

## Chapter 2- SFP

### **CONCEPTUAL FRAMEWORK (per IFRS– 2015, note: book has not been updated)**

The **Conceptual framework** sets out the **concepts** that underlie the preparation and presentation of financial statements for external users . For financial reporting, it states the:

#### **ASSUMPTIONS**

- ◆ SEPARATE ENTITY
- ◆ CONTINUITY (GOING-CONCERN)
- ◆ PERIODICITY

#### **QUALITATIVE CHARACTERISTICS**

##### **FUNDEMENTAL**

- ◆ RELEVANCE includes
  - a) materiality (entity specific)
  - b) predictive value
  - c) confirmation value
- ◆ FAITHFUL REPRESENTATION includes
  - a) substance over form
  - b) neutrality
  - c) complete and error free

##### **ENHANCING**

- ◆ COMPARABILITY (includes consistency of accounting methods)
- ◆ VERIFIABILITY
- ◆ TIMELINESS
- ◆ UNDERSTANDIBILITY

#### **ELEMENTS TO MEASURE:**

A, L, SE, R and E and capital maintenance adjustments (AOCI)

#### **PRINCIPLES TO MEASURE (4.38)**

- ◆ PROBABILITY OF FUTURE ECONOMIC benefits to be received or used (i.e revenue recognition principle and matching principle and accrual accounting)
- ◆ RELIABLE EVALUATION of measurement basis

#### **MEASUREMENT BASIS (4.55)**

Historical Cost, Current cost or FV or Present value or other (depends on capital maintenance concept and nature of account)

#### **CAPITAL MAINTENANCE CONCEPTS**

- financial capital concept (generally) with or without calculating purchase power (can use cost as basis)
- physical capital concept (requires FV or PVFCF as basis)

#### **CONSTRAINT: COST/BENEFITS RELATION**

Note: Exhibit 2.1 p. has to be modified accordingly.

P.48 The unit of measure concept (is not a concept in IFRS) + error: Canadian co can report in any currency.

P48 and exhibit 2.1 Historical cost in **not** a principle in IFRS

### **Différences with ASPE**

1. In ASPE; **Historical cost** is a principle. In IFRS, it is just one possible way to measure (other methods are allowed).
2. In ASPE, **conservatism** is also a qualitative characteristic (not in IFRS).
3. In ASPE, the elements to measure are: A,L,SE,R,E and **G and L**.
4. In ASPE, the only capital maintenance concept is **financial** with no purchase power adjustment (no indexation).

## **SFP**

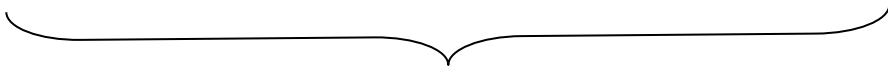


Contains : A, L, SE (C/C or S/C , RE and COCI). See p.50 accounts and classification.

Record transactions (using JE, T accounts and dr and cr) . Do AP2-2 and AP2-5

Current ratio

AP2-2

Req. 1

	<b>Assets</b>					=	<b>Liabilities</b>		+	<b>Shareholders' Equity</b>	
	<b>Cash</b>	<b>Notes Receivable</b>	<b>Long-Term Investments</b>	<b>Equipment</b>	<b>Building</b>		<b>Short-Term Notes Payable</b>	<b>Long-Term Notes Payable</b>		<b>Contributed Capital</b>	<b>Retained Earnings</b>
Beg.	120,000			70,000	310,000	=	140,000	60,000		220,000	80,000
(a)											
(b)											
(c)											
(d)											
(e)											
(f)											
(g)											
(h)											
(i)											
	+35,000	+2,000	+85,000	+107,000	+510,000	=	+169,000	+170,000		+320,000	+80,000
											
	\$739,000						\$339,000			\$400,000	

**AP2-5**

(Amounts are in millions U.S. dollars)

Req. 1

a.

b.

c.

d.

e.

f.

Req. 2

**Cash and Cash Equivalents**

Beg.	13,852	
(a)	200	
(b)	300	
		7,500 (c)
		4,650 (d)
		250 (e)
(f)	5,000	
	<u>6,952</u>	

**Short-Term Investments**

Beg.	966	
(c)	6,000	
		5,000 (f)
	<u>1,966</u>	

**Receivables**

Beg.	9,803	
(e)	250	
	<u>10,053</u>	

**Inventories**

Beg.	1,404	
	<u>1,404</u>	

**Other Assets - Current**

Beg.	3,423	
	<u>3,423</u>	

**Property, Plant and Equipment, net**

Beg.	2,124	
(d)	5,500	
	<u>7,624</u>	

**Long-Term Investments**

Beg.	3,404	
(c)	1,500	
	<u>4,904</u>	

**Long-Term Receivables**

Beg.	1,372	
	<u>1,372</u>	

**Goodwill**

Beg.	5,838	
	<u>5,838</u>	

<b>Other Non-current Assets</b>		<b>Short-term Borrowings</b>		<b>Accounts Payable</b>	
Beg.	2,347		2,867 Beg.		11,656 Beg.
	<u>2,347</u>		<u>2,867</u>		<u>11,656</u>
<b>Deferred Services Revenue (Current)</b>		<b>Accrued Liabilities</b>		<b>Long-term Borrowings</b>	
	3,544 Beg.		3,934 Beg.		6,387 Beg.
	<u>3,544</u>		<u>3,934</u>		300 (b)
					850 (d)
					<u>7,537</u>
<b>Deferred Services Revenue (Long-term)</b>		<b>Other Liabilities</b>		<b>Shareholders' Equity</b>	
	3,836 Beg.		3,392 Beg.		8,917 Beg.
	<u>3,836</u>		<u>3,392</u>		200 (a)
					<u>9,117</u>

Req. 3

**DELL Inc.**  
**Statement of Financial Position**  
**As at February 2, 2013**  
**(in millions of U.S. dollars)**

**Assets**

*Current assets*

Cash and cash equivalents	\$ 6,952
Short-term investments	1,966
Receivables	10,053
Inventories	1,404
Other assets	<u>3,423</u>

*Total current assets* 23,798

Property, plant, and equipment, net	7,624
Long-term investments	4,904
Long-term receivables	1,372
Goodwill	5,838
Other non-current assets	<u>2,347</u>

**Total Assets** \$45,883

**Liabilities and Shareholders' Equity**

*Current liabilities*

Short-term borrowings	\$ 2,867
Accounts payable	11,656
Deferred services revenue	3,544
Accrued liabilities	<u>3,934</u>

*Total current liabilities* 22,001

Long-term borrowings	7,537
Deferred services revenue	3,836
Other liabilities	<u>3,392</u>

*Total Non-current liabilities* 14,765

**Total Liabilities** 36,766

**Shareholders' Equity** 9,117

**Total Liabilities and Shareholders' Equity** \$45,883

Req. 4

Current ratio = \_\_\_\_\_ = \_\_\_\_\_