

**A - MCQ:**

1. C
2. C
3. D
4. B
5. C
6. C
7. C
8. B
9. B
10. A
11. A
12. A
13. A
14. A
15. D
16. B
17. A
18. C
19. C
20. C

**B - T/F:**

1. F
2. F
3. F
4. T
5. T
6. F
7. F
8. T
9. F
10. T

**C - IFRS 15**

Profit or loss amounts

Revenues (8,125 - 3,500)	4,625
Cost of sales (9,500 W1 x 65% - 2,660)	(3,515)
Profit (1950 W2 - 840)	1,110

SOFP

Non-current assets

Plant (8,000 - 2,500 W1)	5,500
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Current assets	
Trade receivables (8,125 – 7,725)	400
Contract asset (see below)	1,125
Contract asset	
Costs to date (4,800 + 2,500)	7,300
Profit to date (W2)	1,950
Less amount invoiced	(8,125)
Contract asset	1,125

#### Workings

1. Total contract profit	
Total contract revenue	12,500
Cost to date	4,800
Further costs to complete (5,500 – 4,800)	700
Plant depreciation to date (8,000 x 15/48)	2,500
Remaining depreciation (8,000 x 9/48)	1,500
Total expected costs	(9,500)
Total expected profit on contract	3,000
2. Profit to date	
% work completed = 8,125/12,500 = 65%	
Profit to date = 3,000 x 65% = 1,950	

#### D – IAS 36

	Assets 1 July	First provision	Revised assets 1 August	Second provision	Revised assets 30 September
Goodwill	200	(200)	-	-	-
Operating license	1,200	(200)	1,000	(100)	900
Property – train station and land	300	(50)	250	(50)	200
Rail track and coaches	300	(50)	250	(50)	200
Steam engines	1,000	(500)	500	0	500
	<b>3,000</b>	<b>(1,000)</b>	<b>2,000</b>	<b>(200)</b>	<b>1,800</b>

The first impairment of \$1 million:

- \$500,000 is written off the engines as one of them no longer exists and is no longer part of the cash generating unit
- The goodwill of \$200,000 is eliminated

- The balance of \$300,000 is allocated pro-rata to the remaining net assets other than the engine which must not be reduced to less than its net selling price of \$500,000.

The second impairment loss of \$200,000:

- The first \$100,000 is applied to the license to write it down to its net selling price
- The balance is applied pro-rata to assets carried at other than their net selling prices (i.e. \$50,000 to both the property and the rail track and coaches)

## E – CONSOLIDATION

Consolidated statement of financial position of Alpha as at 31 December 2022.

Assets		\$	\$
Non-current assets			
	Tangible		
	Land (80,000 + 72,000 + 18,000 (W2))		170,000
	Plant at cost (72,000 + 57,600)		129,600
	Goodwill		52,050
			<u>351,650</u>
Current assets			
	Inventory (112,000 + 74,400 – 3,200 (W6))	183,200	
	Receivables (104,000 + 84,000)	188,000	
	Bank (41,000 + 8,000)	49,000	
			<u>420,200</u>
			<u>771,850</u>
Equity and Liabilities			
Share capital			400,000
Retained earnings			<u>227,440</u>
			627,440
Non-controlling interest (W4)			<u>68,410</u>
			695,850
Current liabilities (52,000 + 24,000)			<u>76,000</u>
			<u>771,850</u>

## WORKINGS

- (1) Group structure
- Alpha
- ↓
- 128
- 160      80% ords
- ↓
- Beta
- (2) Net assets of Beta

	<i>Date of consolidation</i>	<i>Acquisition</i>	<i>Post- acquisition</i>
	\$	\$	\$
Share capital	160,000	160,000	--
Fair value adjustment on land (90,000 – 72,000)	18,000	18,000	--
Retained earnings	<u>112,000</u>	<u>(11,000)</u>	123,000
	<u>290,000</u>	<u>167,000</u>	
 (3) Goodwill			
			\$
Cost of shares			203,000
Fair value of non-controlling interest			50,750
Less Net assets acquired (W2)			<u>(167,000)</u>
			86,750
Value at 31 December 2016			<u>(52,050)</u>
Impairment loss			<u>34,700</u>
Allocated to:			
Shareholders of Alpha (DR Retained earnings) (34,700 * 80%)			27,760
Non-Controlling interest (DR Non-controlling interest) (34,700 * 20%)			<u>6,940</u>
			<u>34,700</u>
 (4) Non-controlling interest			
			\$
Fair value on acquisition			50,750
Share of post-acquisition profits (123,000 * 20%)			24,600
Share of impairment loss since acquisition (W3)			<u>(6,940)</u>
			<u>68,410</u>
 (5) Retained earnings			
			\$
Alpha			160,000
Less Goodwill impaired (W3)			(27,760)
Provision for unrealised profit (W6)			(3,200)
Beta (80% * 123,000 (W2))			<u>98,400</u>
			<u>227,440</u>
 (6) Provision for unrealised profit			
		%	\$
Selling price		125	16,000
Cost		<u>(100)</u>	<u>(12,800)</u>
Gross profit		<u>25</u>	<u>3,200</u>
 (7) Land \$72,000 + \$18,000 = \$90,000			