**Question 1:**

1. In the Income Statements, the income tax expense is $M 4,026 for the Group, and $M 3,293 for the Bank.
2. In the Note 2.5, the income tax expense include Current tax expense and Deferred tax expense/ (benefit) from ordinary activities in Australia and overseas. The Current tax expense is respectively $M3,956 and $M969 in Australia and overseas, and the Deferred tax expense/ (benefit) is $M -416 and $M -483 in Australia and overseas.
3. The temporary differences are differences in time or tax basis determined by tax regulations and accounting standards when recognizing some assets and liabilities. The amount of deferred income tax assets includes a temporary difference of $M991 (deductible temporary difference) due to the provision for impairment of loans, discounted notes and other receivables, and the balance of deferred income tax liabilities includes temporary differences due to the following reasons: lease financing is $M 200 .
4. . Income tax cash flows are cash flows from operating activities, with the group’s cash flow of $M 4,791.
5. In the Balance Sheets, there is a balance of deferred tax assets $M1,439, the deferred tax liabilities closing balance is 0. Deferred tax assets is confirmed because of deductible differences. For example, impairment provisions for loans, discounted notes and other receivables can lead to deductible differences. Due to the impairment of the receivables, the economic benefits generated by the assets in the future will be less. If the amount of pre-tax deduction is allowed in accordance with the tax law, there will be difference between the book value and the tax base in the future. During the period, the taxable income can be reduced and the income tax payable should be reduced. When the relevant conditions are met, the relevant deferred income tax assets should be recognized.
6. The current tax liability (income tax payable) is $M 952, while the income tax expense $M 4,026, they are not equal for two reason: 1) part of the expenses is paid in 2018 ($M 4,791); 2) The deferred tax exists.

Words: 330

**Question 2:**

1. The intangible assets of the Group is $M 9,023, and the total assets is $M 975,165, so the portion that intangible assets accounts for the total assets is 0.93% (9,023/975,165\*100%). In the Note 6.2, intangible assets include Goodwill ($M 6,941), Computer Software Costs ($M 1,819), Brand Names ($M 205), Other Intangibles such as customer relationships ($M 58). Each year, The CBA assesses whether these intangible assets are impaired and generally compares the carrying value of the cash generation unit or group of cash generation units with the recoverable amount. The recoverable amount is determined at fair value less the cost of sale.
2. The loan impairment expense in Income Statements is $M 1,079. The impairment recognized by the Group is mainly related to the loan and some other receivables. Since the bank's main business is to provide loans to customers, it faces the risk that customers will not be able to repay the entire loan. Therefore, CBA needs to make provision for impairment of these loans. In addition, credit losses come from other credit instruments, such as bank acceptance of bills of exchange, contingent liabilities and other financial instruments. According to the guidelines, the bank should first conduct an impairment test on the loan. If there is objective evidence indicating the impairment of the loan, then the impairment measurement is carried out, and the impairment provision is made based on the measurement result. The loan loss provision for the current period is the difference between the book value of the loan and the present value of the expected future recoverable amount at the end of the period. Therefore, CBA conducts impairment testing on these assets on each balance sheet date. The total impairment provision accounted for 33.60% of the total impairment assets, and the total impairment loss provision accounted for 0.49% of the total loan and acceptance bills of exchange.
3. The Group confirmed the revaluation of some properties this year, including land and buildings, foreign currency. The asset revaluation reserve is $M 35. CBA measures its land and buildings at fair value based on annual independent market valuations. Revaluation adjustments are reflected in the asset revaluation reserve unless they return the revaluation reduction previously recognized in the profit and loss statement. At the time of sale, the variable cash amount provided for in the revaluation of assets is transferred to retained profits. The revaluation of monetary assets and liabilities in foreign currencies is based on the spot exchange rate at the settlement date. Currency items at different interest rates are settled or converted to initial recognition or exchange differences resulting from previously reported currency items are recognized in the profit and loss statement

Words: 447

**Question 3**

1. In 2018, AASB 117 Leases is applied by CBA, which provides the lessee and lessor with appropriate accounting policies and disclosures that should be used for finance leases and operating leases. For CBA, it has no lease commitments as lessee at 30 June 2018. It acts as a lessor to provide finance leases and operating leases to the customer. Lease is primarily for commercial and retail locations as well as factories and equipment. As of June 30, 2018, the total amount of future sublease payments expected to be received is $88 million.
2. Unlike the current lease standard AASB 17, IASB 16 stipulates that except for small leases within 12 months or below a certain amount (such as $5,000), the remaining leases should be included in the financial statement (Miles, Ezzell & Vora, 2018). For the lessee, IASB 16 no longer distinguishes between operating leases and finance leases. The lessee's accounting treatment is mainly as follows: First, accounting confirmation. When a contract is concluded based on an identifiable asset, or when the lessee has the right to control the use of the asset in accordance with the contract, and to obtain approximately all of the economic benefits associated with the use of the asset, the lessee can confirm the lease arrangement in accordance with the new lease criteria. Second, the initial measurement. The lessee makes an initial measurement of its “right to use assets” and lease liabilities based on the present value of the lease payments. Third, follow-up measurement. The lessee often uses the straight-line method to depreciate the “right to use assets”. The depreciation period can be the shorter of the lease life and the service life of the right to use. At the same time, the lessee must use the actual interest rate method to confirm the lease liability according to the determined discount rate on the lease start date.

IASB16 will result in changes in the balance sheet of the operating lease lessee, and the assets and liabilities on the balance sheet will increase simultaneously. For the income statement, the depreciation expense of the right-of-use asset and the interest expense of the lease liability will be formed (Warren, 2016).

Since the Group is primarily a lessor, providing financial leasing and operating leases to clients, the implementation of the new standards has no material impact on the lessor's financial report.

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**Question 4**

i

1. The key subsidiaries of the Group are 100% owned and incorporated in Australia, they are identified as followed:

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The total non-controlling interests is $M 554 at 30 June 2018

1. In the Comprehensive Income statement, the total Comprehensive Income after income tax is $M 9,399, which includes:

1) after-tax net profit for the continuing operating period of $M 9,394;

2) foreign currency translation reserve M $5;

3) Gains and (losses) on cash flow hedging instruments $M -53;

4) Gains and (losses) on available-for-sale investments $M-2;

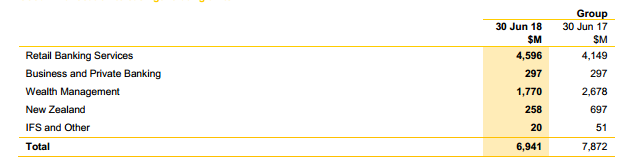
5) Actuarial gains from defined benefit superannuation plans $M 161

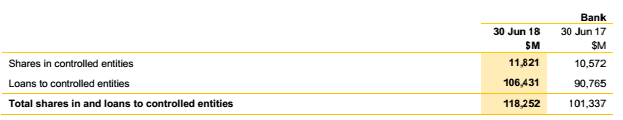
6) Losses on liabilities at fair value due to changes in own credit risk net of tax $M-2 ;

7) property revaluation $M 31.

The total comprehensive income attributable to operations Equity holders of the Bank is $M 9,380 and Non-controlling interests is $M 19.

In the Note 6.2, the closing balance of goodwill is $M 6,941. The goodwill allocation to cash generating units are as followed:



1. The Group has conducted a number of internal transactions with related parties, including loans, deposits and foreign currency transactions, which may incur fees and commissions, as well as fees paid or charged by subsidiaries in the form of dividends or interest. The following table shows the group’s total investment and loans to controlled entities.

The Group had also fairly charged $118 million from funds classified as affiliates. CBA provides comfort letters to other entities within the group on standard terms. The guarantee includes a $175 million guarantee for the overcompensation claim of the AFS license holder.

1. The requirements of paragraphs 54 (q) and 54 (r) of AASB 101, and paragraph 22 of AASB 10 are about how to disclose non-controlling interests in the Consolidated Financial Statements. The parent company shall report the non-controlling equity in the consolidated financial statements and shall separate it from the equity of the owner of the parent company. From the CBA's full income statement, it can be seen that the disclosure of non-controlling interests is followed, so the CBA meets this requirement.

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1. According to the information disclosed in the Note 11.3, the Group's consolidation’ accounting policy complies with the requirements of AASB 10. First, the guidelines require that judgments for consolidation is control. The principle that the CBA determines whether a structured entity should be merged is to assess whether it has rights to the investor, enjoys variable returns through participation in the investor's related activities, and has the ability to use rights to influence the income of the invested unit. Transactions between Group and subsidiaries are offset for subjects that should be included in the scope of the merger. The non-controlling interests and related profit shares of the subsidiary are shown in the consolidated profit statement, the change of equity statement and the balance sheet respectively. A subsidiary is incorporated from the date of transfer of control to the group and is not merged upon termination of control.

ii

1. The inventory sold by the subsidiary to the parent in April 2015 was sold to external entities in August 2015 **(s---p, previous year, inventory---inventory)**. Therefore, the unrealized profit in 2015 of $600 should be confirmed in the 2016 report. Also retained earnings $420 (600\*70%) and income tax expense $180 (600\*30%) should be offset. The unrealized profit of the subsidiary should confirm non-controlling interests $105.

DR Retained Earnings $420

DR Income Tax Expense $180

CR COS $600

DR NCI $105

CR NCI share of profit $105

1. In March 2016, the parent sold the product to the subsidiary with a pre-tax profit of $1,000. As of June 30, 2016, 25% of the inventory was not sold to external entities. **(P---S, current year, inventory---inventory).** Therefore, sales revenue of 1,000, inventory of 250 (1,000\*25%), COGS of $9,750 (1,000-250) should be reduced in 2016. Deferred income tax assets of $75 (250\*30%) and deferred income tax of $75 should be recognized. The unrealized profit of the products sold by the parent to the subsidiaries does not influence non-controlling interests.

DR Sales $10,000

CR COGS $9,750

CR Inventory $250

DR DTA $75

CR ITE $75

1. **(current year, s---p, inventory—inventory)** The subsidiary sell the product to the parent at a mark-up of 20% with a profit of $4,000 ($24000 / (1+ 20%) \* 20%), the unsold portion is 1,200, and the unrealized profit is $200 (4,000\*) 1,200 / 24,000). Also DTA $60 (200\*30%) and ITE$60 should be confirmed. The non-controlling interests is $50 (200\*(1-75%)).

|  |  |  |  |
| --- | --- | --- | --- |
| Dr. | Sales | $24,000 |  |
| Cr. | COGS |  | $23,800 |
| Cr. | Inventory |  | $200 |
| Dr. | DTA | $60 |  |
| Cr. | ITE |  | $60 |

1. **(s---p, previous year, PPE---PPE)** The profit of the equipment sold by the subsidiary to the parent in 2014 is $15,000 (100,000-85,000). The parent recognizes a fixed asset, and in 2016 a DTA of $4,500 (15,000\*70%) and a retained earnings of $10,500 ($15,000\*70%) should be adjusted. The non-controlling interest is $2,625.

DR Retained earnings $10,500

DR DTA $4,500

CR Equipment $15,000

DR NCI $2,625

CR NCI share of profit $2,625

DR DTA. $4,500

CR Retained earnings $4,500

1. The depreciation of the equipment sold by S to P should be eliminated.

DR Accumulated depreciation $3000

CR Depreciation Expense $1,500

CR Retained earnings $1,500

DR Retained earnings $450

DR ITE $450

CR DTA $900

DR NCI share of profit $525

CR NCI $525

Word: 880

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