**Case Study No. 2**

**Task 1:** Review the below mentioned financial statements and define the differences from the statements drawn up according to the laws of the Czech Republic.

**Task 2:** read statements prepared in accordance with IAS / IFRS (source: internet) to several companies, and define whether Income statement drawn more frequently in species or functional classification of costs.

In the case of special-purpose costing check is also provided in Annex generic breakdown of costs.

**Consolidated financial statements for the year ended 31 December 2011**

**Consolidated income statement for the year ended 31 December 2011 (Czk million)**

**Note 2011 2010**

**Sales 17 252,562 219,454**

Cost of sales 26 215,956 190,234

**Gross profit 36,606 29,220**

Distribution expenses 26 17,549 14,509

Administrative expenses 26 6,123 5,256

Other operating income 18 10,040 7,856

Other operating expenses 19 4,717 5,995

**Operating profit 18,257 11,316**

Financial income 2,757 1,112

Financial expenses 1,966 1,494

**Financial result 20 791 (382)**

Share on profit (+) / loss (-) of associates 227 (348)

**Profit before income tax 19,275 10,586**

Income tax expense 22 3,200 1,747

**Profit for the year 16,075 8,839**

Attributable to:

Owner of the Company 16,035 8,781

Non-controlling interests 40 58

**16,075 8,839**

Consolidated financial statements for the year ended 31 december 2011

**Consolidated statement of comprehensive income for the year ended 31 December 2011 (czk million)**

**Note 2011 2010**

**Profit for the year 16,075 8,839**

**Cash flow hedges:**

Change in fair value in the period 12 (4,540) (813)

Total transfers of fair value to net profit - effective hedging 12 (1,546) 188

Total transfers of fair value to net profit - ineffective hedging 12 8 (61)

Deferred tax 12 1,155 141

**Exchange differences 54 (40)**

**Other comprehensive loss (4,869) (585)**

**Total comprehensive income for the year 11,206 8,254**

**Total comprehensive income attributable to:**

Owner of the Company 11,179 8,197

Non-controlling interests 27 57

**Consolidated balance sheet as at 31 December 2011 (Czk million)**

**Note 31 December 2011 31 December 2010**

**Assets**

Intangible assets 5 13,654 12,969

Property, plant and equipment 6 46,265 42,359

Investments in associates 7 940 662

Other receivables and financial assets 8 1,159 1,547

Deferred tax asset 14 2,668 1,327

**Non-current assets 64,686 58,864**

Inventories 9 16,061 14,408

Trade receivables 8 13,423 11,028

Prepaid income tax 60 89

Other receivables and financial assets 8 28,076 15,361

Cash and Cash equivalents 10 31,251 35,986

**Current assets 88,871 76,872**

**Total assets 153,557 135,736**

**Note 31 December 2011 31 December 2010**

**Equity and liabilities**

Share capital 11 16,709 16,709

Share premium 1,578 1,578

Reserves 12 62,784 56,307

**Equity attributable to owner of the Company 81,071 74,594**

Non-controlling interests 140 178

**Equity 81,211 74,772**

Non-current financial liabilities 13 3,000 3,000

Other non-current liabilities 13 7,317 3,380

Non-current provisions 15 11,030 9,100

**Non-current liabilities 21,347 15,480**

Current financial liabilities 13 141 228

Trade payables 13 30,105 27,897

Other current liabilities 13 6,258 4,766

Current income tax liabilities 1,217 1,405

Current provisions 15 13,278 11,188

**Current liabilities 50,999 45,484**

**Total equity and liabilities 153,557 135,736**

**Source:** [**http://www.volkswagenag.com/content/vwcorp/info\_center/de/publications/2012/03/SKODA\_Annual\_Report\_2011.bin.html/binarystorageitem/file/SKODA-annual-report-2011-ENGLISH.pdf**](http://www.volkswagenag.com/content/vwcorp/info_center/de/publications/2012/03/SKODA_Annual_Report_2011.bin.html/binarystorageitem/file/SKODA-annual-report-2011-ENGLISH.pdf) **[2012-11-04]**

**Solution:**

**Task No. 1:**

General: according to IAS / IFRS, there is no unified prescribed format statements, statements are compiled according to different standards, based on the principle of materiality.
Specifically, in the above example:

* Statement of comprehensive income for the year - may be drawn up either in the full version of the statement - in this case it is actually the original version of the income statement (required before the amendment to IAS 1), accompanied by information on the so-called other comprehensive income (Other Comprehensive Income ). However, an entity may also publish two documents, one is the original income (Income Statement) and the second document is a separate statement of comprehensive income,
* other comprehensive income in IAS / IFRS consists of multiple items,
* according to IAS / IFRS lacks extraordinary profit area,
* profit before tax and comprehensive income is divided into a part attributable to majority shareholders and part of the non-controlling interests,
* the possibility of combining items statements: for example, in the balance of fixed assets listed only item: Property, plant and equipment is also merged item: Other receivables and financial assets,
* provisions are divided into short-term and long-term portion,
* is recognized ratio of equity capital to shareholders.

**Task No. 2:**

frequently is compiled Income statement by functional classification. Breakdown of operating expenses by types is given in Annex only for companies operating in the Czech Republic (an example might be a company Škoda Auto), since this obligation is contained in the Czech legislation.