



Bài tập ôn luyện DipIFR phần B.8. Dự phòng, tài sản và nợ phải trả có điều kiện

(DipIFR material for syllabus B.8 Provisions, contingent assets and liabilities)

Exercise 1

June 2017 – Question 4c

You are the financial controller of Omega, a listed entity which prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). One of your assistants, a trainee accountant, is involved in the preparation of the consolidated financial statements for the year ended 31 March 2017. She is also involved in the preparation of the individual financial statements for the entities in the group. She has sent you an email with the following queries:

Query Three

I'm not sure whether we need to make any entries in respect of the equity settled share-based payment scheme we started on 1 April 2016. I believe we granted options to 1,000 employees to purchase 100 shares in Omega for a fixed price. The options vest on 31 March 2021 subject to two conditions. The first vesting condition is that the employees remain employed by Omega throughout the five-year period up to the date of vesting. Best estimates are that 900 of the 1,000 will stay for that period – only 25 left in the year ended 31 March 2017. The other condition is that the Omega share price on 31 March 2021 should be at least \$10. The share price on 31 March 2017 was only \$8.50 so it doesn't look like this condition is satisfied yet. I've also noticed that the fair value of one share option was \$1 on 1 April 2016, rising to \$1.05 on 31 March 2017. Do we need any accounting entries and, if so, what should they be? (7 marks)

Required:

Provide answers to the three queries raised by the trainee accountant. Your answers should refer to relevant provisions of International Financial Reporting Standards.

Note: The split of the mark allocation is shown against each of the items above.

Exercise 2



December 2016 - Question 2c

Delta is an entity which prepares financial statements to 30 September each year. The financial statements for the year ended 30 September 2016 are shortly to be authorised for issue. The following events are relevant to these financial statements:

(c) On 1 October 2014, Delta granted 250 share appreciation rights to 100 senior executives. The rights vest on 30 September 2017 provided the executives remain with Delta for the three-year period from 1 October 2014 to 30 September 2017. The rights can be exercised from 30 November 2017 to 31 December 2017. On 1 October 2014, it was expected that 10 executives would leave over the three-year period from 1 October 2014 to 30 September 2017. This estimate was confirmed on 30 September 2015 but two executives left unexpectedly during the year ended 30 September 2016 and Delta now expects that 12 executives will leave over the three-year period ending on 30 September 2017. Delta further estimated that all executives who were eligible to exercise the rights would do so. On 1 October 2014, the fair value of a share appreciation right was \$3·20. The fair value increased to \$3·50 by 30 September 2015 and to \$3·60 by 30 September 2016.

(5 marks)

Required:

Explain and show how the three events would be reported in the financial statements of Delta for the year ended 30 September 2016.

Notes:

1. The mark allocation is shown against each of the three events above.
2. In explaining event (b), you do not need to consider the impact on inventory and cost of sales.

Exercise 3

June 2016 - Question 4iii

You are the financial controller of Omega, a listed entity which prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The managing director, who is not an accountant, has recently attended a business seminar at which financial reporting issues were discussed. Following the seminar, she reviewed the financial statements of Omega for the year ended 31 March



2016. Based on this review she has prepared a series of queries relating to those statements:

Query Three

‘During a break-out session I heard someone talking about accounting policies and accounting estimates. He said that when there’s a change of these items sometimes the change is made retrospectively and sometimes it’s made prospectively. Please explain the difference between an accounting policy and an accounting estimate and give me an example of each. Please also explain the difference between retrospective and prospective adjustments and how this applies to accounting policies and accounting estimates.’ (7 marks)

Required:

Provide answers to the three questions raised by the managing director. Your answers should refer to relevant provisions of International Financial Reporting Standards.

Note: The mark allocation is shown against each of the three issues above.

Exercise 4

December 2015 - Question 2c

Delta is an entity which is engaged in the construction industry and prepares financial statements to 30 September each year. The financial statements for the year ended 30 September 2015 are shortly to be authorised for issue. The following events are relevant to these financial statements:

(c) On 1 October 2014, Delta granted share options to 100 senior executives. The options vest on 30 September 2017. The number of options granted per executive depend on the cumulative revenue for the three years ended 30 September 2017. Each executive will receive options as follows:

Cumulative revenue for the three years ended 30 September 2017	Number of options PER EXECUTIVE
Less than \$180 million	Nil
At least \$180 million but less than or equal to \$270 million	200



More than \$270 million	300
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Delta's revenue for the year ended 30 September 2015 was \$50 million. The directors of Delta have produced reliable budgets showing that the revenues of Delta for the next two years are likely to be:

- Year ended 30 September 2016 – \$65 million.
- Year ended 30 September 2017 – \$75 million.

On 1 October 2014, the fair value of these share options was \$3 per option. This figure had increased to \$3.60 per option by 30 September 2015 and was expected to be \$5 per option by 30 September 2017. All of the 100 executives who were granted the options on 1 October 2014 were expected to remain as employees throughout the three-year period from 1 October 2014 to 30 September 2017. (4 marks)

Required:

Explain and show how the three events would be reported in the financial statements of Delta for the year ended 30 September 2015.

Note: The mark allocation is shown against each of the three events above.

Exercise 5

June 2015 - Question 3a

(a) IFRS 2 – Share-based Payment – defines a share-based payment transaction as one in which an entity receives goods or services from a third party (including an employee) in a share-based payment arrangement. A share-based payment arrangement is an agreement between an entity and a third party which entitles the third party to receive either:

- Equity instruments of the entity (equity-settled share-based payments); or
- Cash or other assets based on the price of equity instruments of the entity (cash-settled share-based payments).

Share-based payment arrangements are often subject to vesting conditions which must be satisfied over a vesting period.

Required:

For both cash-settled AND equity-settled share-based payment arrangements, explain:

- (i) The basis on which the arrangements should be measured;**



- (ii) The criteria which are used to allocate the total value of the arrangement to individual accounting periods;
- (iii) The accounting entries (debit and credit) required during the vesting period. (6 marks)

Exercise 6

June 2015 - Question 3b i

Kappa prepares financial statements to 31 March each year. The following share-based payment arrangements were in force during the year ended 31 March 2015:

- (i) On 1 April 2013, Kappa granted options to 500 employees to subscribe for 400 shares each in Kappa on 31 March 2017, providing the employees still worked for Kappa at that time. On 1 April 2013, the fair value of each option was \$1.50.

In the year ended 31 March 2014, ten of these employees left Kappa and at 31 March 2014, Kappa expected that 20 more would leave in the three-year period from 1 April 2014 to 31 March 2017. Kappa's results for the year ended 31 March 2014 were below expectations and at 31 March 2014 the fair value of each option had fallen to 25 cents. Therefore, on 1 April 2014 Kappa amended the exercise price of the original options. This amendment caused the fair value of these options to rise from 25 cents to \$1.45.

During the year ended 31 March 2015, five of the employees left and at 31 March 2015, Kappa expected that ten more would leave in the two-year period from 1 April 2015 to 31 March 2017. The results of Kappa for the year ended 31 March 2015 were much improved and at 31 March 2015, the fair value of a re-priced option was \$1.60. (9 marks)

Required:

Show how and where transactions (i) and (ii) would be reported in the financial statements of Kappa for the year ended 31 March 2015.

Note: The mark allocation is shown against both of the two transactions above.
Ignore deferred tax.

Exercise 7

June 2015 - Question 3b ii

Kappa prepares financial statements to 31 March each year. The following share-based payment arrangements were in force during the year ended 31 March 2015: (ii) On 1



April 2013, Kappa granted share appreciation rights to 50 senior employees. The number of rights to which each employee becomes entitled depends on the cumulative profit of Kappa for the three years ended 31 March 2016: – 1,000 rights per employee are awarded if the cumulative profit for the three-year period is below \$500,000. – 1,500 rights per employee are awarded if the cumulative profit for the three-year period is between \$500,000 and \$1 million. – 2,000 rights per employee are awarded if the cumulative profit for the three-year period exceeds \$1 million. On 1 April 2013, Kappa expected that the cumulative profits for the three-year period would be \$800,000. After the disappointing financial results for the year ended 31 March 2014, this estimate was revised at that time to \$450,000. However, given the improvement in results for the year ended 31 March 2015, the estimate was revised again at 31 March 2015 to \$1,100,000. On 1 April 2013, the fair value of one share appreciation right was \$1.10. This estimate was revised to \$0.90 at 31 March 2014 and to \$1.20 at 31 March 2015. All the senior employees are expected to remain employed by Kappa for the relevant three-year period. The rights are exercisable on 30 June 2016. (5 marks) **Required: Show how and where transactions (i) and (ii) would be reported in the financial statements of Kappa for the year ended 31 March 2015.** Note: The mark allocation is shown against both of the two transactions above. Ignore deferred tax.

Exercise 8

December 2014 - Question 4ii

You are the financial controller of Omega, a listed entity which prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The managing director, who is not an accountant, has recently been appointed. She formerly worked for Rival, one of Omega's key competitors. She has reviewed the financial statements of Omega for the year ended 30 September 2014 and has prepared a series of queries relating to those statements:

Query Two

'The notes to our financial statements refer to equity settled share-based payments relating to the granting of share options. When I joined Omega, I was granted share options but I can only exercise those options if I achieve certain performance targets in my first three years as managing director. I know that other directors are also granted similar option arrangements. I don't see why they affect the financial statements when the options are granted though, because no cash is involved unless the options are exercised. Please explain to me exactly what is meant by an 'equity settled share-based payment'.



Please also explain how, and when, equity settled share-based payments affect the financial statements of entities that grant them to their employees. I would like to know how such ‘payments’ are measured, over what period the ‘payments’ are recognised, and exactly what accounting entries are involved.’ (8 marks)

Required:

Provide answers to the three queries raised by the managing director. Your answers should refer to relevant provisions of International Financial Reporting Standards

Note: The mark allocation is shown against each of the three issues above.

Exercise 9

June 2014 - Question 2a

Delta is an entity which prepares financial statements to 31 March each year. During the year ended 31 March 2014 the following events affected Delta:

(a) On 1 April 2012, Delta had granted share appreciation rights to 200 senior executives. Each executive will receive 2,000 rights on 31 March 2015 provided he or she continues to be employed by Delta at that date. On 1 April 2012, the directors estimated that all the executives would remain employed by Delta for the three-year period ending on 31 March 2015. However, 10 executives left in the year ended 31 March 2013 and at 31 March 2013 the directors believed that a further 10 executives would leave in the following two years. Five executives actually left in the year ended 31 March 2014 and the directors now believe that seven more directors will leave in the year ended 31 March 2015. Since 1 April 2012, the fair value of the share appreciation rights has fluctuated as follows:

Date	Fair value of one right
	\$
1 April 2012	1.60
31 March 2013	1.80
31 March 2014	1.74
(8 marks)	



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Required:

Explain and illustrate (where possible by quantifying amounts) how the three events would be reported in the financial statements of Delta for the year ended 31 March 2014.

Note: The mark allocation is shown against each of the three events above.



ANSWER

Exercise 1

Query Three	
Under the provisions of IFRS 2 Share-based Payment, this arrangement is an equity settled share-based payment.	1
IFRS 2 regulates the treatment of vesting conditions based on whether they are market based or non-market based.	1
A market based vesting condition is taken into account by reflecting it in the measurement of the fair value of the option. It does not need to be considered subsequently as to do so would result in double-counting. Therefore the condition relating to the share price can be ignored after the fair value of \$1 is determined.	1
A non-market condition is taken into account by reflecting it in the calculation of the number of options ultimately expected to vest. In this case, that number would be 90,000 (900 x 100).	1
The cost of the arrangement is recognised over the vesting period, based on the fair value of the option at the grant date.	1
The amount recognised for the year ended 31 March 2017 would be \$18,000 (90,000 x \$1 x 1/5).	1
This amount is recognised as an employment cost (probably in profit or loss) and a corresponding credit to equity.	1

Exercise 2

In accordance with IFRS 2 – Share Based Payments – this cash settled share based payment arrangement should be measured using the fair value of an option on the reporting date, with a debit to profit or loss and a corresponding credit to liabilities.	$\frac{1}{2} + \frac{1}{2}$
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The liability should be built up over the vesting period based on the estimated number of rights ultimately estimated to vest.	$\frac{1}{2} + \frac{1}{2}$
The liability at 30 September 2015 would have been \$26,250 [$\frac{1}{3} (250 \times 90 \times \$3 \cdot 50)$].	1
The liability at 30 September 2016 would have increased to \$52,800 [$\frac{2}{3} (250 \times 88 \times \$3 \cdot 60)$]. This will be shown as a non-current liability.	1

Exercise 3

Query Three	
IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – defines an accounting policy as ‘the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements’.	$1\frac{1}{2}$
(Note: Exact words NOT needed here, just the sense of the point.)	
An example of an accounting policy would be the decision to apply the cost model or the fair value model when measuring investment properties.	1
(Note: ANY reasonable example accepted.)	
When an entity changes an accounting policy, the change is applied retrospectively. This means that the comparative figures are based on the new policy (rather than last year’s actual figures). The opening balance of retained earnings is restated in the statement of changes in equity.	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Accounting estimates are made in order to implement accounting policies. An example of an accounting estimate would be (consistent with the above given example) the fair value of an investment property at the reporting date (where the fair value model was being applied).	$1\frac{1}{2}$
(Note: ANY reasonable example accepted.)	



Changes in accounting estimates are made prospectively. This means applying the new estimates in future financial statement preparation, without amending any previously published amounts.	1/2
(Note: Exact words NOT needed here, just the sense of the point.)	1/2

Exercise 4

This equity settled share based payment arrangement should be measured using the fair value of an option on the grant date – \$3.00 in this case.	1
The revenue for the year ended 30 September 2015, plus the expected revenue for the next two years, indicates that the cumulative revenue for the three years ended 30 September 2017 is likely to be \$190 million. Therefore the number of options vesting for each director is likely to be 200.	1
This means that the charge to P/L for the year ended 30 September 2015 should be \$20,000 (100 x 200 x \$3.00 x 1/3).	1
The credit entry should be to other components of equity.	1

Exercise 5

(i) For equity-settled share-based payment arrangements, the transaction should be measured based on the fair value of the goods or services received, or to be received.	1/2
Where the third party is an employee, 'fair value' should be based on the fair value of the equity instruments granted, measured at the grant date.	1/2 + 1/2
For cash-settled share-based payment arrangements, the transaction should be measured based on the fair value of the liability at each reporting date.	1/2 + 1/2
(ii) The amount recognised should take account of all vesting conditions other than (in the case of equity-settled share-based payment arrangements) market conditions (which are reflected in the measurement of the fair value of the instruments granted).	1/2 + 1/2 + 1/2



(iii) For both types of arrangement, the debit entry will normally be to profit or loss unless the relevant expense would qualify for recognition as an asset.	1
For an equity-settled share-based payment arrangement, the credit entry would be recognised in equity, either as share capital or (more commonly) as an option reserve.	$\frac{1}{2}$
For cash-settled share-based payment arrangements, the credit entry would be recognised as a liability.	$\frac{1}{2}$

Exercise 6

(i) The expected total cost of the arrangement at 31 March 2014 is $400 \times \$1.50 \times (500 - 10 - 20) = \$282,000$.	1
Therefore \$70,500 ($\$282,000 \times \frac{1}{4}$) would be credited to equity and debited to profit or loss for the year ended 31 March 2014.	1
For the year ended 31 March 2015, the expected total cost of the originally granted options would be $400 \times \$1.50 \times (500 - 10 - 5 - 10) = \$285,000$.	1
The cumulative amount taken to profit or loss and recognised in equity at 31 March 2015 is \$142,500.	1
The additional cost of the repriced options must also be recognised over the three-year period to 31 March 2017.	$\frac{1}{2} + \frac{1}{2}$
The total additional cost is $400 \times (\$1.45 - \$0.25) \times 475 = \$228,000$.	1
Therefore the amount recognised in the year ended 31 March 2015 is \$76,000 ($\$228,000 \times \frac{1}{3}$).	
Therefore the total recognised in equity at 31 March 2015 is \$218,500 ($\$142,500 + \$76,000$).	1
The amount recognised in equity would be shown as 'other components of equity'.	$\frac{1}{2}$



And the charge to profit or loss for the year ended 31 March 2015 is \$148,000 (\$142,500 + \$76,000 – \$70,500).	1
The amount recognised in profit or loss would be shown as an employment expense.	1/2

Exercise 7

(ii) For the year ended 31 March 2014, the expected total cost will be $50 \times 1,000 \times \$0.90 = \$45,000$.	1
The amount taken to profit or loss in the prior period, and recognised as a liability, will be \$15,000 ($\$45,000 \times 1/3$).	1
At 31 March 2015, the liability will be $50 \times 2,000 \times \$1.20 \times 2/3 = \$80,000$.	1
Since the rights are exercisable on 30 June 2016, the liability will be non-current.	1
The charge to profit or loss for the year ended 31 March 2015 will be \$65,000 ($\$80,000 - \$15,000$). This will be included in employment expenses.	1

Exercise 8

Query Two	
An equity settled share-based payment transaction is one in which an entity receives goods or services in exchange for a right over its equity instruments.	1/2



Where the payments involve the granting of share options, IFRS 2 – Share-based Payment – requires that the payments are measured at the fair value of the options at the grant date. No change is made to this measurement when the fair value changes after the grant date.	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Unless the entity has traded options which have exactly the same terms and conditions as those granted to employees (unlikely), then fair value is estimated using an option pricing model.	$\frac{1}{2}$
The first step in accounting for such payments is to estimate the total expected cost of the share-based payment.	$\frac{1}{2}$
This estimate takes account of any conditions attaching to the options vesting (the employees becoming unconditionally entitled to exercise them) other than market conditions (those based on the future share price, which are taken account of in estimating the fair value of the option at the grant date).	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
The total expected cost is recognised in the financial statements over the vesting period (i.e. the period from the grant date to the vesting date).	$\frac{1}{2}$
In the case of options granted to employees, the debit entry would be recorded as remuneration expense. Normally this would mean the debit entry being shown in the statement of profit or loss but in theory the debit entry could be an asset depending on the work of the employee involved.	$\frac{1}{2} + \frac{1}{2}$
The credit entry is taken to equity. IFRS 2 is silent as to which component of equity this should be – normally it would be to an option reserve.	$\frac{1}{2} + \frac{1}{2}$
The above treatment is unaffected by whether or not employees subsequently exercise vested options. If they do, then the entity debits cash and credits equity with the cash proceeds.	$\frac{1}{2} + \frac{1}{2}$

Exercise 9



(a) Under the principles of IFRS 2 – Share-based Payment – the granting of share appreciation rights (SARs) to executives is a cash-settled share-based payment.	1
Cash-settled share-based payments create a liability in the statement of the financial position as they will ultimately be redeemed in cash.	1
The liability is recognised based on the fair value of the SAR at the reporting date and the expected number of rights which will vest.	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Under the principles of IFRS 2 this liability is built up over the vesting period.	1
Therefore the liability at 31 March 2014 would be \$412,960 (2000 x (200 – 10 – 5 – 7) x \$1.74 x 2/3).	1
Since the rights are not exercisable until after 31 March 2015, the liability would be shown as a non-current liability.	$\frac{1}{2}$
The liability at 31 March 2013 would have been \$216,000 (2,000 x (200 – 10 – 10) x \$1.80 x 1/3).	1
The charge to profit or loss would be \$196,960 – the difference between the closing liability (\$412,960) and the opening liability (\$216,000). This charge would be shown as an operating cost.	1