Tutorial IAS 32

EX1-Company A is evaluating whether each of these items is a financial instrument and whether it should be accounted for under IAS 32

(a) Cash deposited in banks

(b) Gold bullion deposited in banks

(c) Trade accounts receivable

(d) Investments in debt instruments

(e) Investments in equity instruments, where Company A does not have significant influence over

the investee

(f) Investments in equity instruments, where Company A has significant influence over the investee

(g) Prepaid expenses

(h) Finance lease receivables or pay

(i) Deferred revenue

(j) Statutory tax liabilities

(k) Provision for estimated litigation losses

(l) An electricity purchase contract that can be net settled in cash

(m) Issued debt instruments

(n) Issued equity instruments

**Required**

Help Company A to determine (1) which of the above items meet the definition of a financial instrument

and (2) which of the above items fall within the scope of IAS 32

EX2- **Presentation :Liabilities and Equity**

 Company (X) issued a number of financial instruments during 2022as follow:

1-Fixed or perpetual bonds (i.e. bonds with no maturity date) that pay interest at the rate of 8% per annum.

2. Necessarily redeemable shares (i.e. shares that will be redeemed by the entity at a future date).

3. Shares that can be redeemed at the option of the holder.

4. A written put option that allows the holder to purchase a specified number of common shares of the company (X)for a specified amount of cash.

**Required**: For each of the above instruments, state whether it should be classified as a financial liability and if so, why.

**EX3**- **Compound financial instruments**

 On jan 1, 2022 Company (S) issued convertible bonds into common shares worth 500,000 dinars in cash at an interest rate of 12% for a period of 5 years. The value of the discounted bonds amounted to 410,000 dinars (representing the fair value of the bonds without the right to convert).

**Required** -how to account for this compound instrument under IAS 32?

**EX4**- **treasury stock**

On Jan1,2022 - A company purchased 50,000 shares of its stock from the financial market at a cost of 30 dinars per share,

On April 5,2022 - It sold 20,000 shares of treasury stock at a price of 40 dinars per share,

On May 6, 2022 - It sold 20,000 shares at a price of 15 dinars per share

• **Required** - Record the previous transactions in the company's journal.

**EX5**- **Reporting Interest, Dividends, Losses and Gains**

 A company issued shares with a nominal value of 500,000 dinars for 800,000 dinars in cash. The expenses of issuing the shares (issuance fees and fees of the bank executing the issuance) amounted to 40,000 dinars. The company is subject to tax at a rate of 20%, knowing that the issuance expenses are subject to tax deduction (taxable).

**Required-** Record the necessary transactions in accounting

**EX5 –Homework for students**