

# SBR 科目教学重难点知识点

ACCA 中国 SBR资深教学顾问

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# Tricky Topics

- Financial Instruments  
(Debt Vs Equity)

*<https://live.vhall.com/room/watch/888616281>*

*By Tom Clendon*

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

来源：重难点知识点 - 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

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Dr Cash

Cr NCL (Debt)



# Subsequent accounting : DEBT

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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
Yr2	10,300	824	(500)	Nil
			(10,624)	

# Initial recognition : EQUITY

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Dr Cash

Cr Share Capital (Equity)

eg. 10000 share, 1.5/share

transaction cost 1000

Cash 14000

share capital 10000

share premium 4000



# Subsequent accounting : EQUITY

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- Equity instruments are not remeasured.

# Consequences of classification

Debt

Gearing goes up  
Finance cost



Equity

Gearing goes down  
Dividends are not expenses



Conclusion

Debt is ugly  
Equity is pretty

SUBSTANCE

FORM

# Classification : Example 1

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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

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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



# Split equity accounting

## Example : Convertible loan note

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- 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

- 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)**

	CF		DF		PV
Yr1	500	÷	1/1.1	=	455
Yr2	10,500	÷	1/1.1 <sup>2</sup>	=	8,678
			Debt		9,133
	Bal fig		Equity		867
			Total		10,000

## 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)**

	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

## Example : Convertible loan note

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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

## Technical articles: Financial instruments

Click the links below to open the articles on accglobal

### Technical articles

**[When does debt seem to be equity?](#)**

**[Impairment of financial assets](#)**

**[Crowdfunding and impairment of financial assets](#)**



### **Tutor guidance**

Talk through the articles with the class

<https://www.accaglobal.com/ca/en/student/exam-support-resources/professional-exams-study-reporting/technical-articles/debt-equity.html> - the last paragraph still refers to the Discussion Paper DP/2018/1 'Financial 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-business-reporting/technical-articles/impairment.html>

## Chapter 8: Practice questions



### Study Question Bank

<b>Priority:</b> Suarez	30 mins
Ambush	40 mins
<b>Additional:</b> Artright	

### 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



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### **Tutor guidance**

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 accglobal 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

• Point out where the 'correct' marks were to be gained

# 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



An aerial photograph of a beach with waves crashing on the shore. The water is a deep teal color, and the sand is light brown. The waves are white and foamy as they break. The text 'Thank you!' is overlaid in the center of the image.

# Thank you!