

Financial Reporting

6th edition

Corrections

Corrections last updated: 19/02/2026

Item 1

Date published: 28/11/2022

Subject outline, Subject description, page xiii (printed study guide only)

The **Subject description** should include the following **Subject aims**:

The aims of the subject are to:

- demonstrate IFRSs requirements for the preparation of a full set of general purpose financial statements
- demonstrate IFRSs requirements for the recognition, measurement and disclosure of specific elements of general purpose financial statements.

Subject outline, Subject overview, page xiv (printed study guide only)

The Subject Outline should include the following Subject Overview:

SUBJECT OVERVIEW

General Objectives

On completion of this subject, you should be able to:

- explain the application and basis of selected IFRSs issued by the IASB
- apply IFRSs in the preparation of general purpose financial statements
- explain details relating to general purpose financial statements
- prepare general purpose financial statements for designated entities, including the exercise of professional judgement.

Item 2

Date published: 10/02/2026

Module 4**Suggested answers, question 4.6 (c), page 502**

The footnotes under the table are incorrect. The correct footnotes should read as:

§ Calculated based on the taxable profit as $\$331\,000 \times 30\% = \$99\,300$. The taxable profit was provided in the facts of the question.

† Movement in the deferred tax liability for the year (calculated in the deferred tax worksheet in (b)).

‡ Movement in the deferred tax asset for the year (calculated in the deferred tax worksheet in (b)).

Item 3

Date published: 07/10/2025

Module 5**Suggested answers, question 5.14 (b), page 517**

A line is missing from the second journal entry. The following should be included:

Dr Issued capital 100 000

Item 4

Date published: 19/02/2026

Module 1

Example 1.7, pages 40–41 should read as set out below. The text in blue shows updates after the study guide was printed. We have reproduced the complete example so you can follow it easily.

Example 1.7 Accounting for leases by lessee, page 41

On 30 June 20X4, A Ltd (lessor) leased a motor vehicle to B Ltd (lessee). At that date, the fair value of the vehicle is \$68 000, its estimated residual value at the end of the lease term is \$16 000 and its economic useful life is six years. The lease is cancellable but the lessee will incur a penalty equal to 24 months of lease payments if it chooses this option. For the purposes of this example, we will assume the lessee does not cancel the lease. There is no option for the lessee to purchase the vehicle at the end of the lease term. The lease agreement cost A Ltd \$2647 to set up and included the following details.

Annual lease payments (payable 30 June each year in advance)	\$19 800
Executory costs (included in annual lease payment)*	\$1 800
Residual value guarantee [‡]	\$6 000
Unguaranteed residual value [‡]	\$10 000
Lease term	4 years
Interest rate implicit in the lease	9%

* The executory costs relate to the reimbursement of insurance and maintenance costs which will be paid annually by A Ltd.

† The residual value guarantee is the part of the estimated residual value that is guaranteed by the lessee according to the lease agreement. It represents the value that the lessee guarantees that the underlying asset will be valued at when the lease term ends. If the residual value of the underlying asset at the end of the lease term is below the guarantee and the asset is to be returned to the lessor, the lessee is responsible to pay the difference to the lessor. The expected payment under the guarantee will be included in the lease liability. As the expected payment is likely to be \$nil at the beginning of the lease, no extra payment in relation to the residual value guarantee is likely to be recognised under the lease liability at the beginning of the lease.

‡ The unguaranteed residual value is the part of the estimated residual value of the underlying asset at the end of the lease that is not guaranteed by the lessee, but it may be guaranteed by a party related to the lessor. As such, the unguaranteed residual value is recognised only by the lessor as part of the lease receipts that they are expecting to collect.

The first step for the lessee, B Ltd, is to determine the value of the lease liability and of the right-of-use vehicle to be recognised at the commencement date of the lease.

The lease liability is the present value of the future lease payments (including any amounts expected to payable in relation to the guaranteed residual value at the end of the lease term). The amount recognised for the right-of-use vehicle by B Ltd is equal to the lease liability recognised at the commencement of the lease as there is no expected payment to be made in relation to the residual value guarantee (the expected residual value of \$16 000 is greater than the residual value guarantee of \$6000) and there are no other costs incurred by the lessee. The present value of the lease payments is calculated as follows.

	\$	\$
Interest rate = 9%		
Payment in advance each year for remaining 3 years	18 000	45 563 [†]
Lease liability = PV of future lease payments		45 563
Add: First payment in advance (30 June 20X4)		18 000
Cost of right-of-use asset		63 563
A quick reconciliation can be performed to confirm that the right-of-use asset equals the fair value of the underlying assets plus the initial direct costs, less the present value of the unguaranteed residual value (refer to example 1.9 for the accounting of the lease receivable for the lessor).		
Fair value		68 000
Initial direct costs to lessor		2 647
Less: PV of unguaranteed residual at end of 4 years		(7 084) [‡]
FV + Initial direct costs		63 563

† PV factor of an annuity at 9% over 3 years = 2.5313. \$18 000 × 2.5313 = \$45 563.

‡ PV factor of a lump sum in 4 years time at 9% = 0.7084. Unguaranteed residual of \$10 000 × 0.7084 = \$7 084.

Once the values have been determined, the lessee can then prepare the following schedule of lease payments.

Lease payments schedule for B Ltd (lessee)				
	Lease payments [†]	Interest expense [‡]	Reduction in liability [§]	Balance of liability
	\$	\$	\$	\$
30.06.20X4				45 563 [#]
30.06.20X5	18 000	4 101	13 899	31 664
30.06.20X6	18 000	2 850	15 150	16 514
30.06.20X7	<u>18 000</u>	<u>1 486</u>	<u>16 514</u>	
	<u>54 000</u>	<u>8 437</u>	<u>45 563</u>	

† Future lease payments of \$18 000 payable in advance.

‡ Balance of liability each year × interest rate of 9%.

§ Lease payments less interest expense. The total must equal the initial lease liability recognised.

|| Balance of liability each year less the reduction in the liability.

The PV of the total lease payments less any payments made at beginning of the lease term.

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