BPP LEARNING MEDIA

ICAEW ERRATA SHEET

Corporate Reporting 2023

05/2023

Course notes

Topic 1, Financial statement assertions, page 35

In accordance with ISA 315 (Revised), there are now two categories of financial statement assertions and not three categories as stated. The content in the Course Notes should be replaced with:

There are two categories of financial statement assertions:

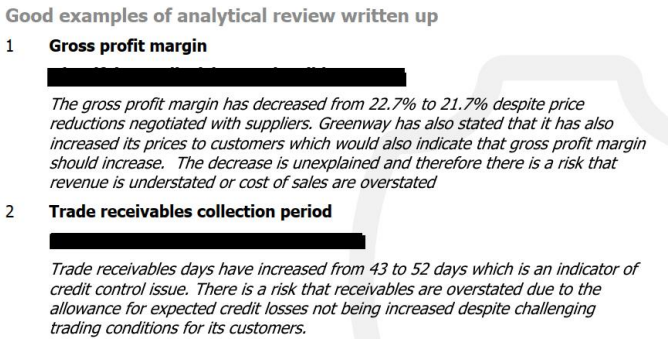
- Assertions about classes of transactions, events and related disclosures for the period under audit
- Assertions about account balances, and related disclosures at the period end

The following table shows which assertions are relevant to each category:

Assertion	Classes of transactions, events and related disclosures	Account balances, and related disclosures
Accuracy	✓	
Completeness	✓	✓
Cut-off	✓	
Classification	✓	✓
Occurrence	✓	
Accuracy, valuation and allocation		✓
Existence		✓
Rights and obligations		✓
Presentation	✓	✓

Topic 1, Analytical procedures, page 56

Additional headings should be deleted.



Good examples of analytical review written up

1 **Gross profit margin**

[redacted]

The gross profit margin has decreased from 22.7% to 21.7% despite price reductions negotiated with suppliers. Greenway has also stated that it has also increased its prices to customers which would also indicate that gross profit margin should increase. The decrease is unexplained and therefore there is a risk that revenue is understated or cost of sales are overstated

2 **Trade receivables collection period**

[redacted]

Trade receivables days have increased from 43 to 52 days which is an indicator of credit control issue. There is a risk that receivables are overstated due to the allowance for expected credit losses not being increased despite challenging trading conditions for its customers.

Topic 4, Assets and liabilities, page 168

In the solution to Peter and Stewart the impairment loss allocated to recognised and notional goodwill is incorrect. It should be 130 x 60/100 = 78 and 130 x 40 / 100 = 52 as shown below.

MEASUREMENT – PETER & STEWART

	(a)	(b)
	£m	£m
Recognised goodwill	90	90
Notional goodwill (£90m × 40/60)	60	60
Carrying amount of net assets	550	550
	700	700
Recoverable amount	510	570
Impairment loss	190	130
Allocation of impairment loss:		
	£m	£m
Recognised goodwill	90	~~90~~ 78
Notional goodwill	60	~~40~~ 52
Other assets pro rata	40	–
	190	130
Carrying amount after impairment:		
	£m	£m
Goodwill (90 – (150 × 60%))/(90 – (130 × 60%))	–	12
Other net assets (550 – 40)	510	550
	510	562

Topic 5, Ralph example, page 192

The example calls the company Sweeny in the first line, this should be Ralph.

Topic 6, Solution to Clove example, page 255

The equity adjustment does not take account of levers. The following changes need to be made, highlighted in yellow:

This arrangement results in a compound instrument. The fair value of the cash route is 10 x 7,000 x £21 = £1,470,000 and the fair value of the share route is 10 × 8,000 x £19 = £1,520,000. The fair value of the equity component is then £50,000 (£1,520,000 – £1,470,000).

The liability and equity components are then adjusted for levers.

The share-based payment is recognised as follows:

		Liability	Equity	Expense
20X4	(10-1) x 7,000 x 27 x 1/2	850,500		850,500
	50,000 x 9/10 x 1/2		22.500	22,500
20X5	(10-2) x 7,000 x 33 x 2/2	1,848,000		997,500
	50,000 x 8/10 x 2/2		40,000	17.500

Note: expense in 20X5 = 1,848,000 - 850,500 = 997,500 and 40,000 - 22,500 = 17,500

As the managers elect to receive shares rather than cash, £1,848,000 is transferred from liabilities to equity at the end of 20X5.The balance on equity is then £1,888,000 (1,848,000 + 40,000), allocated to share capital (nominal value) and the share premium account as appropriate.

Topic 8, Goodwill illustration, page 300

The balancing numbers for the forex gain / losses were shown in the foreign currency column, but they should be in the presentational currency column. In addition, the symbols in the presentational currency were missing. It has also been decided to just show one year of the calculation to avoid confusion.

1. Calculate goodwill in the foreign currency		2. Translate at each year end using the closing rate			3. Allocate group and NCI share
	Foreign currency	*Rate*	*Presentational currency*	*Presented in*	
Consideration	X				
Non-controlling interest	X				
Net assets acquired	(X)				
Goodwill at acquisition	X	Historic rate	Y		
Impairments	(X)	Closing/avg. rate	(Y)	PL	Y - if g/w at FV
Balancing figure: Forex gains and losses		→	β /(β)	OCI	Y - if g/w at FV
Goodwill at the year end	X	Closing rate	Y	SFP	

This working assumes that a new subsidiary has been acquired in the year. If the acquisition was more than one year ago, the translation part of the working would need to be repeated for each year since acquisition with the carrying amount of goodwill at the start of the year being translated at the opening rate.

Topic 9, Solution to Income Taxes - Frost, page 334

The total deferred tax asset and the increase of £60,000 has been correctly calculated but the split between PL and OCI is incorrect. As there is a gain of £100k in OCI this results in a Dr to OCI for deferred tax of £30k leaving a Cr to PL of £90k not £30k.
Ie the journal would be

Dr Deferred tax asset	60,000	
Dr OCI	30,000	
Cr PL		90,000

The solution should show:

		£
Net pension liability at 31 May 20X6		700,000
(2,600,000 – 1,900,000)		
Tax base		0
Deductible temporary difference		700,000
Deferred tax asset at 30%		210,000
Deferred tax asset b/fwd 150,000		150,000
Increase (Dr DTA)		60,000
Presented in OCI (100,000 x 30%) Dr OCI		30,000
Presented in P/L (balance) Cr PL		90,000

It does say:

	£
Net pension liability at 31 May 20X6 (2,600,000 – 1,900,000)	700,000
Tax base	0
Deductible temporary difference	700,000
Deferred tax asset at 30%	210,000
Deferred tax asset b/fwd	150,000
Increase	60,000
Presented in OCI (100,000 × 30%)	30,000
Presented in P/L (balance)	30,000