



The screenshot shows the Microsoft Word interface. The title bar reads 'IAS 8 Errors - Saved to this PC'. The ribbon includes 'Insert', 'Design', 'Layout', 'References', 'Mailings', 'Review', 'View', and 'Help'. The font settings are 'Arial Rounded M' size 12. The paragraph settings show '1 Normal' style. The right-hand side of the ribbon has 'Share' and 'Comments' buttons, and a 'Find' section with 'Replace', 'Select', 'Dictate', 'Sensitivity', and 'Editor' options.

## **CORRECTION OF ERRORS**

An error is omissions from, and misstatement in the entity's financial statements for one or more periods resulting from misuse of reliable information that was readily available.

There are three categories of errors.

- → **Current period errors**

These are errors that happen in the current year and are discovered in the current year. Such errors are corrected by processing a journal in the current year. No disclosure is provided regarding this correction.

- → **Prior period errors (immaterial)**

These are errors that happened before the current year but are discovered in the current year. IFRS suggests that immaterial prior period errors are not corrected but this does not suggest that we must not correct immaterial errors. All errors must be corrected. No disclosure is required for immaterial errors.

- → **Prior period errors (material)**

IAS 8 applies to material prior period errors. Material prior period errors must be adjusted.



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**REQUIRED-1**

**BUBBLES-LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010s	2009s
	R=	R=
Turnover	3 000 000	3 500 000
Cost of sales	(1 000 000)	(1 000 000)
Gross profit	2 000 000	2 500 000
Administration expenses	(10 000)	(10 000)
Distribution expenses (R100 000 - R40 000)	(60 000)	(60 000)
Other expenses (R195 000 + R45 000 - R15 000) (R260 000 + R30 000)	(225 000)	(290 000)
Total comprehensive income before tax	1 665 000	2 140 000
Income tax expense (R495 000 + R4 500)	(499 500)	(642 000)
Total comprehensive income before tax	1 165 500	1 498 000
Other comprehensive incomes	0	0
Total profit and comprehensive incomes	1 165 500	1 498 000

**REQUIRED-2**

**BUBBLES-LIMITED**  
**STATEMENT OF CHANGE IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010s	2009s
	R=	R=
Balance 1 January 2010 restated	1 788 000	300 000
Correction of error	28 000	0
Retained earnings as previously stated	1 760 000	300 000
Total comprehensive income	1 165 500	1 498 000
Dividends declared	(20 000)	(10 000)
Balance: 31 December 2010	2 933 500	1 788 000



**REQUIRED-3**  
**BUBBLES-LIMITED**  
**NOTES-TO-THE-FINANCIAL-STATEMENTS**  
**FOR-THE-YEAR-ENDED-31-DECEMBER-2010**

**Correction-of-error**  
 Investment incorrectly recorded as distribution cost  
 The effect of the correction is as follows:

	2009	R
<b>Net effect on statement of comprehensive income items</b>		
<b>Increase/(decrease) in expenses</b>		
Distribution cost	→	(40'000)
Tax expense	→	12'000
(Increase)/decrease in profits/income	→	(28'000)

**Net effect on the statement of financial position**

<b>Increase in assets</b>		
Investment	→	40'000
<b>Decrease/(increase) in liabilities and equity</b>		
Receiver of revenue - SARS	→	(12'000)
Retained earnings - closing balance	→	(28'000)

**REQUIRED-4**  
**JOURNAL-BUBBLES-LIMITED**

	Rn	Rn
	DEBITn	CREDITn
31-December-2010		
Bank/Creditors/Payables	15'000	
--Insurance premium expense		15'000

**SOLUTION**  
**REQUIRED-1**

DOUBLES-LIMITED		
STATEMENT OF COMPREHENSIVE INCOME		
FOR THE YEAR ENDED 31 DECEMBER 2010		
	2010	2009
	R	R
Turnover	1 500 000	1 750 000
Cost of sales	(500 000)	(500 000)
Gross profit	1 000 000	1 250 000
Administration expenses (R50 000 + R22 500)	(27 500)	(50 000)
Distribution expenses	(5 000)	(5 000)
Other operating expenses (R22 500 + R97 500 + R22 500)	(142 500)	(145 000)
Total comprehensive income before tax	825 000	1 050 000
Income tax expense	(247 500)	(315 000)
Total comprehensive income before tax	577 500	735 000
Other comprehensive incomes	0	0
<b>Total profit and comprehensive incomes</b>	<b>577 500</b>	<b>735 000</b>

**REQUIRED-2**

DOUBLES-LIMITED		
STATEMENT OF CHANGE IN EQUITY		
FOR THE YEAR ENDED 31 DECEMBER 2010		
	2010	2009
	R	R
Balance 1 January 2010 restated	866 000	136 000
Correction of error (R20 000 * 70%)	(14 000)	(14 000)



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