

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.
- 4) 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 recognized 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

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

8) Component of other Comprehensive incomes

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

Workings

1) Debt interest for the period

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

20 - 12 = 8 → c.l. Accrued interest
↓ interest already paid

2) Closing stock:

$$\text{Cost of sales} \Rightarrow O.S + P - C.S$$

$$226.8 + 469.2 - 259.2 = 436.8$$

3) Lease Amortisation schedule - payable in advance

period	Balance b/d A	payment B	Balance due	Interest (C) 10%	Principle D = B - C	Bal c/d A - D
1	552	132	420	42	90	462
2	462	132	330	33	99	363

Income

$$\text{Interest } 1^{\text{st}} \text{ year} = 42$$

N.c.l. → lease obligation = } 2nd year → Bal due.

c.l. → lease obligation = } → payment.

$$\text{Depreciation} = 552 \div 5 = 110.4$$

4) Depreciation:

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

5) Revaluation:

land	400	→	600	=	200
Building	(1200 - 360) = 840	→	1050	=	210
					410

$$\text{Dep on Building} = 1050 \div 35 = 30 \rightarrow \text{cost of sales.}$$

6) Tax expense

current tax.

$$169.8$$

Deferred tax (75 - 84.6) ↑

$$9.6$$

$$\underline{179.4} \text{ ILS}$$

cost of sales:

Balance b/d:	436.8
add: Dep	110.4 + 117 + 30
	<u>694.2</u>

PPF:

land	600
Building	1050 - 30
plant	936 - 156 - 117
leased plant	(552 - 110.4)
	<u>441.6</u>
	<u>2724.6</u>

a)

Peak Ltd.
Income statement for the year ended 31 Oct 2016

	sh million
Revenue	1670.4
Cost of sales	(694.2)
Gross profit	976.2
Investment income	27
<u>Expenses</u>	
Adm exp	(33)
Distribution expenses	(60)
Finance cost 20+42	(62)
PBT	848.2
tax expense	(179.4)
PAT	668.8
Other comprehensive income	
Revaluation gain	410
Total comprehensive income	<u>1078.8</u>

b)

Peak Ltd.
Statement of changes in Equity for the year ended 31 Oct 2016

	ordinary shares	Retained Earnings	Revaluation Reserves
Balance b/d.	900	717	-
Profit after tax	-	668.8	
Revaluation gain	-	-	410
Dividend paid		(90)	
Balance c/d	900	1295.8	410

c)

Peak Ltd.
Statement of financial position as at 31 Oct 2016

Assets	sh million
<u>Non-current Assets</u>	
PP&I	2724.6
Investment	540
<u>Current Assets</u>	
Inventory	259.2
Receivable	327.2
Cash in hand	2
	<u>3853</u>
<u>Equity and liabilities</u>	
ord share capital	900
share premium	1295.8
Revaluation reserve	410
<u>Non-current liabilities</u>	
8% debentures	300
Deferred tax	84.6
lease obligation	330

	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	92	874.5

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

	sh million
Revenue	2648
Cost of sales	(1765)
Gross profit	883
<u>Other incomes</u>	
Fair value gain	38
Rental income	48
<u>Expenses</u>	
Admin exp	(362.5)
Distribution exp	(54)
Finance cost	(6)
PBT	86.5
tax exp	(27)
PAT	59.5
<u>Other Comprehensive Income</u>	
Revaluation gain	484
Total Comprehensive Income	543.5

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	-
Bonus issue of share	33	-	-	(33)	-
Revaluation	-	-	-	-	484
PAT	-	-	59.5	-	-
Dividend paid	-	-	(6)	-	-
Balance c/d	133	244	402.5	537	484

(c) Doha Hotel
Statement of financial position as at 31 Dec 2014

<u>Assets</u>	<u>Sh Million</u>
<u>Non-current Assets</u>	
PPE	874.5
Investment property	586
<u>Current Assets</u>	
Inventory	381
Cash and cash equivalents	28
Receivables	545
	<u>2414.5</u>
<u>Equity and liabilities</u>	
<u>Ord Share Capital</u>	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	650
<u>Current liabilities</u>	
Current tax	20
Trade payable	434
Interest payable (6-3)	3
	<u>2414.5</u>

(b) Statement of net assets as at 31 October 2009
PUBLISHED (DEC 2009 Q2)

DEC 2009 Q2

The following balance has been extracted from the books of Zed Ltd as at 31 October 2009.

	Sh million	Sh million
PPE	6,800	
Accumulated dep as at 1 Nov 2008		2,400
Intangible assets	2,000	
Accumulated amortization as at 1 Nov 2008		400
Investment property (land)	500	
Inventory as at 1 Nov 2008	1,200	
Purchases	8,000	
Sales		15,000
Administrative expenses	2,600	
Distribution expenses	2,400	
Interest paid on debentures	100	
10% debentures		2,000
Suspense account		2,000
Ordinary share capital (sh 100)		5,000
Share premium		1,000
Retained profits (1 Nov 2008)		1,500
Revaluation reserve (PPE)		200
Cash at bank	2,000	
Receivables	6,200	
Payables		3,000
Financial assets: at fair value	600	
Available for sale	1,000	
Deferred tax		500
Obligation under finance lease (1 Nov 2008)		1000
Lease rental paid	200	
Installment tax paid	400	

Additional information.

1. The cost and net realizable value of the inventory as at 31 October 2009 was sh 1,600 and sh. 1,500 respectively.
2. Depreciation on PPE is to be provided at sh. 800 million and classified under cost of sales. Sh.10 million of this amounts related to excess depreciation on revaluation.
3. Intangible assets are to be revalued to sh.1, 800 million. Amortization of sh 400 million is to be charged and classified under administrative expenses.
4. Land is held for capital appreciation and it is accounted for at fair value. As 31 October 2009, the market value of the land was sh 550 million.
5. The suspense account related to a new issue of shares by Zed Ltd. On 1 July 2009, it issued 12 million shares for sh. 150 each. The balance in the suspense account is the investment income.
6. The financial assets were purchased during the year. The financial assets are to be recognized as at 31 October 2009 as follows:

At fair value	700 million
Available for sale	1,200 million

Deferred tax of sh 60 million is to be recognized as a result of revaluation of available for sale.

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:

- Published statement of Comprehensive Income for the year ended 31 Oct 2009
- Summarized statement of changes in equity.
- Published statement of financial position as at 31 Oct 2009.

Soln.

1) Interest on debenture $10\% \times 2000 = 200 \rightarrow \text{P/L}$
 Interest paid (P/L) (100)
 Accrued interest $100 \rightarrow \text{B/L}$

2) Closing stock = (lower) 1500
 $\text{COS} = \text{OS} + \text{P} - \text{CS} = 1200 + 8000 - 1500 = 7700$

3) Dep of PPE $800 \rightarrow \text{COS}$

4) Valuation of Intangible asset

$2000 - 400 = 1600 \rightarrow 1800$ gain 200 (other comprehensive income)
 Amortization $(400) \rightarrow \text{Aclm exp}$
 To balance sheet 1400

5) Land $500 \rightarrow 550 \Rightarrow$ gain 50 \rightarrow other income (fair value)

6) Suspense Account
 Issue of shares 12×150 2000
 Investment income (1800)
 200

Accounting for issue of shares

Ord Share Capital A/C $12 \times 100 = 1200$
 Share premium A/C $12 \times 50 = 600$

7) Financial asset \rightarrow At fair value $600 \rightarrow 700$ gain 100
 AFS $1000 \rightarrow 1200$ gain 200
 Deferred tax on AFS = $30\% \times 200 = 60$

8) Tax expense
 Current tax 500
 Deferred tax $(500 + 60) \rightarrow 300$ (260)
 240

9) Finance lease

Amortization schedule.

Period	Bal b/d (A)	Interest (B)	Payment (C)	Principle D = (C-B)	Bal c/d
1	1000	100	200	100	900
2	900	90	200	110	790

Interest (1st year) 100
 N.C.L (Bal c/d) } 2nd year 790
 C.L (Principle) } 110

	Expenses			
	cost of sales	Adm exp	Distribution cost	Finance cost
Balance b/d.	7700	2600	2400	200
Dep. Amortization	800	-	-	-
(Interest lease)	-	400	-	-
	-	-	-	100
	8500	3000	2400	300

a) Zed Intl.
Statement of Comprehensive Income for the year ended 31 Oct 2009.

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

b) Zed Intl.
Statement of Changes in Equity for the year ended 31 Oct 2009

	Ord Share Capital	Share Premium	Retained Earnings	Revaluation Reserve
Balance b/d.	5000	1000	1500	200
Issue of Shares	1200	600	-	-
Revaluation	-	-	-	340
PAT	-	-	910	-
Balance c/d.	6200	1600	2410	540

c) Zed Ltd
 Statement of financial position as at 31 of 2009.

Asset	sh million
<u>Non-current Assets</u>	
PPF 6800-2400-800	3600
Investment property (land)	550
Intangible Asset (1800-400)	1400
Available for sale	1200
<u>Current Assets</u>	
Cash at bank	2000
Receivables	6200
Inventory	1500
Financial asset at fair value	700
	<u>17150</u>
<u>Equity and liabilities</u>	
Ord share Capital	6200
Share premium	1600
Retained profit	2410
Revaluation	540
<u>Non-current liabilities</u>	
Deferred tax	300
Lease obligation	790
10% debentures	2000
<u>Current liabilities</u>	
Current tax (500-400)	100
Lease obligation	110
Trade payable	3000
Interest payable (200-100)	100
	<u>17,150</u>

Assignments:

June	2013	Q 1 b
Dec	2013	Q 4
May	2017	Q 3
Nov	2017	Q 4
May	2018	Q 2