Achievable

ACCA FINANCIAL ACCOUNTING DUMP SHEET

Non-current assets

Initial measurement (IAS 16)

- **Cost** = the sum of:
  - Purchase price (less trade discounts and rebates), import duties, non-refundable taxes
  - Site preparation, delivery/installation, testing costs, professional fees
  - Borrowing costs (qualifying assets), PV of dismantling obligation
- **Excluded:** admin overheads, advertising costs, training costs, maintenance contracts

Capital vs revenue expenditure

Capital expenditure	Revenue expenditure
Creates or acquires non-current assets, or improves earning capacity	Maintenance or running costs; benefits within one year
Capitalised on the SOFP; depreciated over useful life	Expensed in the SPL in the year incurred

Depreciation

- **Depreciable amount** $= \text{cost (or revalued amount)} - \text{residual value}$
- **Straight-line (SL):** $\text{depreciation} = \dfrac{\text{cost} - \text{residual value}}{\text{useful life}}$; the same charge each year
- **Reducing balance (RB):** $\text{depreciation} = \text{net book value (NBV) at start of year} \times \text{depreciation rate}\,\%$
- **Mid-year acquisition:** prorate the charge by months owned (if the policy is to charge from the date of purchase)
- **Change in estimate (prospective):** $\text{new charge} = \dfrac{\text{CA at date of change} - \text{revised residual value}}{\text{remaining useful life}}$

Disposal

- **Four-step process:**
  - **Step 1:** Dr disposal a/c, Cr non-current asset a/c (at cost or revalued amount)
  - **Step 2:** Dr accumulated depreciation, Cr disposal a/c (at accumulated depreciation to the disposal date)
  - **Step 3:** Dr cash/receivable, Cr disposal a/c (at sale proceeds)
  - **Step 4:** balance the disposal a/c → gain (Cr balance = Cr SPL) or loss (Dr balance = Dr SPL)
- **Gain/loss on disposal:**
  $\text{Proceeds} - \text{carrying amount at disposal date}$

Revaluation (IAS 16)

Scenario	Initial revaluation	Subsequent revaluation
Gain (surplus)	Recognised in other comprehensive income (OCI); creates a revaluation reserve in equity	First offsets previous losses in SPL; remainder to OCI
Loss	Recognised in the statement of profit or loss (SPL)	First offsets previous surplus in OCI; remainder to SPL

- **Excess depreciation**, transferred from the revaluation reserve to retained earnings via the SOCIE:
  $\text{New annual depreciation} - \text{old annual depreciation}$

Intangible assets (IAS 38): research & development

Phase	Accounting treatment	Reason
Research	**Expense** immediately to SPL	Cannot demonstrate future economic benefits with sufficient certainty
Development	**Capitalise** as an intangible asset if all 6 criteria are met	Probable future economic benefits can be demonstrated

- **Criteria to capitalise development costs** (all must be met):
  - 1. Technical feasibility of completion
  - 2. Intent to complete and use or sell the asset
  - 3. Ability to use or sell the asset
  - 4. Availability of adequate resources to complete
  - 5. Probable future economic benefits
  - 6. Ability to reliably measure expenditure attributable to the asset
- **Straight-line amortisation** $= \dfrac{\text{cost} - \text{residual value}}{\text{useful life}}$

  Method reflects the pattern in which the benefits are consumed (straight-line if that pattern cannot be determined reliably); indefinite-life assets are not amortised but are impairment tested annually