

LKAS 10

Events Occurring after the Reporting Period

Sandeepa Jayasekera

ACA, B.Sc. (Accounting) Sp. Hons., ACMA (SL), SAT, CIMA Passed Finalist,
Reading for MBA (PIM), CA and CIMA Prize Winner



JMC Jayasekera Management Centre (Pvt) Ltd
Pioneers in Professional Education

65/2A, Chittampalam Gardiner Mawatha, Colombo 02 | T: +94 112 430451 | E: info@jmc.lk | F: +94 115 377917

Accounting Standards

Sandeepa Jayasekera

B.Sc. (Accounting) Sp. Hons., ACA, ACMA (SL), SAT, CIMA Passed Finalist, MBA PIM-USJP, Gold Medal Winner for the Most Outstanding Student in University of Sri Jayewardenepura Accounting Batch 2014. Chief Executive Officer and Lecturer of JMC

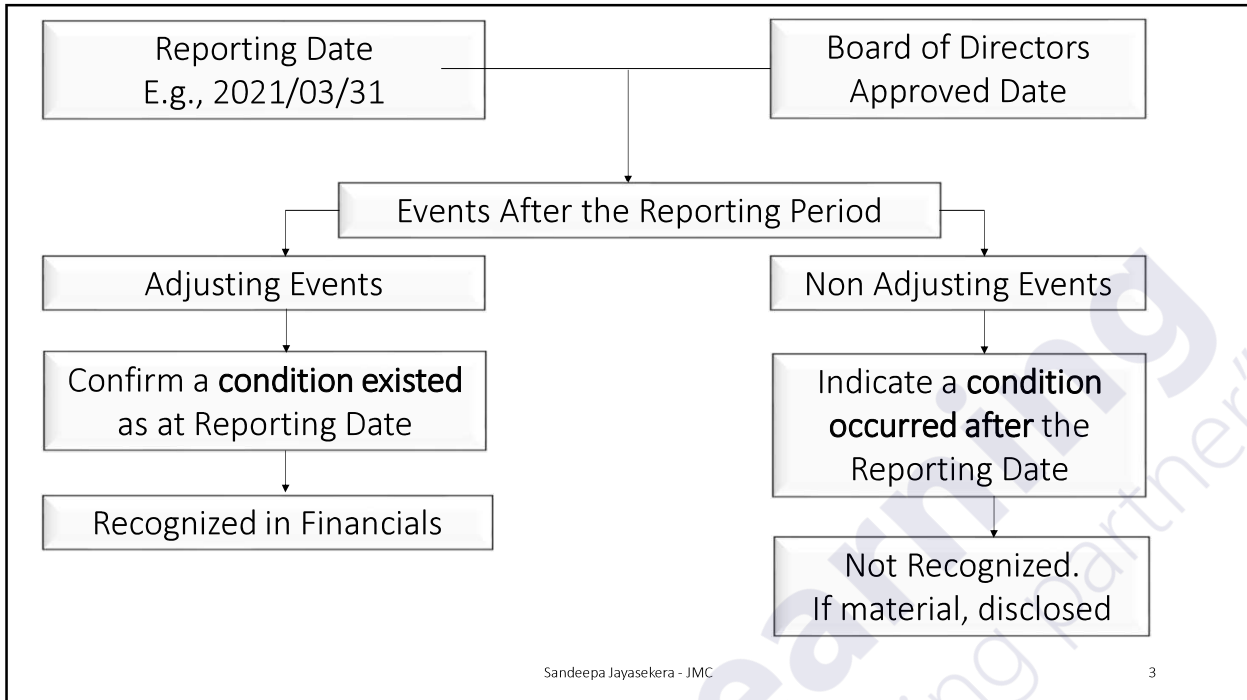
1

LKAS 10 – Events After the Reporting Period

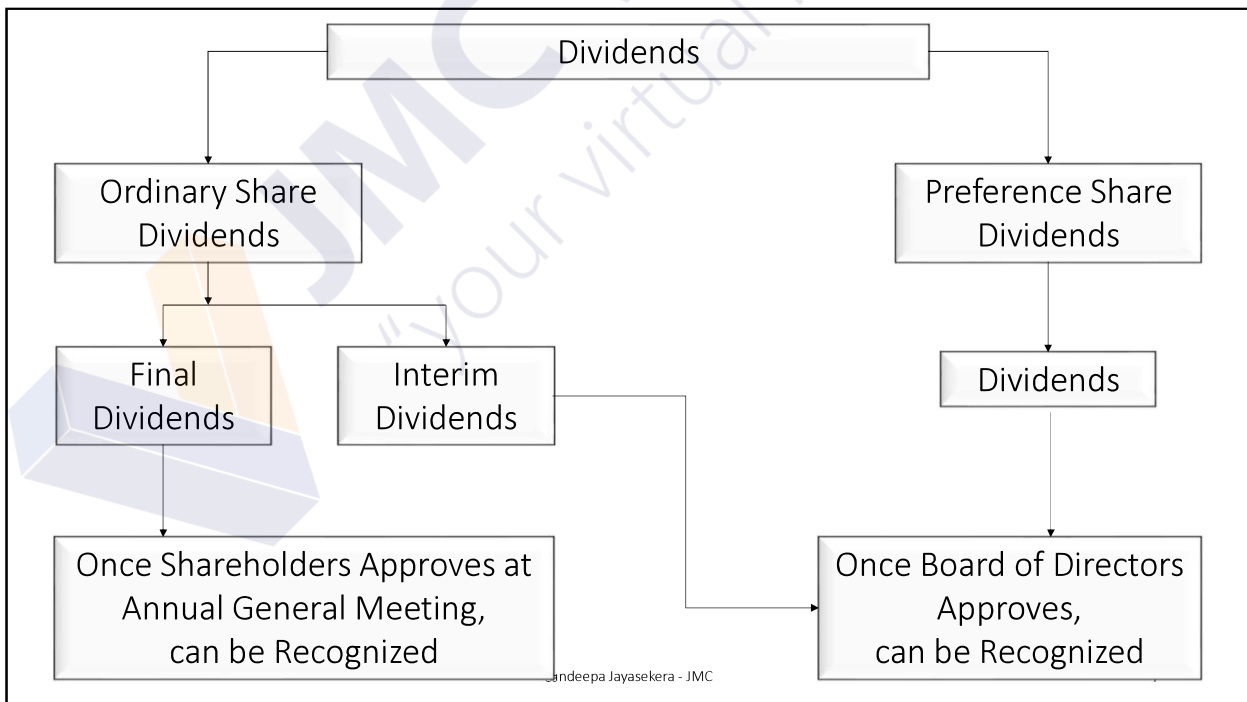
Sandeepa Jayasekera - JMC

2

2



3



4

Question 01

Vini Ltd's financial year ends on 31 March 2021. Board authorized the issue of financial on 15 May 2021.

Following events were occurred after reporting date

1. List of trade debtors as at reporting date who went bankrupt in subsequent period
 - I. Xena traders' worth of Rs.10mn on 28 April 2021
 - II. Polymax Ltd. worth of Rs.5mn on 16 May 2021
2. Company has done a credit sale worth of Rs.2Mn to Mano limited on 3 April 2021. However, Mano Limited was unable to settle the dues and declared the bankruptcy on 1 May 2021.

Sandeepa Jayasekera - JMC

5

5

3. Company decided to close the rubber products sector on 25 April 2021. This was one of the key operating segments of the company.
4. A fraud done by cashier of Rs.1mn during March 2021 was discovered by the internal auditors on 3 May 2021
5. A fire occurred on 3 April 2021 in a warehouse located in Ekala. The damage was quantified as Rs.3mn.
6. Company obtained the technical advices from Boston consultants Group in USA and initiated a business process re-engineering project. This was commenced on 10 May 2021.
7. On 25 April 2021 judgment of a court case was given in the Colombo high courts. Thereby company has to pay Rs.10mn damage to a customer. This case was in trials as of reporting date.

Sandeepa Jayasekera - JMC

6

6

8. Company has invested in John Keels shares in Colombo Stock Market (CSE). As of 31 March 2021, company had 20,000 shares. These shares were valued at Rs.215/= per share which was the market value as at the reporting date. However, the market price started falling down suddenly due to political instability of the country. On 3 April 2021, shares were traded at a price of Rs.155/=.
9. Board declared following dividends on 1 May 2021
 - I. Preference share dividend of Rs.2/= per share (number of shares 1mn)
 - II. Ordinary shares dividend of Rs.5/= per share (number of shares 10mn)
10. On 20 April 2021 company decided to merge with Galaxy PLC which was one of the key competitors in the same industry.

Sandeepa Jayasekera - JMC

7

7

11. On 30 March 2021 company purchased a Rubber glove manufacturing plant. The final price of the plant was concluded as Rs.12mn on 5 May 2021.
12. On 5 May 2021 Auditors found that company's revenue recognition is erroneous for following transaction. Company has sold Rs.15mn worth of rubber carpets to lalan rubber on 30 March 2021 agreeing with a right to return basis. Return period elapsed on 30 April 2021 but company had recognized total revenue in 2020/21 financials.
13. A supplier has filed a case against the company on 17 June 2020 demanding a claim for not paying the dues. As of 31 March 2021, the case was on courts. On 01 August 2021 case was finalized not in favor of company. Thereby company is liable to pay a claim of Rs.1Mn to the supplier.

Sandeepa Jayasekera - JMC

8

8

14. Company has carried out a revaluation of the lands as the lands are valued using revaluation model. Revaluation exercise was commenced on 1 March 2021. The revaluation report was received to the company on 5 April 2021. As per revaluation report a revaluation increase of Rs.10Mn was noted.

15. As a policy, generally company grants 5% of the operating profits as bonus. Based on company's profits for the year 2020/21, directors approved the 5% bonus on 1 May 2021.

16. Following details are relevant to inventory

- I. Brand X 10,000 units were sold on 1 May 2021 at Rs.1,000 incurring Rs.100 as the selling cost. The cost of an inventory item was Rs.950/-
- II. Brand Y 20,000 units were sold on 16 May 2021 at Rs.800 incurring Rs.50 as the selling cost. The cost of an inventory item was Rs.900/-

You are required to state how you would treat each of the above events in Financial statements for the year ended 31 March 2021.

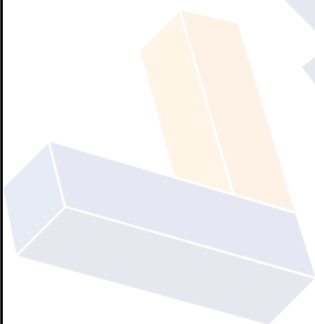
Answer 01

Sandeepa Jayasekera - JMC

11

11

Answer 01



Sandeepa Jayasekera - JMC

12

12

Question 02

Reliance Partners (Pvt) Ltd. (RPL) is in the business of manufacturing soap. The financial statements for the year ended 31st March 2018 of RPL were authorized for issue on 10th May 2018.

The following information is relevant to RPL:

Sandeepa Jayasekera - JMC

13

13

Question 02

(1) It was revealed on 05th May 2018 that there had been a fraud of inventories taken place from previous year which was committed by the Finance Manager and the Stores Manager jointly. It is estimated that, a loss of Rs. 35.5 million was incurred due to this incidence and stock value has been overstated by the same amount due to the fraud.

Sandeepa Jayasekera - JMC

14

14

Question 02

(2) A performance incentive for employees of Rs. 4 million had been approved by the Board of Directors of RPL on 15th April 2018 out of the profits for the year ended 31st March 2018. This had not been considered in preparing the draft financial statements.

You are required to:

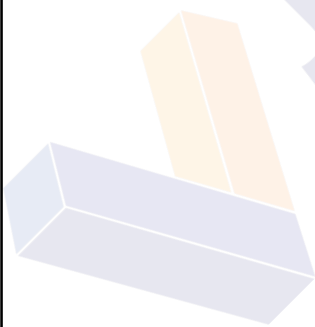
Explain how each of the above instances would be recognized in the financial statements for the year ended 31st March 2018 of RPL as per the LKAS 10 – Events after the reporting period.

Sandeepa Jayasekera - JMC

15

15

Answers



Sandeepa Jayasekera - JMC

16

16

Question 03

Tokyo Auto (Pvt) Ltd. (TAL) is in the business of importing and selling of motor vehicles spare parts in Sri Lanka. The financial statements for the year ended 31st March 2020 of **TAL** were authorized for issue by the Board of Directors on 20th May 2020.

The following information is relevant to **TAL**:

Sandeepa Jayasekera - JMC

17

17

Question 03

(1) On 30th April 2020, one of the customers of **TAL** who owes Rs. 7 million as at 31st March 2020 has been declared as bankrupt. This was not considered in preparing the financial statement of **TAL**.

(2) **TAL** pays annual bonus of Rs. 12 million to its employees as a practice in every year. Accordingly, annual bonus for employees of Rs. 12 million has been approved to pay out of the profits for the year ended 31st March 2020 by the Board of Directors of **TAL** on 15th April 2020.

Sandeepa Jayasekera - JMC

18

18

Question 03

This was not considered in preparing the financial statements for the year ended 31st March 2020.

You are required to:

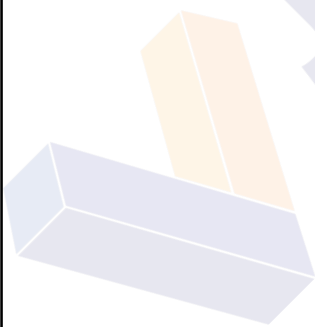
Explain how each of the above instances would be recognized in the financial statements for the year ended 31st March 2020 of TAL as per LKAS 10 – Events After the Reporting Period. (04 marks)

Sandeepa Jayasekera - JMC

19

19

Answers



Sandeepa Jayasekera - JMC

20

20