 on that date. It also wrote a cheque on that date for the balance of TZS 20,000,000 which it posted to the seller. The seller received and cashed the cheque on 3July 2019
9. On 12th September 2019 a fire completely destroyed the company’s largest warehouse and the inventory it contained. The carrying amount of the warehouse and inventory were TZS100,000,000 and TZS 60,000,000 respectively. It appears that the company has not updated the value of its insurance cover and only expects to be able to recover a maximum of TZS 90.000,000 from its insurers. The entity’s trading operations have been severely disrupted since the fire and it expects large trading losses for some times to come.

**REQUIRED:**

Explain the required treatment of the item (i) to ( ix) by the entity in its financial statements for the year ended 30th June 2019

**QUESTION 3**

IAS 10 Events After the Reporting Period set out guidance or dealing with events which occur fter the reporting date but which may have implications for the financial statements up to the reporting date. It distinguishes between adjusting and non adjusting events.

Maunge Plc is in the process of finanlising its financial statements for the year ended 31st march 2017. The draft statements were completed on 14 April 2017, and the audit is currently in the process. The financial statements are expected to be approved by the board of directors on 15th May 2017 and published on 20th May 2017. The following matters have come to light during the audit and your advice is requested. No adjustment has yet been made for any of the following;

1. Closing inventory at 31st March 2017 included 100 items carried at cost TZS 5,000,000 each. New safety regulations were announced on 5th April 2017 with immediate effect. The item of inventory does not comply with these regulations. As result the net realizable value of the inventory is only TZS 4,500,000 each.
2. An investment in unquoted equity instrument was held by Maunge Plc at 31st march 2017 at an amount of TZS350 million. This was its fair value on 30th September 2016, the most recent reporting date. Due to unavailable professional

valuers, an updated fair value was not available until April 2017. On this date, the valuer provided an estimate of fair value of TZS 280 million.

1. Maunge Plc was being sued opn 31st March 2017. At that date the case had been heard, but the judgement was only handed down on 20th April 2017. The outcome was that Maunge was found liable for damages and costs totalling TZS31million. On 21st April 2017, Maunge filed claim with its insurers and on 28th April 2017, was notified that the insurer would cover TZS 26 million of the loss.
2. On 30th March 2017. Maunge paid TZS 500,000 for a raffle ticket to support a local charity. On 3rd April 2017, the company was notified that it had won first prize of TZS 100,000,000. The draw took place on 31st March 2017

**REQUIRED :**

In each case (i) to (iv) above, prepare a briefing note advising on the accounting treatment and/ or disclosure required as a result of the events after the reporting period.

**QUESTION 4**

The following issues have arisen in Dingi ltd a pharmaceutical company whse financial year end 31st December:

1. On 20th December 2017, Dingi ltd was involved in a court case wth a customer who sued the company for delivering products where there was a despute over the exact ingredients included in the products manufactured by Dingi. These products were delivered to the customer in October 2017. The detai;ls of the case were heard by 22TH December but the judge decide to reserve his judgement until 8th January 2018. On 8th January 2018, the judge ruled in favour of the customer, awarding it damages of TZS 100,000,000
2. On 8th January 2018, one of the accountants left the company suddenly. On further investigation, Dingi ltd realized that this employee has been paying himself money from the bank account in relation to false rental invoices. The amount of the over payment was found to be TZS 86,000,000. With the help of the police, the accountant was tracked down and repaid all the money on 18th January 2018
3. A single class of inventory held at another warehouse was valued at its cost of TZS 460,000,000 AT 31st March 2016. In April 2016, 70% of this inventory was sold for TZS 280,000,000 on which Dingi’s sales staff earned a commission of 15% of the selling price.

**REQUIRED:**

Prepare a briefing note for management in which you outline the proper accounting treatment of each of the above issues(i) to(iii), so as to ensure that the financial statements are prepared in accordance to IFRSs.