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Unit 1 Financial Accounting

Fundamental ethical principles from 110A1 of IESBA Code of Ethics for Professional Accountants

- integrity
- objectivity
- professional competence and due care (section 105)
  Justification, as a Chartered Account, he is obliged to ensure he is competent as the work he is completing. The number of errors in his application of accounting standards indicate that he has not mastered the requirements of the new standard. He should consider professional training to avoid breaching the code of ethics.
- confidentiality
- professional behaviour

Unit 2 Preparation of financial statements

Cash flow statement

Operating
IAS 7 paras 6, 13–15

- payments to suppliers and employees
- receipts from customers
- receipts of other revenue
- Income tax paid or refunded
- Interest paid* (varies)
- financial institutions: cash advances and loans made re principal revenue-producing activities

Investing
IAS 7 paras 6, 16

- payments to acquire PPE
- proceeds from sale of PPE
- payments to purchase investments
- proceeds from sale investments
- cash loans and advances to other parties
- interest and dividends received

Financing
IAS 7 paras 6, 17

- proceeds on share issue/other equity instruments
- outlay for share buy-back
- proceeds from short and long term borrowings
- repayments of short and long term borrowings
- dividends paid* (varies)
- cash payments by a lessee to reduce outstanding liability on a lease

Reconciliation of profit to net cash from operating activities

Profit for the year after tax	
Adjustments for non-cash items	
- depreciation	
- amortisation	
share-based payment expense	
- gain on disposal of equipment	-
Adjustments for movements in operating asset and liability balances	
- trade receivables (decrease)	+
- trade payables (decrease)	-
- deferred tax asset (decrease)	+
- current tax liability (increase)	+
Net cash from operation activities	

Statement of profit and loss and other comprehensive income

profit for the year	
other comprehensive income	
Items that will not be reclassified to profit or loss	
- revaluation of land	
- income tax effect	
Items that may be be reclassified subsequently to profit or loss	
- cash flow hedges – effective portion	
Other comprehensive income, net of tax	
Total comprehensive income for the period (net profit + OCI)	

Big League Limited	
Statement of profit or loss and other comprehensive income for the year ended 30 June 20X8	
Profit	**$**
Revenue [$50,000,000 – $30,000 consideration payable to customer]	49,970,000
Cost of sales	(4,000,000)
Gross profit	45,970,000
Marketing expenses	(2,300,000)
Distribution expenses	(8,000,000)
Occupancy expenses [$7,000,000 + $239,140 depreciation on right of use asset]	(7,239,140)
Other expenses	(2,400,000)
Finance costs [$600,000 + $137,445 interest on lease liability]	(737,445)
Profit before tax	25,293,415
Income tax expense	(5,000,000)
Profit for the year from continuing operations	20,293,415
Profit for the year from discontinued operations	560,000
Profit for the year	20,853,415
Other comprehensive income	
Items that are or may be reclassified to profit or loss	
Cash flow hedge reserve – effective portion	(45,000)
Other comprehensive income	(45,000)
Total comprehensive income for the period	20,808,415

Statement of changes in equity for the year ended 30 June 20X8						
	Attributable to owners of the parent					
	Issued capital	Share-based payment reserve	Revaluation surplus	FVTOCI reserve	Retained earnings	Total equity
	$	$	$	$	$	$
Opening balance at 1 July 20X7	4,000,000	215,000	200,000	–	1,300,000	5,715,000
Total comprehensive income:						
Profit for the year	–	–	–	–	420,000	420,000
Other comprehensive income (OCI)						
Revaluation of property, plant and equipment			(120,000)			(120,000)
Fair value of FVTOCI investments	–	–	–	25,000		25,000
Total other comprehensive income (OCI)	**–**	**–**	**(120,000)**	**25,000**		**(95,000)**
Total comprehensive income	**–**	**–**	**(120,000)**	**25,000**	**420,000**	**325,000**
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Proceeds on share issue	500,000	–	–	–	–	500,000
Cost of share-based payments	–	58,333	–	–	–	58,333
Dividends paid	–	–	–	–	(225,000)	(225,000)
Total transactions with owners	**500,000**	**58,333**	**–**	**–**	**(225,000)**	**333,333**
Closing balance at 30 June 20X8	**4,500,000**	**273,333**	**80,000**	**25,000**	**1,495,000**	**6,373,333**

Epic Limited Group **Consolidated statement of changes in equity for the year ended 30 June 20X6**						
	Attributable to owners of the parent					
	Issued capital $	Cash flow hedge reserve $	Foreign currency translation reserve $	Revaluation surplus $	Retained earnings $	Total equity $
Opening balance at 1 July 20X5	3,290,000	401,000	200,000	–	2,375,000	6,266,000
Total comprehensive income:						
Profit for the year	–	–	–	–	3,700,000	3,700,000
Other comprehensive income						
Revaluation of property, plant & equipment	–	–	–	7,000,000	–	7,000,000
Foreign currency translation differences on foreign subsidiary	–	–	(11,436)	–	–	(11,436)
Effective portion of changes in fair value of cash flow hedge	–	849,632	–	–	–	849,632
Total other comprehensive Income	–	849,632	(11,436)	7,000,000	–	7,838,196
Total comprehensive income	–	849,632	(11,436)	7,000,000	3,700,000	11,538,196
Transactions with owners recorded directly in equity **Contributions by and distributions to owners**						
Dividends	–	–	–	–	(2,300,000)	(2,300,000)
Total transactions with owners	–	–	–	–	(2,300,000)	(2,300,000)
Balance at 30 June 20X6	3,290,000	1,250,632	188,564	7,000,000	3,775,000	15,504,196

Accounting estimate/policy

- A change in an accounting estimate is accounted for prospectively (IAS 8 para. 36).
- A change in accounting policy should be accounted for retrospectively (IAS 8 para. 19).

Error

- accounted for retrospectively (IAS 8 para. 42). Adjust the comparative financial statements. (increase/decrease opening retained earnings)
- and the nature of error should be disclosed

Related party IAS24 para 9

IAS 24 Related Party Disclosure

- a joint venture of the member of the same group as Football Fanatics – IAS 24 para. 9(b)(ii)
- controlled by a member of the key management personnel of Football Fanatics – IAS 24 para. 9(b)(vi)
- a member of the key management personnel of Ronaldo Limited, the parent of Football Fanatics – IAS 24 para. 9(a)(iii)