POINT OF DERECOGNITION – ?

MKT PRICE: 1000 | 900 | 1,020 | 1,050

1/1/2022 | 1/2/2022 → 20/4/2022 | 30/6/2022

PURCHASE T.BOND 1,000 12%

SELL AT – 800

BUYBACK AT – 830 ON 30/4/2022

PAY – 830 BUY BACK THE T.BOND

SELL AT 1,050

1,000 × 12% × 1/12 = 10 II – P&L → CA = 1,010

SELL AT 800

?

SP – CA

800 – 1,010

= 210 LOSS ?

IF THIS IS A $\boxed{\text{REAL}}$ SALE ?

DERECOGNIZE THE T.BOND

LOST CONTROL OVER THE ASSET / RISK & REWARDS RELATION TO THE ASSET

NO

DON'T DERECOGNIZE

	1/2/2022		30/4/2022		30/6/2022
T. BOND	1,010	$1{,}000 \times 12\% \times 3/12$ = 30	1,040	$1000 \times 12\% \times 2/12$ = 20	1,060 - 1,060
CASH	+800	I/I	xxx		+1,080
LIAB	+800	+30 → INT. EXP → P&L	830 → CASH CR, LIAB DR		

POINT OF DERECOGNITION → LOSS RECOGNIZED IN P&L.

SALE / FACTORING OF TRADE RECEIVABLES.

1/1/2022 — A → SALES ON CREDIT 10,000 → CUSTOMER

30/6/2022 — DUE DATE → CUSTOMER PAYS THE BANK 10,000 / CUSTOMER DOESN'T PAY THE BANK → IF WITH

- DUE ON 30/6/2022

SALES	10,000	CR
T/R	10,000	DR

RECOURSE
↓
A LTD PAYS THE BANK

SELL THE T/R TO A BANK

ON 20/6/2022

$$\boxed{\text{CUSTOMERS}} \xrightarrow[\text{10,000}]{\text{PAY}} \boxed{\text{BANK}}$$

$$\boxed{\text{BANK}} \xrightarrow[\text{ON 1/1/2022 9,000}]{\text{PAYS}} \boxed{\text{A}}$$

$$\boxed{\text{A}} \xrightarrow{\text{AGREEMENT}} \boxed{\text{BANK}}$$

WITH "RECOURSE" (1)	"WITHOUT" RECOURSE (2)
↓	↓
IF THE CUSTOMERS DEFAULT $\boxed{\text{A}}$ HAS TO PAY BANK ✓	ON 30/6/2022 IF THE CUSTOMER DON'T PAY THEN BANK BEARS THE COST.
AMOUNT RECEIVED 9000	AMT RECEIVED 7,500

(2) WITHOUT RECOURSE – POINT OF DERECOGNITION IS THE SALE DATE

01/01/2022

CASH	7,500	DR
T/R	10,000	CR

P&L 2,500 DR

① WITH RECOURSE

1/1/2022				20/6/2022	CUSTOMER PAYS THE BANK	CUSTOMERS DOESN'T PAY
TR		10,000	→	10,000	10,000 CR	10,000
						TEST FOR IMPAIRMENT
CASH	DR	9,000				10,000 CR
LIAB	CR	9,000	$\xrightarrow[\text{INT. EXP}]{+1,000}$	10,000	10,000 DR	10,000 DR

INT. EXP ↓ P&L

↓ POINT OF DERECOGNITION.

NETTING OFF FA & FL

		S/FP	PRESENTATION ①	PRESENTATION ②
FA				
DEPOSIT - Com. BANK	A	5,000	4,000	5,000 ✓
T/R - A LTD		3,000	2,500	3,000
FL				
LOAN - Com. BANK	A	1,000		1,000 ✓
T/P - A LTD		500		500
			?	?
			NETTED	GROSS

NETTING OFF ALLOWED

- LEGAL + ENFORCEABLE RIGHT ✓

AND

- EXPECT TO SETTLE NETT / REALIZE THE ASSET & LIABILITY SIMULTANEOUSLY

(A) DEPOSIT 5,000 IS AT 20% P.A FOR 5YM. ✓
LOAN 1000 " " 22% P.A FOR 6 MONTHS. ✓
✓ IF THE LOAN IS NOT REPAID, SETTLE WITH OUR DEPOSIT

SINCE THE ASSET & LIABILITY WILL NOT BE SETTLED TOGETHER — CANNOT NET OFF
∴ PRESENTATION (2) APPLIES.

(B)

1/1/2022	1/2/2022
SALE – 3,000	PURCHASE – 500
DUE ON 28/2/22	DUE ON 15/3/2022

INFORM A LTD TO PAY ON 28/2/2022 NET AMT 7,500

THEN → PRESENTATION 1 CAN BE APPLIED.