

A non-adjusting event as the condition did not exist at the reporting date. As the item is material a disclosure of its nature and financial impact would be made in the notes.

Chapter 15

Answer to example 1 – Current tax

Statement of profit or loss for the year ended 31 March 2015 (extract)

	\$'000
Profit before tax	X
Income tax expense (3,500 – 400)	(3,100)
Profit for the year	X

Statement of financial position as at 31 March 2015 (extract)

	\$'000
Current liabilities	
Tax payable	3,500

Answer to example 2 – Tracy (ignoring deferred tax)

	20X5 (\$000s)	20X6 (\$000s)	20X7 (\$000s)
Profit before tax	2,000	2,000	2,000
Income tax expense	(100)	(500)	(520)
Profit after tax	1,900	1,500	1,480

WORKINGS

	20X5 (\$000s)	20X6 (\$000s)	20X7 (\$000s)
Profit before tax	2,000	2,000	2,000
Add: depreciation	1,000	1,000	1,000
Less: tax depreciation	(2,500)	(500)	(400)
PCTCT	500	2,500	2,600
Tax @ 20%	100	500	520

	\$000s
Cost	5,000
Tax allowance X5 (50%)	(2,500)
	2,500
Tax allowance X6 (20%)	(500)
	2,000
Tax allowance X7 (20%)	(400)
	1,600

