Applying IFRS Standards, 4th Edition

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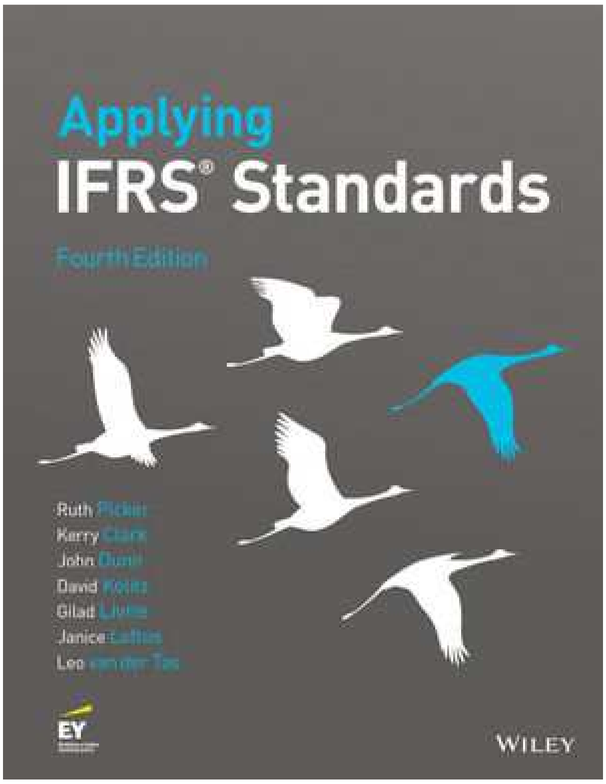

DESCRIPTION

Understanding the main concepts of IFRS Standards

The fourth edition of *Applying IFRS Standards* explains the core principles of International Financial Reporting (IFRS) Standards. It also addresses the skills needed to apply the standards in business environments. The book begins with an overview of the International Accounting Standards Board (IASB) and how it establishes accounting standards. The general book topics are then covered in detail and include: income taxes, financial instruments, fair value measurement, property, inventories, employee benefits and more. Discussion questions, exercises and references are provided throughout the book.

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Gevorderde topics in Financiële rapportering: voorbeeld oefeningen

‘Employee Benefits’

Oefening

Defined Benefit Plan

Present value of the defined benefit obligation 1 jan 2013	20 000 000
Past service cost	2 000 000
Net interest (10%)	?
Current service cost	800 000
Benefits paid	2 100 000
Actuarial loss on DBO	100 000
Present value on defined benefit obligation 31 dec 2013	23 000 000

Fair value of plan assets at 1 jan 2013	19 000 000
Return on plan assets	?
Contributions paid to the fund	1 000 000
Benefits paid by the fund	2 100 000
Fair value of plan assets at 31 dec 2013	20 130 000

Surplus/deficit? Net asset/liability? Net interest? Return on plan asset? Journal entry?

Stappenplan

1. Determine deficit/surplus fund
2. Determine amount of net DBL/A
3. Determine amount to be recognized in P/L (current and past service cost, interest income and expense, gains and losses on settlement)
4. Determine the remeasurements of the net DNL/A to be recognized in OCI (actuarial gains and losses, return on assets, change in asset ceiling)

Oplossing

1. Deficit of the fund = 2 870 000

Present value of the defined benefit obligation 31 December 2013	23 000 000
Fair value of plan assets 31 December 2013	20 130 000
Deficit of the fund at 31 December 2013	2 870 000

2. The net defined benefit liability at 31 December 2013 is 2 870 000, being the deficit of the fund.

3. Amounts to be recognised in P/L:

. Net interest = $300 000

Workings:

Interest expense component of the defined benefit obligation:

Defined benefit obligation brought forward 20 000 000

Past service cost 2 000 000 → 22 000 000 x 10% = 2 200 000

Interest income component: 19 000 000 x 10% = 1 900 000

. Past service cost: 2 000 000

. Current service cost: 800 000

4. Amounts to be recognized in OCI:

. Return on plan assets = 330 000

Opening balance FV(assets) + interest income + contributions received – benefits paid + return on plan assets = closing balance FV(assets)

19 000 000 + 1 900 000 + 1 000 000 – 2 100 000 + x = 20 130 000

X = 330 000

. Actuarial loss = 100 000

. Journal entry

30/6/2013	Superannuation Expense (P/L)	Dr	3 100 000	
	Superannuation Income (OCI)	Cr		230 000
	Bank	Cr		1 000 000
	Net Superannuation liability	Cr		1 870 000

. Workings

	Profit or Loss	Other comprehensive income	Bank	Net DBL(A)
Balance 1 January 2013				**1 000 000 Cr**
Past service cost	2 000 000 Dr			
Net interest	300 000 Dr			
Service cost	800 000 Dr			
Contributions paid to the fund			1 000 000 Cr	
Gain on plan assets (ex. interest)		330 000 Cr		
Actuarial loss on DBO		100 000 Dr		
Journal entry	**3 100 000 Dr**	**230 000 Cr**	**1 000 000 Cr**	**1 870 000 Cr**
Balance 31 December 2013				**2 870 000 Cr**

‘Financial instruments’

Oefening

Cash Flow Hedge

- 30 June 2009 A enters into a forward exchange contract to receive FC 100000 and deliver LC 108500 on 31 December 2010
- firm commitment to purchase wood on 30 June 2010 for FC 100000. Settlement is due on 31 December 2010

Exchange rates and information about the forward contract:

date	spot rate	forward rate to 31 December 2010	FV of forward contract
30 June 2009	1.07	1.085	
31 December 2009	1.073	1.075	-825
30 June 2010	1.072	1.071	-1200
31 December 2010	1.07		-1500

Oplossing

- *30 June 2009*

- *31 December 2009*

Other comprehensive income	825	
Forward contract (L)		825

- *30 June 2010*

Other comprehensive income	375	
Forward contract (L)		375
Wood	107200	
payable		107200
Wood	1200	
Other comprehensive income		1200

- *31 December*

Payable	107200	
Cash		107000
Gain (P/L)		200
Expense (P/L)	300	
Forward contract		300
Forward contract	1500	
Cash		1500

‘Share Based Payment’

Oefening

Cash settled

Abernethy Ltd grants **1000 share appreciation rights (SARs) to 10 senior managers**, to be taken in cash within two years of vesting date on condition that the managers do not leave in the next **three years**. The SARs vest at the end of year 3. Abernethy Ltd estimates the fair value of the SARs at the end of each year in which a liability exists as shown below. The intrinsic value of the SARs at the date of exercise at the end of year 3 is also shown.

Year	Fair value	Intrinsic value	Number of managers who exercised SAR
1	€4.40		
2	€5.50		
3	€10.20	€9	4
4	€13	€12	2
5		€16	1

During year 1, one manager leaves and Abernethy Ltd estimates that a further two will leave before the end of year 3. One manager leaves during year 2, and the company estimates that another manager would depart during year 3. One employee leaves during year 3.

Expense and liability that company must recognise at the end of each of the first three years? Journal entries?

Oplossing

⇨ Workings

Year	Calculation	Expense €	Liability €
1	(10-3) employees x 1000 SARs x €4.40 x 1/3 years	10 267	10 267
2	(10-3) employees x 1000 SARs x €5.50 x 2/3 years -€10 267	15 400	25 667

Year	Calculation	Expense €	Liability €
3	(10-3-4) employees x 1000 SARs x €10.20 – €25 667	4 933	30 600
	4 employees x 1000 SARs x €9.00	36 000	

Year	Calculation	Expense €	Liability €

4	(10-3-4-2) employees x 1000 SARs x €13 – €30 600 2 employees x 1000 SARs x €12	(17 600) 24 000	13 000

Year	Calculation	Expense €	Liability €
5	0 – €13 000 1 employees x 1000 SARs x €16.00	(13 000) 16 000	0

⇨ Journal entries

1	expense	10 267	
	liability		10 267
4	expense	24 000	
	cash		24 000
	liability	17 600	
	expense		17 600