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LearningSolutions

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Financial Reporting Updates and Topical Refreshers

4 CPE hours



Target Audience

Accounting & Finance Professionals, Finance Managers/Controllers, Finance Team Leaders, GL accountants & Auditors

Delivery Mode

Physical Seminar |
Live Webinar

Facilitators

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Introduction

The financial reporting landscape is constantly evolving, with regular amendments, new standards, and interpretations being issued. While the evolution of standards may present various complexities, it can also serve as an opportunity for more streamlined and effective financial reporting. For finance professionals, staying updated on these developments is crucial to remain prepared and relevant in their roles.



Course Outline



- Types of Accounts: Assets, Liabilities, Expenses, Income and Equity; accounting equation, double entry accounting, operating expenditure ("OPEX") and capital expenditure ("CAPEX")
- Fundamentals of accounting, revenue Recognition, concept of time value of money: present value, future value
- Lease Accounting: short term lease, operating lease, month end closing basics and common errors, financial statements analysis Amendments to IAS 1 and FRS Practice Statement 2 (Disclosure of Accounting Policies) - Includes useful practical illustrations on how others in the market have streamlined their financial reporting given this amendment)
- Amendments to IAS 1 (Classification of Liabilities as Current or Non-current; Non-current Liabilities with Covenants)
- Amendments to IFRS 16 (Lease Liability in a Sale and Leaseback)
- Disclosure Initiative - Subsidiaries without Public Accountability: Disclosures *
- IFRS 18 *Presentation and Disclosure in Financial Statements* *
- IASB Workplan (for other upcoming standards/ projects)

* New standards expected to be released in April 2024 – this could fundamentally change presentation and disclosures in financial statements.

Included in this session would also be deep dive segments on:

- IFRS 16 lease computations – Focused on hands-on practice in performing actual lease computations based on case study given. Theoretical insights and practical tips relating to assumptions e.g. discount rates would also be covered.
- IFRS 9 expected credit loss model – Recap on IFRS 9 concepts of deriving expected credit loss for both third party and intercompany receivables. There would also a case-study section to practicalize learning and enable participants to perform an ECL computation based on a simplified approach.



Learning Objectives

- Keep abreast of evolving updates to the accounting standards for application in financial reporting.
- Reinforce understanding of concept and principles behind computations for lease obligation (under IFRS 16) and expected credit losses (under IFRS 9) and to gain more confidence in performing such computations.

Financial Statements Presentation Examples of FS format and structure

Relocate descriptions of material accounting policy information, judgements and estimates to the related notes

Before

Revenue recognition – The group recognises revenue from the following major sources:

- Sale of leisure goods and electronic equipment, including the related loyalty programme 'Mini-Points Scheme', maintenance included in the price of products sold, as well as warranty granted under local legislation;
- Installation of computer software for specialised business applications; and
- Construction of residential properties.

Revenue is measured based on the consideration to which the group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition – determining the timing of satisfaction of performance obligations

Note 47 describes the expenditures required in the year for rectification work to be carried out the group's major customers. These goods were delivered to the customer in the months of July thereafter the defects were identified by the customer. Following negotiations, a schedule of rectification work was agreed by the group until 2024. In the light of the problems identified, management whether it was appropriate to recognise the revenue from these transactions of \$102.2m with the group's general policy of recognising revenue when goods are delivered, or whether after recognition until the rectification work was complete.

After

2.2. Revenue

Guidance notes – Disclosure of revenue

SPRSU 15:113(a) requires revenue recognised from contracts with customers to be disclosed separately from its other sources of revenue (e.g. rental income) unless that amount is presented separately in the statement of comprehensive income in accordance with other Standards.

The group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each reportable segment under SPRSU 8 Operating segments (see Note 2.1).

Disaggregation of the group's revenue for the year by timing of revenue recognition is as follows:

	S'000	
	2023	2022
At a point in time:		
Electronic equipment	487,708	419,404
Leisure goods	205,549	177,080
Sale of electronic toys	159,136	161,283
Over time:		
Electronic equipment	149,113	120,891
Computer software installation	41,814	15,577
	1,023,442	894,900

Material accounting policy information

Financial Statements Presentation General Presentation and Disclosures (cont'd) Possible effects on the statement of profit or loss

Statement of profit or loss applying IAS 1

Revenue	X
Cost of goods sold	(X)
Gross profit	X
Other operating income	X
Selling expenses	(X)
General and administrative expenses	(X)
Research and development expense	(X)
Income and expenses from associates and joint ventures accounted for using equity method	X
Other operating expenses	(X)
Operating profit or loss	X
Finance income	X
Finance costs	(X)
Profit or loss before tax	X
Income tax expense	(X)
Profit or loss	X

Statement of profit or loss applying IFRS 18

Revenue	X
Cost of goods sold	(X)
Gross profit	X
Other operating income	X
Selling expenses	(X)
General and administrative expenses	(X)
Research and development expense	(X)
Other operating expenses	(X)
Operating profit or loss	X
Share of profit or loss from associates and joint ventures	X
Other investment income	X
Profit before financing and income taxes	X
Interest expense on borrowings and lease liabilities	(X)
Interest expense on pension liabilities	(X)
Profit or loss before tax	X
Income tax expense	X
Profit or loss	X

Examples of possible changes in the classification of income and expenses

- 1 Net interest expense on net defined benefit liabilities will be classified in the financing category
- 2 Income and expenses from associates and joint ventures accounted for using equity method will be classified in the investing category
- 3 Gain or loss from the disposal of investment properties will be classified in the investing category
- 4 Interest income on cash and cash equivalents will be classified in the investing category
- 5 Foreign exchange differences arising from trade receivables will be classified in the operating category

How would you expect the statement of profit or loss to change in your organisation?

Source: <https://www.ifrs.org/content/dam/ifrs/meetings/2023/october/eeg/ap-1-primary-financial-statements-october-2023-eeg.pdf>
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Sample of Training Materials on IAS 1 amendments and IFRS 18 (New Standards) Including illustrative examples of market practice and discussion on potential impact to companies



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