

PUBLISHED FINANCIAL STATEMENT (IAS I)

This is a set of summarized financial statement ready for publication. They include:

- a) Statement of comprehensive income
- b) Statement of financial position
- c) Statement of changes in equity
- d) Statement of cashflows (IAS 1)
- e) Notes to financial statement → This includes explanations to the items in the above financial statement. It includes:

- i) Accounting standards and policies used.
- ii) Compliance with the standards.
- iii) Breakdown of items such as PPE Movement schedule.
- iv) Reports such as:
 - : Directors report & Sustainability report
 - : Auditors report & Environmental report
 - : Segment report & Corporate governance report
 - : Integrated report & Compliance Report

Special topics to Memorize

1. Recognition of closing stock.
closing stock should be recognized based on the lower of cost and Net Realizable Value (NRV)
2. Recognition of provisions
provisions should also be recognized if probability of occurrence is more than 50%.
3. Financial Asset → They are financial investment. Majorly classified as follows:
 - (a) Financial asset at fair value
 - They are short term investment
 - They are current asset
 - They are valued/measured at fair value.
 - (b) Available for Sale financial Asset (AFS)
 - They are long term investments.
 - They are recognized as non-current asset
 - Measured either at fair value or Amortized Cost.
 - (c) Deferred Tax → Is the tax payable or recoverable in the future which arises as a result of temporary differences.

NB: ① Increase in deferred tax liability is an ~~expense~~ expense while a decrease is an income.

- ② Revaluation changes for PPE and AFS are recognized under Other comprehensive incomes
- ③ Revaluation changes for items valued at fair value is recognized under other incomes.
- ④ Ordinary share Capital is recognized at par value with any balance reported under Share premium.

- 5) PPE (Plant Property & Equipment) is required as a single figure under the statement of financial position.
- 6) Expenses under income statement are classified into 4 classes:
- i) Cost of sales
 - ii) Administrative expenses
 - iii) Selling and distribution expenses
 - iv) Finance cost / interest expense
- 7) Tax expense is made up of 2 elements:
- a) Current tax expense
 - b) Deferred tax expense

Tax expense

Current tax	XX
Deferred tax ↑ ↓	<u>xx/(xx)</u>
	<u>xxx</u>

Components of other comprehensive incomes

1. Revaluation changes
2. Actuarial gain/loss / remeasurement changes for pension plans
3. Unrealized gains/losses for AFS items
4. Pension prior service
5. Foreign currency translation differences

NOV 2016 Q2.

1) Debt interest for the period.

$$8\% \times 300 \times 10/12 = 20 - \text{Income statement}$$

$$20 - 12 = 8 \rightarrow \text{Accrued interest}$$

2) Closing stock

$$\text{Cost of sale} = OS + P - CS$$

$$226.8 + 469.2 - 259.2 = 436.8$$

3) lease Amortization schedule

Period	Bal bld	payment	Bal due	Interest	Bal cld
1	418	(0)	418	42	460
2	460	(132)	328	33	361

lease liability at the commencement

$$132 \times PVIFA_{10\%}^5 \Rightarrow 132 \times 3.1699 = 418$$

Right to use the asset

lease liability	418
add: payment at commencement	<u>132</u>
	550

$$\text{Interest} \rightarrow 1^{\text{st}} \text{ year} \quad 42$$

$$\text{Depreciation} \quad 550 \div 5 \quad 110$$

$$\text{NCL} \rightarrow \text{lease obligation} \rightarrow \text{Bal due } 2^{\text{nd}} \text{ year} \quad 328$$

$$\rightarrow \text{payment } 2^{\text{nd}} \text{ year} \quad 132$$

4) Depreciation:

$$15\% \times (936 - 156) = 117 \rightarrow \text{cost of sales}$$

5) Revaluation:

$$\text{land} \quad 400 \rightarrow 600 = 200$$

$$\text{Building} \quad (1200 - 360) = 840 \rightarrow 1050 = \frac{210}{410}$$

$$\text{Depreciation on building} \quad 1050 \div 35 = 30 \rightarrow \text{cost of sale.}$$

6) Tax expense

$$\text{Current tax} \quad 169.8$$

$$\text{Deferred tax} \quad (75 - 84.6) \uparrow \quad 9.6$$

$$179.4$$

7) Cost of sales

Balance bld	436.8
add: dep on - leased plant	110
Plant	117
Building	30
	<u>693.8</u>

<u>PPE</u>	
Land	600
Building (1050 - 30)	1020
Plant 936 - 156 - 117	663
	<u>2283</u>

(a) Peck Ltd
Income statement for the year ended 31 Oct 2016

	sh million:
Revenue	1670.4
cost of sales	(693.8)
Gross profit	976.6
Investment income	27
<u>expenses</u>	
Administrative expenses	(33)
Distribution expenses	(60)
Finance cost 20 + 42	(62)
Profit before tax	848.6
tax expense	(179.4)
PAT	669.2
<u>Other comprehensive income</u>	
Revaluation gain	410
Total comprehensive income	<u>1079.2</u>

(b) Peck Ltd
Statement of changes in equity for the year ended 31 Oct 2016

	ord share capital	Deficit/ Earnings	Revaluation Reserve
Balance b/c	900	717	-
Profit after tax	-	669.2	-
Revaluation gain	-	-	410
Dividend paid	-	(90)	-
	900	1296.2	410

(c) Peck Ltd
Statement of financial position as at 31 Oct 2016

<u>Assets</u>	sh million:
<u>Non-current Asset</u>	
PPE	2283
Right to use asset (550 - 110)	440
Investment	540
<u>current Asset</u>	
Inventory	259.2
Receivable	327.2
Cash in hand	2
	<u>3851.4</u>

Equity and liabilities

Ordinary share capital 900
Retained earnings 1296.2
Revaluation reserve 410

Non-current liabilities

8% debentures 300
Deferred tax 84.6
Lease obligation 328

Current liabilities

Current tax 169.8
Lease obligation 132
Account payable 202.4
Bank overdraft 20.4
Interest payable (20-12) 8
3851.4

NOV 2015 Q1

1) Inventory loss = $15 - 8 = 7$ DR - cost of sales
 CR - closing stock.

Closing stock = $388 - 7 = 381$

Cost of sales = $0.5 + P - C.S = 444 + 1669 - 381 = 1732$

2) Revaluation.

Land	60	\rightarrow	100	gain = 40
Building	$320 - 64 = 256$	\rightarrow	700	gain = <u>444</u>
	<u>360</u>			Total gain <u>484</u>

Dep on building = $700 \div 40 = 17.5$ \rightarrow Admin exp

3) Tax expenses

Current tax.	(2628)	20	
Deferred tax.	(112)	<u>7</u>	
	(2)	<u>27</u>	

4) Disposal of asset

$15 - 3 = 12$ IVBV (F.R.)

Disposal proceed 7

disposal less 5

5) Dep of Asset

Plant & Equipment: $20\% (258 - 15) - (126 - 3) =$

126

$= 20\% (243 - 123) = 24 - \text{cos}$

6) Investment property

$548 \rightarrow 586 = 38 \rightarrow \text{other income (fair value gain)}$

7) Bonus issue of shares

$3 \rightarrow 1 \times 3 \times 10 = 33$ DR: General Reserve.
 $10 \rightarrow 2$ CR: Ordinary Shares.

Expenses.

	Cost of sale	Admin exp	Distribution	Finance cost
Bal bld.	1732	326.5	514	$4.8 \times 150 = 6$
Depreciation	24	17.5	-	-
Impairment	4	-	-	-
Disposal less	5	-	-	-
	1765	362.5	514	6.

PPE	Land & Building	Plant and Equipment	Total
Balance b/d'	800	$(258 - 126) = 132$	
Disposal	-	$(15 - 3) = 12$	
Depreciation	(17.5)	(24)	
Impairment	-	(4)	
Balance c/d	782.5	101.92	874.5

a) Doha Hotel
Statement of Comprehensive Income for the year ended 31 Dec 2014

	128.5 million
Revenue	2648
Cost of sales	<u>(1765)</u>
Gross profit	883
<u>Other incomes</u>	
Fair value gain	38
Rental income	48
<u>Expenses</u>	
Adm exp	<u>(362.5)</u>
Distribution exp	<u>(514)</u>
Finance cost	<u>(6)</u>
PBT	86.5
Tax exp	<u>(27)</u>
PAT	59.5
<u>Other comprehensive income</u>	
Revaluation gain	<u>484</u>
Total Comprehensive income	<u>543.5</u>

b) Doha Hotel
Statement of changes in Equity for the year ended 31 Dec 2014

	Ord Share	Share Premium	Retained Profit	General Reserve	Revaluation- Reserve
Balance b/d	100	244	349	570	7
Bonus issue of share	33	-	-	(33)	-
Dividends	-	-	-	-	484
PAT	-	-	59.5	-	-
Dividend paid	-	-	(6)	-	-
Balance c/d	133	244	402.5	537	484

(c)	Doha Hotel	in £ million as at 31 Dec 2014
<u>Assets</u>		
<u>Non-current Assets</u>		
PPE	874.5	
Investment property	586	
<u>Current Assets</u>		
Liquidity	381	
Cash and Cash equivalents	28	
Receivables	845	
	<u>2414.5</u>	
<u>Equity and Liabilities</u>		
Ordinary Share Capital	133	
Share Premium	244	
Retained Profit	402.5	
General Reserve	537	
Revaluation Reserve	484	
<u>Non-current Liabilities</u>		
Deferred tax	7	
4% loan note	150	
<u>Current Liabilities</u>		
Current Tax	20	
Trade payable	434	
Interest payable (6-3)	<u>2414.5</u>	

Dec 2009 Q2

7. Current year estimated tax is 500 million. The deferred tax liability is to be reduced by sh 300 million.
8. Interest on finance lease is at the rate of 10% per annum and is payable together with the rental on 31 Oct each year.
- Required:

- a) Published statement of comprehensive income for the year ended 31 Oct 2009
 b) Summarized statement of changes in equity.
 c) Published statement of financial position as at 31 Oct 2009.

DEC 2009 Q2

Soln.

1) Interest on debenture $10\% \times 2000 = 200 \rightarrow \text{FIS}$

$$\begin{array}{rcl} \text{Interest paid (FIS)} & (200) \\ \text{Accrued interest} & 100 \\ \hline & 100 \end{array} \rightarrow \text{BIS.}$$

2) Closing stock = (lower) 1500

$$\text{Cost} + \text{P-C.S.} = 1200 + 8000 - 1500 = 7700$$

3) Dep of PPE 800 → Cost

3) Valuation of intangible asset

$$\begin{array}{rcl} 2000 - 400 = 1600 & \rightarrow 1800 & \text{gain } 200 \text{ (other comprehensive income)} \\ \text{Amortization.} & (400) & \rightarrow \text{Adm exp} \\ \text{To balance sheet} & \underline{1400} & \end{array}$$

4) Land 500 → 550 ⇒ gain 50 → other income (fair value)

5) Suspense Account

$$\begin{array}{rcl} \text{Issue of shares } (2 \times 150) & 2000 \\ \text{Investment income} & (1800) \\ \hline & 200 \end{array}$$

Accounting for issue of shares

$$\text{Ord share capital ACC } 12 \times 100 = 1200$$

$$\text{Share premium ACC } 12 \times 50 = 600$$

6) Financial asset → At fair value 600 → 700 gain 100

$$7 \text{ FIS } 1000 \rightarrow 1200 \text{ gain } 200$$

$$\text{Deferred tax on Afs} = 30\% \times 200 = \underline{60}$$

7) Tax expense

$$\begin{array}{rcl} \text{Current tax} & 500 \\ \text{Deferred tax } (500+60) \rightarrow 300 & (260) \\ \hline & \underline{240} \end{array}$$

8) Finance lease

Amortization schedule.

Period	Bal bld(A)	Interest(B)	payment(C)	principle D=(C-B)	Bal clc.
1	1000	100	200	100	900
2	900	90	200	110	790

Interest (1st year)

N.C.L (Bal clc) 2nd year

C.L (Principle)

100

790

110

	Expenses			
	cost of sales	Adm exp	Distribution cost	finance cost
Balance bld.	7700	2600	2400	200
Dep.	800	-	-	-
Auotization	-	400	-	-
Interest (lease)	-	-	-	100
	8500	3000	2400	300

a) Zed htl.

Statement of Comprehensive Income for the year ended 31 Oct 2009.

	in million
Sales	15000
Cost of sales	(8500)
Gross profit	6500
Other incomes	
Investment income	200
Foreign value gain → Land - financial asset	50
	100
Expenses	
Adm exp	(3000)
Distribution exp	(2400)
Finance exp	(300)
PBT	1150
Tax.	(240)
PAT	910
Other comprehensive income	
Revaluation gain → AFS (200-60) → Intangible asset	140
	200
Total Comprehensive income	<u>1250</u>

b) Zed htl.

Statement of Changes in Equity for the year ended 31 Oct 2009

	Ord share capital	Share premium	Retained Earnings	Revaluation Reserve
Balance bld.	5000	1000	1500	200
Issue of shares	1200	600	-	-
Revaluation	-	-	-	340
PAT	-	-	910	-
Balance ccl.	6200	1600	2410	540

c) Red hutch statement of financial position as at 31 Oct 2009.

Assets

Non-current Assets

PPF	6800 - 2400 - 800	3600
Investment property (land)	2000	550
Intangible Asset	(1800 - 400)	1400
Available for sale		1200

Current Assets

Cash at bank	2000
Receivables	6200
Inventory	1500
Financial asset at fair value	700
	<u>17150</u>

Equity and Liabilities

Ordinary Capital	6200
Share premium	1600
Retained profit	2410
Revaluation	540

Non-current Liabilities

Deferred tax	300
Lease obligation	790
10% debentures	2000

Current Liabilities

Current tax (500 - 400)	100
Lease obligation	110
Trade payable	3000
Interest payable (200 - 100)	100

17,150

Assignments:

June 2013 Q1 b

Dec 2013 Q4

May 2017 Q3

Nov 2017 Q4

May 2018 Q2