Achievable

ACCA FINANCIAL ACCOUNTING DUMP SHEET

Accruals, provisions and share capital

Accruals, prepayments & deferred income

Item	Nature	SOFP	SPL effect
Accrued expense	Service received; invoice not yet received	Current liability (accrued payable)	Increases expense
Prepayment (expense)	Cash paid in advance for a future period	Current asset (prepayment)	Reduces expense
Accrued income	Service provided; invoice not yet sent	Current asset (accrued receivable)	Increases revenue
Deferred income	Cash received in advance for future delivery	Current liability (deferred revenue)	Reduces revenue

Remember: prepayments and deferred income are opposites. Prepayment = pay now, benefit later (asset). Deferred income = receive now, deliver later (liability).

Provisions & contingencies (IAS 37)

Recognition criteria: all 3 must be met to recognise a provision

- 1. Present obligation (legal or constructive) arising from a past event
- 2. Probable outflow of economic resources (> 50% likely)
- 3. A reliable estimate of the amount can be made

Probability	Classification	Accounting treatment
Virtually certain (> 95%)	Contingent asset: virtually certain	**Recognise** on the face of the SOFP
Probable (> 50%)	Provision / contingent asset	Provision: **recognise** in the SOFP. Contingent asset: **disclose** in the notes
Possible (5—50%)	Contingent liability / no asset treatment	**Disclose** the contingent liability in the notes only; no asset disclosure
Remote (< 5%)	Remote: no disclosure	No recognition, no disclosure required

Share capital & finance costs

Term	Meaning
Par / nominal / face value	Initial arbitrary price set at incorporation; share capital is recorded at this amount
Share premium	Excess of issue price over par value; a **non-distributable** capital reserve
Bonus (scrip) issue	Free shares issued to existing shareholders by capitalising reserves; no cash received; total equity unchanged
Rights issue	New shares offered to existing shareholders at a discount; cash received; total equity increases
Redeemable preference shares	Non-current liability; dividends = finance cost in the SPL
Irredeemable preference shares	Equity; dividends = distributions in the SOCIE (not an SPL expense)

Interest expense $= \text{interest rate} \times \text{principal} \times \text{time period}$