Three sources of equity movement

MODULE 2 / ORIGINAL EQUITY BRIDGE

Profit + other comprehensive income = total comprehensive income. Then reconcile owner contributions, distributions and any required retrospective adjustments separately.

Amber Engineering: opening capital 250, retained earnings 88 and revaluation surplus 32. Profit 54; net-of-tax OCI 24 (property 18, translation 6); shares issued 40; dividends 22; internal reserve transfer 4. Amounts are $000.

Movement	Capital	Retained	Revaluation	Translation	Total
Opening	250	88	32	0	370
Profit	0	54	0	0	54
Net OCI	0	0	18	6	24
Shares	40	0	0	0	40
Dividends	0	(22)	0	0	(22)
Transfer	0	4	(4)	0	0
Closing	290	124	46	6	466

Checks: comprehensive income = 54 + 24 = 78. Equity increase = 78 + 40 - 22 = 96. Opening 370 + 96 = closing 466. The internal transfer changes columns but not total equity.

Keep the categories clear

An equity dividend is a distribution, not an expense. Shares issued are a contribution, not revenue. A reserve transfer is not a new gain. Prior-period corrections are not disguised as current OCI.

OCI groups distinguish items potentially reclassified to profit/loss from items that will not be reclassified. Apply the specific standard; OCI is not a free-choice parking place for volatile gains.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 101 (December 2021), paragraphs 81A-109. Before-tax property OCI 24 less tax 6 = 18; translation OCI 8 less tax 2 = 6.

Recycling and revaluation journals

MODULE 2 / ORIGINAL WORKED EXAMPLES

A reserve can contain earlier years

Opening foreign-operation translation reserve 6,000; new current-year gain 5,000; on qualifying disposal, reclassify the whole 11,000 to profit/loss. Amounts are net of tax; assume a wholly owned operation and no other movements.

Current-year component	Amount
New gain in OCI	5,000
Reclassification out of OCI	(11,000)
Net OCI	(6,000)
Gain reclassified into profit	11,000
Combined comprehensive-income effect	5,000

The new OCI gain is not automatically equal to the accumulated amount recycled. The closing reserve is zero.

Eliminating accumulated depreciation

Building gross amount 360,000; accumulated depreciation 90,000; revalue to 310,000. No previous revaluation loss. Ignore tax for these entries.

Step	Debit	Credit
Eliminate depreciation	Accumulated depreciation 90,000	Building cost 90,000
Increase net amount	Building 40,000	OCI / revaluation surplus 40,000

After elimination: net amount remains 270,000. After revaluation: 310,000. Every entry balances. Required tax effects are dealt with separately in the same presentation location as the underlying item.

Guide context: CPA Australia FR, sixth edition (October 2022), Module 2. Original examples, calculations and design. AASB 121 (March 2020), paragraphs 48-48D; AASB 116 (December 2021), paragraphs 35-41.