Answers

1 (a)

Warrburt Group
Consolidated Cash Flow Statement for year ended 30 November 2008

	€m	€m
Net cash flow from operating activities (working iii)		80
Dividends from associate		2
Returns on investment and servicing of finance		(13)
Taxation		(37)
Capital expenditure and financial investment		51
Acquisitions and disposals – associate		(96)
Equity dividends paid		(9)
Cash outflow before management of liquid resources		(22)
Financing		
Issue of ordinary shares	55	
Decrease in debt	(44)	
		11
Decrease in cash in period		(11)

Working

(i) Available-for-sale financial assets

The sale proceeds of the AFS financial assets were €45 million thus creating a profit of €7 million. The profit on the sale of AFS financial assets has been shown in other income but the profit held in equity (€24 million) has been transferred to retained earnings when it should have been released to other income.

	€m
Sale proceeds	45
Carrying value	(38)
Profit	7

The profit of €7 million will be included in the adjustments to operating activities.

(ii) The benefits paid to beneficiaries of the retirement benefit scheme are paid out of the scheme's assets and not the company's. Hence there is no cash flow effect. The loss on the disposal of the destroyed assets of €1 million and the gain of €3 million should not be recognised in the cash flow statement as it does not have a cash flow effect.

(iii)

	€m
Group operating loss	(20)
Depreciation	36
Gain on sale of fixed assets	(7)
Exchange loss	2
Gain on insurance proceeds (3 – 1)	(2)
Impairment of goodwill and intangible assets	32
Available for sale financial assets – gain (working 1)	(7)
Retirement benefit expense	8
Contributions to the scheme	(10)
Decrease in stocks	63
Decrease in debtors	71
Decrease in creditors (115 – 21 – 180)	(86)
Net cash flow from operating activities	80
Returns on investment and servicing of finance	
Interest paid (working vi)	8
Minority interest dividend (working vii)	5
	13
Capital expenditure and financial investment	
Purchase of tangible fixed assets (working viii)	(57)
Sale of tangible fixed assets	63
Sale of AFS financial assets	45
	51

(iv) Associate

	€m
Balance at 30 November 2008	100
Less profit for period €24m x 25%	(6)
Add dividend received €8m x 25%	2
Cost of acquisition (cash)	96

Therefore, cash paid for the investment is €96 million, and cash received from the dividend is €2 million. The share of the profit of the associate before tax is €8 million and taxation will therefore be €2 million.

(v) Taxation

	€m	€m
Opening tax balances at 1 December 2007:		
Deferred tax	26	
Current tax	42	
		68
Charge for year (31 + 3)		34
Tax on associate's profit		(2)
Less closing tax balances at 30 November 2008:		
Deferred tax	28	
Current tax	35	
		(63)
Cash paid		37

The tax charge on the AFS financial asset (€3m) is adjusted on the tax charge for the year.

(vi) Short term provisions

	€m
Opening balance at 1 December 2007	4
Finance costs	9
Cash paid	(8)
Closing balance at 30 November 2008	5

(vii) Minority interest

	€m
Opening balance at 1 December 2007	53
Current year amount	22
Dividend paid	(5)
Closing balance at 30 November 2008	70

(viii) Additions of Fixed Assets

The purchase will be recorded at 380 million dinars ÷ 5, i.e. €76 million. At 31 October 2008, the cash outflow will be recorded at 280 million dinars ÷ 4·9, i.e. €57 million giving a loss on exchange of €1 million (57 – 280/5). At the year end the monetary liability will be recorded at 100 million dinars ÷ 4·8, i.e. €21 million giving a loss on exchange of €1 million. (21 – (100/5)) The total loss will be eliminated from cash generated from operations (€2 million), the cash flow will be €57 million and the decrease in creditors will be adjusted by €21 million.

(b) Financial statement ratios can provide useful measures of liquidity but an analysis of the information in the cash flow statement, particularly net cash flow generated from operations, can provide additional insights into the liquidity of Warrburt. It is important to look at the generation of cash and its efficient usage. An entity must generate cash from trading activity in order to avoid the constant raising of funds from non-trading sources. The company has generated cash in the period (€80m) despite sustaining a significant loss (€21m loss). The problem is the fact that the entity will not be able to sustain this level of cash generation if losses continue.

An important measure of the capacity of the funds generated by trading is the ability to generate sufficient cash to cover the current liabilities. In the case of Warrburt, the cash generated from operating activities is €80m but current liabilities are €155m. Thus the cash flow has not covered the current liabilities.

Operating cash flow (€80 million) determines the extent to which Warrburt has generated sufficient funds to repay loans, maintain operating capability, pay dividends and make new investments without external financing. Operating cash flow appears to be healthy, partially through the release of cash from working capital. This cash flow has been used to pay contributions to the pension scheme, pay finance costs and income taxes. These uses of cash generated would be normal for any entity. However, the release of working capital has also financed in part the investing activities of the entity which includes

the purchase of an associate and fixed assets. The activities have been financed partly out of working capital but also through the sale of fixed assets and AFS financial assets. It seems also that the issue of share capital has been utilised to repay the long term borrowings and pay dividends. Also a significant amount of cash has been raised through selling AFS investments. This may not continue in the future as it will depend on the liquidity of the market. This action seems to indicate that the long term borrowings have effectively been 'capitalised'. The main issue raised by the cash flow statement is the use of working capital to partially finance investing activities. However the working capital ratio and liquidity ratio are still quite healthy but will deteriorate if the trend continues.

(c) Companies can give the impression that they are generating more cash than they are, by manipulating cash flow. The way in which acquisitions, loans and, as in this case, the sale of assets, is shown in the cash flow statement, can change the nature of operating cash flow and hence the impression given by the financial statements. The classification of cash flows can give useful information to users and operating cash flow is a key figure. The role of ethics in the training and professional lives of accountants is extremely important. Decision-makers expect the financial statements to be true and fair and fairly represent the underlying transactions.

There is a fine line between deliberate misrepresentation and acceptable presentation of information. Pressures on management can result in the misrepresentation of information. Financial statements must comply with Financial Reporting Standards (FRS), the Statement of Principles and legislation. Transparency, and full and accurate disclosure is important if the financial statements are not to be misleading. Accountants must possess a high degree of professional integrity and the profession's reputation depends upon it. Ethics describes a set of moral principles taken as a reference point. These principles are outside the technical and practical application of accounting and require judgement in their application. Professional accountancy bodies set out ethical guidelines covering standards of behaviour, and acceptable practice within which their members operate. These regulations are supported by a number of codes, for example, on corporate governance which assist accountants in making ethical decisions. The accountant in Warrburt has a responsibility not to mask the true nature of the cash flow statement. Showing the sale of assets as an operating cash flow would be misleading if the nature of the transaction was masked. Users of financial statements would not expect its inclusion in this heading and could be misled. The potential misrepresentation is unacceptable. The accountant should try and persuade the directors to follow acceptable accounting principles and comply with accounting standards. There are implications for the truth and fairness of the financial statements and the accountant should consider his position if the directors insist on the adjustments in terms of pointing the inaccuracies out to the auditors.

2 The Companies Act and FRS 7 'Fair values in acquisition accounting' state that the acquisition cost of a subsidiary is made up of cash consideration, fair value of other consideration and expenses of acquisition. The consideration is the amount paid for the business acquired and is measured at fair value. Consideration will include cash, shares, assets, contingent consideration, equity instruments, options and warrants. When an associate becomes a subsidiary, a proportion of the associate's results have already been dealt with in the consolidated profit and loss account and balance sheet. Goodwill will already have been calculated on the acquisition of the interest in the associate and will have been amortised. The method of accounting for goodwill set out in the Companies Act still applies and goodwill should be calculated by taking the difference between the fair value of the group's share of the net assets and the total acquisition cost of the interests. Under this method the group's share of the post acquisition profits of the associate become reclassified as goodwill, thus reducing goodwill. FRS 2 recognises that this accounting treatment is inconsistent with the way the investment was previously treated and this could lead to failure to give a true and fair view. Therefore FRS 2 requires that goodwill should be calculated as the sum of goodwill arising on each purchase adjusted for any subsequent diminution in value.

The fees payable in transaction costs need to be analysed into two elements. Costs of raising capital for the acquisition and fees incurred directly in making an acquisition. Costs relating to issuing shares should be charged against reserves and the share premium account would be available for this. Other costs which may be capitalised are defined in FRS 7 as 'fees and other costs incurred directly in making an acquisition'. These costs must not include internal costs, but may include the costs of lawyers and bankers. The work carried out by advisors is likely to overlap the work on raising capital and so reasonable allocations may have to be made.

It is common for part of the consideration to be contingent upon future events. Marrgrett wishes some of the existing shareholders/employees to remain in the business and has, therefore, offered share options as an incentive to these persons. The issue is whether these options form part of the purchase consideration or are compensation for post acquisition services. The conditions attached to the award will determine the accounting treatment. In this case there are employment conditions and, therefore, the options should be treated as compensation and valued under FRS 20 'Share based payment'. Thus a charge will appear in post acquisition earnings for employee services as the options were awarded to reward future services of employees rather than to acquire the business.

The additional shares to a fixed value of €50,000 are contingent upon the future returns on capital employed. Marrgrett only wants to make additional payments if the business is successful. All consideration should be fair valued at the date of acquisition, including the above contingent consideration. The contingent consideration payable in shares where the number of shares varies to give the recipient a fixed value (€50,000) meets the definition of a financial liability under FRS 25 'Financial Instruments: Disclosure and Presentation'. As a result the liability will have to be fair valued and any subsequent remeasurement will be recognised in the income statement. There is no requirement for the payments to be probable.

Intangible assets acquired as part of a business acquisition should be capitalised separately if their value can be measured reliably on initial recognition. The normal principles for valuing assets acquired in an acquisition will apply to intangible assets. FRS 7 states that where an intangible is recognised, its fair value should be based on its replacement cost which is normally estimated

market value. FRS 10 requires reliable measurement also. Intangible assets that have a readily obtainable market value are quite rare. However if the company regularly buys and sells intangibles such as trade names, then, Marrgrett may have developed valuation techniques which allow them to be capitalised separately from goodwill. If valuation techniques have not been developed by the company as regards the trade and internet domain names, then the value of the intangibles will be subsumed within goodwill.

Uniform accounting policies should be used to determine the amounts to be included in the consolidated financial statements. Problems can arise where subsidiaries are subject to different tax law as it may not be practicable to require subsidiaries to change their accounting policies as there may be local regulation which requires certain treatments in the financial statements. In order to comply with FRS 2, an adjustment must be made on consolidation to the depreciation charge and the accumulated depreciation in order to bring it into line with group practice. An adjustment to deferred taxation may also be required.

FRS 7 requires the fair value exercise to be complete in time for the publication of Marrgrett's first post acquisition financial statements. If it cannot be completed by this time, provisional values should be included which should be amended in the next financial statements with any corresponding adjustment to goodwill. The company will not be able to recognise the re-organisation provision at the date of the business combination. The ability of the acquirer to recognise a liability for reducing or changing the activities of the acquiree is restricted under FRS 7. A restructuring provision can only be recognised in a business combination when the acquiree has at the acquisition date already committed to the expenditure or course of action. These conditions are unlikely to have existed at the acquisition date. A restructuring plan that is conditional on the completion of a business combination is not recognised in accounting for the acquisition but the expense will be met against post acquisition earnings.

Where a group reduces its stake in a subsidiary, any profit or loss should be calculated as the difference between the carrying amount of the net assets of the subsidiary before the reduction in holding and the carrying amount attributable to the group's interest after the reduction together with any proceeds received. The net assets compared should include any related goodwill not previously written off through the profit and loss account. Where the undertaking continues to be subsidiary after the disposal, the minority interests in the subsidiary are increased by the carrying amount of the net assets that are now attributable to the minority because of the decrease in the company's stake. No amount of goodwill is attributable to the minority.

As regards the disposal of the second subsidiary to its management, it is necessary to decide whether Marrgrett has the power to exercise or actually exercises dominant influence or manages the subsidiary on a unified basis. If this is the case, then the company will remain a subsidiary. If Marrgrett does not have dominant influence, then a view will have to be taken as to whether it is probable that the profit target will be met. If it is considered probable that they will be met, the company would not be a subsidiary and would not be consolidated. Full details of the conversion rights would be disclosed in the financial statements.

3 Licences

An intangible asset meets the identifiability criterion when the asset is capable of being disposed of separately from the business. An intangible asset is a non-financial fixed asset that does not have physical substance but is identifiable and controlled by an entity through custody or legal rights (FRS 10 'Goodwill and Intangible Assets'). FRS 10 defines intangible assets as non financial assets that do not have physical substance but are controlled by the entity through custody or legal rights. A key component of the definition of intangible assets is control. FRS 5 defines control in the context of an asset as 'the ability to obtain future economic benefits relating to an asset and to restrict the access of others to those benefits'. In the context of intangible assets FRS 10 says control must be exercised through custody or legal rights. Intangible assets purchased separately should be capitalised at cost. The licence will therefore meet the criteria for recognition as an intangible asset at cost. The intangible can only be revalued if it has a readily ascertainable market value. As the licence cannot be sold, the intangible cannot be revalued.

FRS 10 requires intangible assets to be carried at cost less amortisation and impairment losses. Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life. The depreciable amount is the asset's cost less its residual value. The licence will have no residual value. The depreciable amount should be allocated on a systematic basis over its useful life. The method of amortisation should reflect the pattern in which the asset's economic benefits are expected to be consumed. If that pattern cannot be determined reliably, the straight line method of amortisation must be used. The licence does not suffer wear and tear from usage, that is the number of customers using the service. The economic benefits of the licence relate to Johan's ability to benefit from the use of the licence. The economic benefits relate to the passage of time and the useful life of the licence is now shorter. Therefore, the asset depletes on a time basis and the straight line basis is appropriate. The licence should be amortised from the date that the network is available for use; that is from 1 December 2007. An impairment review should have been undertaken at 30 November 2007 when the licence was not being amortised. Although the licence is capable of being used on the date it was purchased, it cannot be used until the associated network assets and infrastructure are available for use. Johan expects the regulator to renew the licence at the end of the initial term and thus consideration should be given to amortising the licence over the two licence periods, i.e. a period of 11 years (five years and six years) as the licence could be renewed at a nominal cost. However, Johan has no real experience of renewing licences and cannot reliably determine what amounts, if any, would be payable to the regulator. Therefore, the licence should be amortised over a five year period, that is €24 million per annum. There is a rebuttable presumption that the useful life does not exceed 20 years but a longer or indefinite life is permitted in certain circumstances.

There are indications that the value of the licence may be impaired. The market share for the year to 30 November 2008 is disappointing and competition is fierce in the sector, and retention of customers difficult. Therefore, an impairment test should be undertaken. Johan should classify the licence and network assets as a single income generating unit (IGU) for impairment purposes. The licence cannot generate revenue in its own right and the smallest group of assets that generates independent revenue will be the licence and network assets. The impairment indicators point to the need to test this income generating unit for impairment. FRS 10 requires an impairment review for all intangibles at the end of the first full year following their acquisition.

Costs incurred in extending network

There are no specific recognition criteria in FRS 15 'Tangible Fixed Assets'. However a fixed asset must have physical substance and be used on a continuing basis in the business and must satisfy the definition of an asset in FRS 5 'Reporting the substance of transactions' and the Statement of Principles. FRS 5 says that an asset is 'rights or other access to future economic benefits controlled by an entity as a result of past transactions or events'.

It is necessary to assess the degree of certainty attaching to the future economic benefits and the basis of the evidence available at the time of initial recognition. The cost incurred during the initial feasibility study (€250,000) should be expensed as incurred as the flow of economic benefits to Johan as a result of the study would have been uncertain.

FRS 15 states that the cost of an item of a fixed asset comprises amongst other costs, directly attributable costs of bringing the asset into working condition for its intended use. Cost is the purchase price plus directly attributable costs. Examples of costs are site preparation costs, and installation and assembly costs. The selection of the base station site is critical for the optimal operation of the network and is part of the process of bringing the network assets to a working condition. Thus the costs incurred by engaging a consultant (€50,000) to find an optimal site can be capitalised as it is part of the cost of constructing the network and depreciated accordingly as planning permission has been obtained.

Under SSAP 21, 'Accounting for Leases and Hire Purchase Contracts', a lease is defined as an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. SSAP21 presumes a transfer of the risks and rewards if at the inception of the lease, the present value of the minimum lease payments amounts to substantially all (normally 90% or more) of the fair value of the leased assets. An operating lease is a lease other than a finance lease. In the case of the contract regarding the land, there is no ownership transfer and the term is not for the major part of the asset's life as it is land which has an indefinite economic life. Thus substantially all of the risks and rewards incidental to ownership have not been transferred. The contract should be treated, therefore, as an operating lease. The payment of €300,000 should be treated as a prepayment in the balance sheet and charged to the profit and loss account over the life of the contract on the straight line basis. The monthly payments will be expensed and no value placed on the lease contract in the balance sheet.

Handsets and revenue recognition

The stock of handsets should be measured at the lower of cost and net realisable value (SSAP 9 'Stocks and Long term contracts'). Johan should recognise a provision at the point of purchase for the handsets to be sold at a loss. The stock should be written down to its net realisable value (NRV) of €149 per handset as they are sold both to prepaid customers and dealers. The NRV is €51 less than cost. Net realisable value is the estimated selling price in the normal course of business less the estimated selling costs.

'FRS 5 Application note G' requires the recognition of revenue by reference to the stage of completion of the transaction at the balance sheet date. Revenue associated with the provision of services should be recognised as service as rendered. Johan should record the receipt of €21 per call card as deferred revenue at the point of sale. Revenue of €18 should be recognised over the six month period from the date of sale. The unused call credit of €3 would be recognised when the card expires as that is the point at which the obligation of Johan ceases. Revenue is earned from the provision of services and not from the physical sale of the card.

'FRS 5 Application note G' analyses the factors that determine whether a seller is acting as a principal or agent. In order for a seller to account for a transaction as a principal, there should normally be exposure to all the significant risks associated with the selling price or the stock. Other factors include where the seller assumes the credit risk. It appears that Johan is acting as a principal. Additionally where there are two or more transactions, they should be taken together if the commercial effect cannot be understood without reference to the series of transactions as a whole.

As a result of the above, Johan should not recognise revenue when the handset is sold to the dealer, as the dealer is acting as an agent for the sale of the handset and the service contract. Johan has retained the risk of the loss in value of the handset as they can be returned by the dealer and the price set for the handset is under the control of Johan. The handset sale and the provision of the service would have to be assessed as to their separability. However, the handset cannot be sold separately and is commercially linked to the provision of the service. Johan would, therefore, recognise the net payment of €130 as a customer acquisition cost which may qualify as an intangible asset under FRS 10, and the revenue from the service contract will be recognised as the service is rendered. The intangible asset would be amortised over the 12 month contract. The cost of the handset from the manufacturer will be charged as cost of goods sold (€200).

4 **(a)** It could be argued that the marketplace already offers powerful incentives for high-quality reporting as it rewards such by easing or restricting access to capital or raising or lowering the cost of borrowing capital depending on the quality of the entity's reports. However, accounting standards play an important role in helping the market mechanism work effectively. Accounting standards are needed because they:

- Promote a common understanding of the nature of corporate performance and this facilitates any negotiations between users and companies about the content of financial statements. For example, many loan agreements specify that a company provide the lender with financial statements prepared in accordance with generally accepted accounting principles or Financial Reporting Standards. Both the company and the lender understand the terms and are comfortable that statements prepared according to those standards will meet certain information needs. Without standards, the statements would be less useful to the lender, and the company and the lender would have to agree to create some form of acceptable standards which would be inefficient and less effective.

- Assist neutral and unbiased reporting. Companies may wish to portray their past performance and future prospects in the most favourable light. Users are aware of this potential bias and are sceptical about the information they receive. Standards build credibility and confidence in the capital marketplace to the benefit of both users and companies.
- Improve the comparability of information across companies and national boundaries. Without standards, there would be little basis to compare one company with others across national boundaries which is a key feature of relevant information.
- Create credibility in financial statements. Auditors verify that information is reported in accordance with standards and this creates public confidence in financial statements.
- Facilitate consistency of information by producing data in accordance with an agreed conceptual framework. A consistent approach to the development and presentation of information assists users in accessing information in an efficient manner and facilitates decision-making.

(b) Increased information disclosure benefits users by reducing the likelihood that they will misallocate their capital. This is obviously a direct benefit to individual users of corporate reports. The disclosure reduces the risk of misallocation of capital by enabling users to improve their assessments of a company's prospects. This creates three important results.

(i) Users use information disclosed to increase their investment returns and by definition support the most profitable companies which are likely to be those that contribute most to economic growth. Thus, an important benefit of information disclosure is that it improves the effectiveness of the investment process.

(ii) The second result lies in the effect on the liquidity of the capital markets. A more liquid market assists the effective allocation of capital by allowing users to reallocate their capital quickly. The degree of information asymmetry between the buyer and seller and the degree of uncertainty of the buyer and the seller will affect the liquidity of the market as lower asymmetry and less uncertainty will increase the number of transactions and make the market more liquid. Disclosure will affect uncertainty and information asymmetry.

(iii) Information disclosure helps users understand the risk of a prospective investment. Without any information, the user has no way of assessing a company's prospects. Information disclosure helps investors predict companies' economic prospects. Getting a better understanding of the true economic risk could lower the price of capital for the company. It is difficult to prove however that the average cost of capital is lowered by information disclosure, even though it is logically and practically impossible to assess a company's risk without relevant information. Lower capital costs promote investment, which can stimulate productivity and economic growth.

However although increased information can benefit users, there are problems of understandability and information overload.

Information disclosure provides a degree of protection to users. The benefit is fairness to users and is part of corporate accountability to society as a whole.

The main costs to the preparer of financial statements are as follows:

(i) the cost of developing and disseminating information,
(ii) the cost of possible litigation attributable to information disclosure,
(iii) the cost of competitive disadvantage attributable to disclosure.

The costs of developing and disseminating the information include those of gathering, creating and auditing the information.

Additional costs to preparers include training costs, changes to systems, and the more complex and greater the information provided, the more it will cost the company.

Although litigation costs are known to arise from information disclosure, it does not follow that all information disclosure leads to litigation costs. Cases can arise from insufficient disclosure and misleading disclosure. Only the latter is normally prompted by the presentation of information disclosure. Fuller disclosure could lead to lower costs of litigation as the stock market would have more realistic expectations of the company's prospects and the discrepancy between the valuation implicit in the market price and the valuation based on a company's financial statements would be lower. However, litigation costs do not necessarily increase with the extent of the disclosure. Increased disclosure could reduce litigation costs.

Disclosure could weaken a company's ability to generate future cash flows by aiding its competitors. The effect of disclosure on competitiveness involves benefits as well as costs. Competitive disadvantage could be created if disclosure is made relating to strategies, plans, (for example, planned product development, new market targeting) or information about operations (for example, production-cost figures). There is a significant difference between the purpose of disclosure to users and competitors. The purpose of disclosure to users is to help them to estimate the amount, timing, and certainty of future cash flows. Competitors are not trying to predict a company's future cash flows, and information of use in that context is not necessarily of use in obtaining competitive advantage. Overlap between information designed to meet users' needs and information designed to further the purposes of a competitor is often coincidental. Every company that could suffer competitive disadvantage from disclosure could gain competitive advantage from comparable disclosure by competitors. Published figures are often aggregated with little use to competitors.

Companies bargain with suppliers and with customers, and information disclosure could give those parties an advantage in negotiations. In such cases, the advantage would be a cost for the disclosing entity. However, the cost would be offset whenever information disclosure was presented by both parties, each would receive an advantage and a disadvantage.

There are other criteria to consider such as whether the information to be disclosed is about the company. This is both a benefit and a cost criterion. Users of corporate reports need company-specific data, and it is typically more costly to obtain

and present information about matters external to the company. Additionally, consideration must be given as to whether the company is the best source for the information. It could be inefficient for a company to obtain or develop data that other, more expert parties could develop and present or do develop at present.

There are many benefits to information disclosure and users have unmet information needs. It cannot be known with any certainty what the optimal disclosure level is for companies. Some companies through voluntary disclosure may have achieved their optimal level. But there are no quantitative measures of how levels of disclosure stand with respect to optimal levels. Standard setters have to make such estimates as best they can, guided by prudence, and by what evidence of benefits and costs they can obtain.

				Marks
1	**(a)**	Group operating loss		1
		AFS financial instruments		4
		Defined benefit		3
		Tangible fixed assets		6
		Insurance proceeds		2
		Associate		4
		Goodwill and intangibles		1
		Finance costs		2
		Taxation		4
		Working capital		4
		Proceeds of share issue		1
		Repayment of borrowings		1
		Dividends		1
		Minority interest		1
				35
	(b)	Operating cash flow and discussion		10
	(c)	Discussion including professional marks		5
			AVAILABLE	50
2		Consideration		6
		Contingent consideration		5
		Intangible assets		3
		Uniform accounting policies		3
		Finalisation and reorganisation provision		2
		Subsidiaries		4
		Professional marks		2
			AVAILABLE	25
3	Intangible assets:	licence		2
		amortisation		2
		impairment		2
		renewal		2
				8
	Tangible fixed assets:	cost		1
		feasibility study		1
		location and condition		1
		capitalised costs		1
	Leases:	operating lease		2
		prepayment		1
				7
	Stock			2
	Revenue recognition:			2
		agency		2
		separability		2
				8
	Discussion			2
			AVAILABLE	25

			Marks
4	**(a)**	Common understanding	2
		Neutral, unbiased	2
		Comparability	1
		Credibility	2
		Consistency	2
			9
	(b)	Investment process	4
		Risk	2
		Protection	2
		Costs	2
		Competitive disadvantage	2
		Other criteria	2
			14
		Professional marks	2
		AVAILABLE	25