Achievable

ACCA FINANCIAL ACCOUNTING DUMP SHEET

Financial statements and cash flows

Income tax in the financial statements

- **Total tax expense** $=$ current-year tax $\pm$ prior-year adjustment (under- or over-provision)

Prior-year adjustment	Effect	Trial balance position
Under-provision: actual tax > estimate	**Increases** current-year tax expense	**Debit** balance on the taxation a/c
Over-provision: actual tax < estimate	**Decreases** current-year tax expense	**Credit** balance on the taxation a/c

Exam tip: only the **current-year** tax is shown as a current liability on the SOFP; the prior-year adjustment affects the SPL only

Events after the reporting period (IAS 10)

Type	Definition	Treatment
Adjusting event	Evidence of conditions **existing** at the reporting date (e.g., a customer's bankruptcy after year-end, confirming an irrecoverable debt)	**Adjust** the financial statements
Non-adjusting event	**New** conditions arising **after** the reporting date (e.g., a fire destroying a warehouse after year-end)	**Disclose** in the notes if material (nature + financial effect)

Statement of cash flows (IAS 7)

Activity	Examples of cash inflows	Examples of cash outflows
Operating	Receipts from customers, royalties	Payments to suppliers, employees, operating expenses, and income taxes
Investing	Proceeds from disposal of PPE, investments	Purchase of PPE, purchase of investments, and loans made
Financing	Proceeds from share issue, new loans	Repayment of loan principal, dividends paid, and interest paid

Under **IFRS 18** (mandatory from 1 January 2027, earlier application permitted), an entity without a specified main business activity classifies interest and dividends paid under **financing**, and received under **investing**. Before IFRS 18, IAS 7 allows a choice

Key work-back calculations

- **Cash received from customers** $=$ opening receivables $+$ sales $-$ closing receivables
- **Cash paid to suppliers** $=$ opening payables $+$ purchases $-$ closing payables
- **Cash paid for expenses** $=$ opening accrual $+$ expense $-$ closing accrual (or the reverse for prepayments)
- **Tax paid** $=$ opening tax payable $+$ tax expense $-$ closing tax payable
- **Cash paid for PPE** (investing) $=$ closing PPE (CA) $+$ CA of disposals $+$ depreciation $-$ opening PPE (CA)
- **Dividends paid** (financing) $=$ opening dividends payable $+$ dividends declared $-$ closing dividends payable

Incomplete records: mark-up and margin

- **Mark-up:** profit as a % of **cost**
  - $\text{Profit} = \text{cost} \times \text{mark-up }\%$
  - $\text{Selling price} = \text{cost} \times (100\% + \text{mark-up }\%)$
- **Gross profit margin:** profit as a % of **sales**
  - $\text{Profit} = \text{sales} \times \text{margin }\%$
  - $\text{Cost} = \text{sales} \times (100\% - \text{margin }\%)$
- **Convert mark-up to margin:**

$$\text{Margin }\% = \frac{\text{mark-up }\%}{100\% + \text{mark-up }\%}$$

- **Convert margin to mark-up:**

$$\text{Mark-up }\% = \frac{\text{margin }\%}{100\% - \text{margin }\%}$$