SBR 科目教学重难知识点

ACCA 中国 SBR资深教学顾问

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2024年4月

Tricky Topics

Financial Instruments (Debt Vs Equity)

> https://live.vhall.com/room/watch/888616281 By Tom Clendon

SBR Topic Explainer

| 科目 | ACCA总部expert tutor | ACCA中国资深教学 顾问 |
|--|---------------------------------|------------------|
| Q1 Practical guidance | http://live.vhall.com/452840938 | 1 |
| Deferred tax - deferred tax and group scenarios | http://live.vhall.com/922711637 | 1 |
| Financial Instruments (Debt Vs Equity) | http://live.vhall.com/888616281 | 1 |
| Financial Instruments - Financial assets | http://live.vhall.com/943855902 | 1 |
| Share-based payments including deferred tax implications | http://live.vhall.com/619611127 | / |
| Financial operations and consolidated financial statements | http://live.vhall.com/143477456 | / |
| Disposal of investments | http://live.vhall.com/744838825 | 1 |
| Application of standards to unusual situations | http://live.vhall.com/199458560 | 1 |

来源: 重难知识点 - ACCA中文官网

https://cn.accaglobal.com/student/exam-support-

resources/tricky-topic.html

Definition

Debt

a contractual obligation to deliver cash (or another financial asset)

or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity;

or a contract that will be settled by the issue of variable number of the entity's own equity instruments

Equity

Any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.



Initial recognition : DEBT

Dr Cash Cr NCL (Debt)



Public

Subsequent accounting: DEBT

Amortised cost

PL finance cost (effective rate) increases the liability

Cash repaid (interest paid) decreases the liability

Reporting date not revalued

Dr. PL-finance cost Dr. Liability Cr. Liability Cr. cash



Example: DEBT & amortised cost

- Fish issues a 2-year \$10,000 bond at par
- The coupon rate is 5%
- The effective rate is 8%
- The debt will be redeemed at a premium of \$624

| | | O/Bal | PL 8% | Cash | C/Bal |
|---|-----|--------|-------|----------|--------|
| | | \$ | \$ | \$ | \$ |
| | Yr1 | 10,000 | 800 | (500) | 10,300 |
| 1 | Yr2 | 10,300 | 824 | (500) | Nil |
| | | | | (10,624) | |

Initial recognition : EQUITY

Dr Cash
Cr Share Capital (Equity)

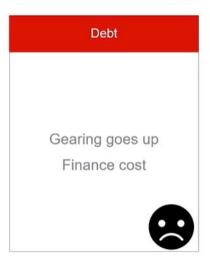
eg.10000share, 1.5/share transaction cost 1000 Cash 14000 share capital 10000 share premium 4000

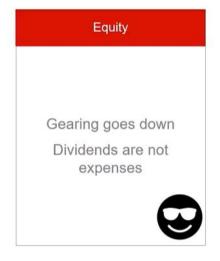


Subsequent accounting: EQUITY

Equity instruments are not remeasured.

Consequences of classification







SUBSTANCE

FORM

Classification: Example 1

Fowl has issued preference shares. Preference dividends are only required to be paid in the year that the dividends are paid to equity shareholders.

The preference shares contain a call option enabling Fowl to redeem the shares if it so chooses.

Q Debt or Equity? (4 marks)

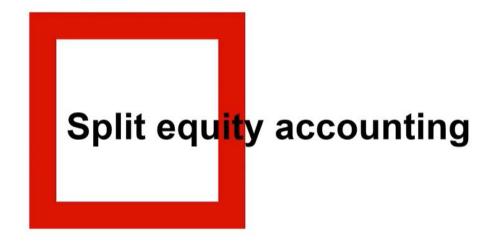
- Explain definitions debt & equity
- No obligation to pay dividends
- Call option does not create an obligation to redeem
- Conclusion: Equity

Classification : Example 2

Fish has issued preference shares that contain a put option enabling the shareholders to require Fish to redeem the shares at any time at the original amount subscribed plus an annual compound of 4% less any dividends that may have been paid.

Q Debt or Equity? (4 marks)

- Explain definitions debt & equity
- Put option creates obligation
- Conclusion : Debt
- 4% finance cost



Example: Convertible loan note

- Platypus issues a 2 year 5% \$10,000 convertible bond coupon at par.
- The effective rate is 10%.
- Lenders have the option of converting the debt to equity on a one for one basis.
- Explain & show Yr1 (5 marks)

- Initial recognition. Compound. Debt & equity.
- Split equity accounting. Debt PV of FCF & equity element is the balancing figure
- Subsequent accounting for the debt amortised cost

Example: Convertible loan note

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- The effective rate is 10%.
- Lenders have the option of converting the debt to equity on a one for one basis.
- Explain & show Yr1 (5 marks)

| | CF | | DF | | PV |
|-----|---------|---|--------|---|--------|
| Yr1 | 500 | ÷ | 1/1.1 | = | 455 |
| Yr2 | 10,500 | ÷ | 1/1.12 | = | 8,678 |
| | | | Debt | | 9,133 |
| | Bal fig | | Equity | | 867 |
| | | | Total | | 10,000 |

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- The effective rate is 10%.
- Lenders have the option of converting the debt to equity on a one for one basis.
- Explain & show Yr1 (5 marks)

| | o/bal | 10% PL | cash | C/bal |
|-----|-------|-----------|-------|--------|
| Yr1 | 9,133 | 913 | (500) | 9,546 |
| Yr2 | 9,546 | 954 | (500) | 10,000 |

- If cash redemption
- Dr Liability 10,000
- Cr Cash 10,000

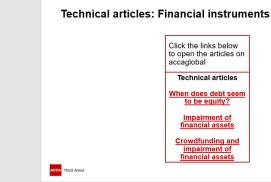
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|-----|-------|-----------|-------|--------|
| Yr1 | 9,133 | 913 | (500) | 9,546 |
| Yr2 | 9,546 | 954 | (500) | 10,000 |

- If conversion to equity
- Dr Liability 10,000
- Cr Equity 10,000

Study hub



Tutor quidance Talk through the articles with the class

https://www.accaqlobal.com/ca/en/student/exam-support-resources/professional-exams-study-res reporting/technical-articles/debt-equity.html - the last paragraph still refers to the Discussion Paper DP/2018/17/thancial instruments with

Characteristics of Equity - this should be IGNORED. This was previously an examinable document however is not on the 2022-23 examinable documents list.

https://www.accaglobal.com/ca/en/student/exam-support-resources/professional-exams-study-resources/strategic-businessreporting/technical-articles/impairment.html

Chapter 8: Practice questions





For SBR

>Attempt the Study Question Bank questions listed above after studying this chapter >Attempt Revision Question Bank questions in your revision phase, after studying all chapters

ACCA Think Ahead

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Tutor quidance

Questions from the Study Question Bank should ideally be set to do in class.

For SBR, we recommend leaving questions from the Revision Question Bank until the revision phase.

In addition to the questions in the Study Question Bank and the Revision Question Bank, there are Additional Questions and Mock Exams available via the Education Hub. Outside of this project, published exams are available on accaalobal and Computer Based Exams are available in the Practice Platform.

When debriefing questions

- Pull out the main points from the suggested solution
- Identify other points that would have earned marks
- Emphasise that a perfect answer is not required to score well

Resources

- Technical Article: When does debt seem to be equity?
- 优先股性质认定会计处理及其经济后果

-----基于小米财务报告的案例研究

《财务与会计》, 2018.10



