

IAS 16 — Property, Plant & Equipment

Initial cost: purchase price + directly attributable costs + dismantling costs

Revaluation: Dr Asset (increase) Cr OCI / Revaluation surplus

Depreciation on revalued asset: revalued amount ÷ remaining useful life

Disposal gain/loss: proceeds – carrying amount → P&L

Revaluation surplus transferred to retained earnings as asset is used — not recycled to P&L;

IAS 36 — Impairment

Recoverable amount = Higher of: Fair value less costs of disposal & Value in use

Impairment loss = Carrying amount – Recoverable amount

Impairment of revalued asset: first reduces revaluation surplus, then to P&L;

Reversal of impairment: increase carrying amount, but not above original depreciated cost

IAS 38 — Intangible Assets

Research: always expensed to P&L

Development: capitalise when all 6 PIRATE criteria met

Purchased intangible: capitalise at cost

Internally generated goodwill, brands, mastheads: never capitalise

IAS 37 — Provisions

Recognise when: present obligation + probable outflow + reliable estimate

Measure at best estimate (expected value if range of outcomes)

Contingent liability: disclose only (do not recognise) unless probable

IFRS 9 — Financial Instruments (Amortised Cost)

Year-end balance = Opening balance × (1 + EIR) – Cash received/paid

Interest: Dr Financial asset Cr Finance income (EIR × opening balance)

Always use EIR on opening carrying amount — not the coupon rate on nominal

IFRS 16 — Leases

Right-of-use asset = PV of lease payments + initial direct costs

Lease liability = PV of future lease payments at commencement

Interest: Opening liability × effective rate → Dr Finance cost, Cr Liability

Payment: Dr Liability, Cr Cash

Short-term exemption: elected by CLASS of asset · Low-value: lease-by-lease

Sale & leaseback gain recognised = (FV – Lease liability) ÷ FV × Total gain

IAS 12 — Deferred Tax

Deferred tax liability = Taxable temporary difference × Tax rate

Deferred tax asset = Deductible temporary difference × Tax rate

Temporary difference = Carrying amount – Tax base

Tax base of asset = amount deductible against future taxable profits

IFRS 15 — Revenue

Step 1: Identify the contract

Step 2: Identify performance obligations

Step 3: Determine the transaction price

Step 4: Allocate price to performance obligations

Step 5: Recognise revenue when/as obligation is satisfied

IAS 41 — Agriculture & Biological Assets

Biological assets: fair value less costs to sell at each reporting date

Gains/losses on fair value changes: recognised in P&L

Agricultural produce at point of harvest: measure at fair value less costs to sell

IAS 8 — Accounting Policies, Estimates & Errors

Change in policy: retrospective restatement (restate comparatives)

Change in estimate: prospective (current and future periods only)

Prior period error: retrospective restatement

IAS 10 — Events After Reporting Period

Adjusting: evidence of condition existing at reporting date

Non-adjusting: condition arising after reporting date

Non-adjusting: disclose if material — do not adjust figures

Interpretation — Key Ratios

ROCE = PBIT ÷ Capital employed × 100

ROCE = Profit margin × Asset turnover

Gross margin = Gross profit ÷ Revenue × 100

Operating margin = Operating profit ÷ Revenue × 100

Gearing = Debt ÷ (Debt + Equity) × 100

Interest cover = PBIT ÷ Finance costs

Current ratio = Current assets ÷ Current liabilities

Quick ratio = (Current assets – Inventory) ÷ Current liabilities

Receivable days = Receivables ÷ Revenue × 365

Payable days = Payables ÷ Cost of sales × 365

Inventory days = Inventory ÷ Cost of sales × 365

EPS = Earnings attributable to ordinary shareholders ÷ Weighted avg shares

Goodwill & NCI (IFRS 3)

Goodwill = Consideration + NCI at acquisition – FV of net assets acquired

NCI at fair value (gross-up): goodwill includes NCI's share

NCI at proportionate share: $\text{NCI} \times \text{FV of net identifiable net assets}$

Goodwill: not amortised — test for impairment annually

Group SFP — Working

$\text{NCI} = \text{NCI at acquisition} + \text{NCI \%} \times \text{post-acquisition RE} + \text{NCI \%} \times \text{post-acquisition OCI}$

$\text{Group RE} = \text{Parent RE} + \text{Parent \%} \times \text{subsidiary post-acquisition RE} - \text{unrealised profit adj.}$

Post-acquisition = since date of acquisition only

Intragroup Eliminations

Intragroup sales/purchases: eliminate in full from revenue and cost of sales

Intragroup balances: eliminate receivable & payable in full

Intragroup dividend: eliminate only the parent's received portion

Unrealised profit on inventory: reduce inventory; adjust against seller's RE

Unrealised profit on PPE transfer: reduce PPE; adjust depreciation each year

Use MARKUP not margin for intragroup profit: $\text{profit} \div \text{cost} \times 100$

Mid-Year Acquisitions

Time-apportion subsidiary P&L: pre-acquisition → goodwill; post-acquisition → group

Assets & liabilities: use fair values at acquisition date (not year end)

Associates (IAS 28)

Investment = Cost + Share of post-acquisition profit – Dividends received

P&L: Dr Investment, Cr Share of profit of associate

Time-apportion profits; deduct pre-acquisition dividends from cost

Eliminate investor's share of unrealised profit only

Deferred Consideration (IFRS 3)

Discount to PV at acquisition date using appropriate discount rate

Unwinding: Dr Finance cost (below operating profit), Cr Deferred consideration

Deferred consideration in shares: fair value at acquisition date — no remeasurement

Revaluation in Consolidation

Only POST-acquisition OCI included in group at parent's % — not full balance

Pre-acquisition revaluation surplus: part of FV of net assets → reduces goodwill

Foreign Currency (IAS 21)

Monetary items: retranslate at closing rate → gains/losses to P&L

Non-monetary (cost model): translate at transaction date rate — no retranslation

Foreign subsidiary — translate for consolidation:

Assets & liabilities: closing rate

P&L items: average rate

Equity (share capital, pre-acq RE): historical rate

Exchange difference on consolidation → OCI (translation reserve)

Group Statement of Cash Flows

Include cash flows of parent and subsidiaries

Acquisition of subsidiary: show net cash paid under Investing activities

Cash acquired with subsidiary: offset against consideration paid

Dividends paid to NCI: shown under Financing activities

Interpretation — Key Principles

Always use scenario data — generic answers score zero

Link ratio movements to each other: $\text{ROCE} = \text{Margin} \times \text{Asset turnover}$

Consider both financial and non-financial performance indicators

Identify limitations: window dressing, different accounting policies, inflation

For groups: intercompany transactions affect comparability with prior periods

IFRS 18 — Income & Expense Categories

Operating: main business activities (revenue, cost of sales, admin)

Investing: returns from investments held (interest/dividends from investments)

Financing: cost of financing (interest on debt, lease interest)

MPM (Management-defined Performance Measures): not examinable at FR