
Answers

1 (a) Consolidated statement of financial position of Alpha at 31 March 2010
(all numbers in \$'000 unless otherwise stated)

Marks

ASSETS

Non-current assets:

Property, plant and equipment (135,000 + 100,000 + 19,600 + 2,000 (W1))	256,600	$\frac{1}{2} + \frac{1}{2}$
Goodwill (W2)	15,760	4 (W2)
Investment in associate (W6)	36,600	$1\frac{1}{2}$ (W6)
Available for sale investment	17,000	$\frac{1}{2}$
	<u>325,960</u>	

Current assets:

Inventories (45,000 + 32,000 – 2,500 (W4))	74,500	$\frac{1}{2} + \frac{1}{2}$
Trade receivables (50,000 + 34,000 – 5,000 (inter-company))	79,000	$\frac{1}{2} + 1$
Cash and cash equivalents (10,000 + 4,000 + 5,000 (cash in transit))	19,000	$\frac{1}{2} + \frac{1}{2}$
	<u>172,500</u>	

Total assets 498,460

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent

Share capital	120,000	$\frac{1}{2}$
Retained earnings (W4)	163,086	$8\frac{1}{2}$ (W4)
Other components of equity (W5)	1,050	$\frac{1}{2}$ (W5)
	<u>284,136</u>	
Non-controlling interest (W3)	36,355	1 (W3)
Total equity	<u>320,491</u>	

Non-current liabilities:

Long-term borrowings (40,000 + 25,000)	65,000	$\frac{1}{2}$
Deferred tax (20,000 + 8,000 + 600 (W1) + 6,480 (W7))	35,080	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
Total non-current liabilities	<u>100,080</u>	

Current liabilities:

Trade and other payables (30,000 + 22,000)	52,000	$\frac{1}{2}$
Deferred consideration (12,860 (W2) + 1,029 (W4))	13,889	$\frac{1}{2} + \frac{1}{2}$
Short-term borrowings (6,000 + 6,000)	12,000	$\frac{1}{2}$
Total current liabilities	<u>77,889</u>	<u>25</u>

Total equity and liabilities 498,460

Workings – unless stated all figures in \$'000 – do not double count marks

Working 1 – Net assets table – Beta

	1 April 2009	31 March 2010	For W2	For W4
Share capital	80,000	80,000		
Retained earnings:				
Per accounts of Beta	35,000	44,000	$\frac{1}{2}$	$\frac{1}{2}$
Property adjustment – see below	20,000	19,600	$\frac{1}{2}$	$\frac{1}{2}$
Plant and equipment adjustment – see below	3,000	2,000	$\frac{1}{2}$	$\frac{1}{2}$
Deferred tax on fair value adjustments	(6,900)	(6,480)	$\frac{1}{2}$ (W7)	$\frac{1}{2}$ (W7)
Revaluation of AFS investment (see below)		1,400		$\frac{1}{2}$
Net assets for the consolidation	<u>131,100</u>	<u>140,520</u>		

The post-acquisition profits are 9,420 (140,520 – 131,100).

Of this amount 1,400 is taken to other reserves
and 8,020 (9,420 – 1,400) to retained earnings

<u>2</u>	<u>1</u>
⇒ W2	⇒ W4

Note re: post-acquisition depreciation adjustments:

For the property this is 400 $((36,000 - 24,000) \times 1/30)$. This makes the closing adjustment 19,600 $(20,000 - 400)$.

For the plant and equipment this is 1,000 $((54,000 - 51,000) \times 1/3)$. This makes the closing adjustment 2,000 $(3,000 - 1,000)$.

Note re: revaluation of the investment:

The carrying value should be 17,000 – an increase of 2,000 from the 15,000 shown in the draft accounts of Beta. The related deferred tax is 600 $(2,000 \times 30\%)$ so the net adjustment is 1,400 $(2,000 - 600)$.

Working 2 – Goodwill on consolidation (Beta)

Cost of investment:		
Cash	100,000	1/2
Deferred consideration $(15,000/(1-08)^2)$	12,860	1
Fair value of non-controlling interest at date of acquisition $(20,000 \times \$1.70)$	34,000	1/2
	<u>146,860</u>	
Net assets at 1 April 2009 (131,100 (W1))	(131,100)	2 (W1)
So goodwill equals	<u>15,760</u>	<u>4</u>

Working 3 – Non-controlling interest in Beta

Fair value at date of acquisition (W2)	34,000	1/2
25% of post-acquisition profits (9,420 (W1))	2,355	1/2
	<u>36,355</u>	<u>1</u>

Working 4 – Retained earnings

Alpha	163,000	1/2
Interest on deferred consideration $(12,860 (W2) \times 8\%)$	(1,029)	1
Beta $(75\% \times 8,020 (W1))$	6,015	1/2 + 3 1/2 (W1)
Gamma $(30\% \times (55,000 - 60,000))$	(1,500)	1
Unrealised profits on sales to Beta $(10,000 \times 25\%)$	(2,500)	1
Unrealised profits on sales to Gamma $(12,000 \times 25\% \times 30\%)$	(900)	1
	<u>163,086</u>	<u>8 1/2</u>

Working 5 – Other components of equity

75% x 1,400 (W1) – the revaluation of the AFS investment	<u>1,050</u>	<u>1/2</u>
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Working 6 – Investment in Gamma

Cost	39,000	1/2
Share of post-acquisition losses (W4)	(1,500)	1/2
Unrealised profits (W4)	(900)	1/2
	<u>36,600</u>	<u>1 1/2</u>

Working 7 – Deferred tax on temporary differences**Fair value adjustments:**

	1 April 2009	31 March 2010	
Land adjustment	20,000	19,600	
Plant and equipment adjustment	3,000	2,000	
Net taxable temporary differences	<u>23,000</u>	<u>21,600</u>	1/2
Related deferred tax (30%)	<u>6,900</u>	<u>6,480</u>	1/2
			<u>1</u>
			⇒ W1

2 (a) Statement of comprehensive income of Delta for the year ended 31 March 2010

	\$'000	
Revenue (W1)	342,500	1 (W1)
Cost of sales (W4)	(265,200)	6 ¹ / ₂ (W4)
Gross profit	<u>77,300</u>	
Distribution costs	(10,000)	1/2
Administrative expenses	(30,000)	1/2
Finance costs (W5)	(5,000)	1 (W5)
Profit before tax	<u>32,300</u>	
Income tax expense (W6)	(7,950)	1 ¹ / ₂ (W6)
Profit for the year	<u>24,350</u>	
Other comprehensive income		
Revaluation of property	35,000	1/2
Income tax relating to other comprehensive income	(8,750)	1/2
Total comprehensive income for the year	<u>50,600</u>	<u>12</u>

(b) Statement of financial position of Delta as at 31 March 2010

	\$'000	
ASSETS		
Non-current assets		
Property, plant and equipment (W7)	153,500	2 (W7)
Intangible assets (W2)	800	1/2
	<u>154,300</u>	
Current assets		
Inventories (W4)	46,000	1/2
Trade receivables (100,000 + 20,000 – 7,500)	112,500	1 ¹ / ₂
Cash and cash equivalents	34,500	1/2
	<u>193,000</u>	
Total assets	<u>347,300</u>	
EQUITY AND LIABILITIES		
Equity		
Share capital	100,000	1/2
Revaluation reserve (W8)	25,875	2 (W8)
Retained earnings (W10)	38,225	2 ¹ / ₂
Total equity	<u>164,100</u>	
Non-current liabilities		
Long-term borrowings	80,000	1/2
Deferred tax (W11)	15,000	1/2
Total non-current liabilities	<u>95,000</u>	
Current liabilities		
Trade and other payables (W12)	68,000	1 (W12)
Short-term borrowings (20,000 + 200 (W5))	20,200	1
Total current liabilities	<u>88,200</u>	
Total equity and liabilities	<u>347,300</u>	<u>13</u>

Workings – All numbers in \$'000 unless otherwise stated: (note references refer back to the question) – Do not double count marks

Working 1 – Revenue

As shown in TB	350,000	$\frac{1}{2}$
Adjustment for goods sold on sale or return	(7,500)	$\frac{1}{2}$
	<u>342,500</u>	<u>1</u>

Working 2 – Research and development expenditure

Total – per TB	4,100	$\frac{1}{2}$
Less: capitalised post 1 January 2010 (2,000 x 3/12 + 3 x 100)	(800)	$\frac{1}{2}$
	<u>3,300</u>	<u>$1\frac{1}{2}$</u>

⇒ W4

Working 3 – Depreciation

Plant ((100,000 – 40,000) x 33 $\frac{1}{3}$ %)	20,000	1
Property (30,000 x 1/20) – see note below	1,500	1
	<u>21,500</u>	<u>2</u>

⇒ (W4)

Note: In previous years the total depreciation on the property is $\frac{1}{2}$ of the depreciable amount so the property is $\frac{1}{2} \times 40 = 20$ years old. Therefore the remaining useful life of the property at the start of the year is 20 years.

Working 4 – Cost of sales

Opening inventories	36,400	$\frac{1}{2}$
Raw material purchases	180,000	$\frac{1}{2}$
Closing inventories (40,000 + 7,500 x 100/125)	(46,000)	$1\frac{1}{2}$
Production costs	70,000	$\frac{1}{2}$
Research and development costs (W2)	3,300	$1\frac{1}{2}$ (W2)
Depreciation (W3)	21,500	2 (W3)
To income statement	<u>265,200</u>	<u>$6\frac{1}{2}$</u>

Working 5 – Finance cost

On long-term borrowing	4,800	$\frac{1}{2}$
On factoring (20,000 x 1%)	200	$\frac{1}{2}$
To income statement	<u>5,000</u>	<u>1</u>

Working 6 – Income tax charge

This year's estimate	8,000	$\frac{1}{2}$
Last year's overprovision	(300)	$\frac{1}{2}$
Transfer to deferred tax	250	$\frac{1}{2}$
(25% x (60,000 – 35,000) – 6,000)	<u>7,950</u>	<u>$1\frac{1}{2}$</u>

Working 7 – Property, plant and equipment

Plant and equipment

Cost less accumulated depreciation per Trial Balance (100,000 – 40,000)	60,000	$\frac{1}{2}$
Depreciation for the year (W3)	(20,000)	$\frac{1}{2}$

Property

As revalued	115,000	$\frac{1}{2}$
Depreciation for the year (W3)	(1,500)	$\frac{1}{2}$
	<u>153,500</u>	<u>2</u>

Working 8 – Revaluation reserve

Net surplus shown in other comprehensive income	26,250	$\frac{1}{2}$
Transfer of excess depreciation (500 (W9) x 75%)	(375)	1 (W9) + $\frac{1}{2}$
	<u>25,875</u>	<u>2</u>

		Marks
Working 9 – Excess depreciation		
New charge (W3)	1,500	1/2
Previous charge (40,000/40)	<u>(1,000)</u>	1/2
Total	<u>500</u>	1 ⇒ <u>W8</u>
Working 10 – Retained earnings		
Opening balance	44,500	1/2
Profit for the period	24,350	1/2
Dividend	(31,000)	1/2
Transfer of excess depreciation	<u>375</u>	1/2
Closing balance	<u>38,225</u>	<u>2</u>
Working 11 – Deferred tax		
On taxable temporary differences of 60,000 including property revaluation (W6)	<u>15,000</u>	1/2
Working 12 – Trade and other payables		
Trade payables	60,000	1/2
Income tax liability	<u>8,000</u>	1/2
	<u>68,000</u>	<u>1</u>

3 Transaction (a)

Summary (all in \$'000s)

Carrying value in the statement of financial position as at 31 March:

2008 – 18,330
 2009 – 16,682
 2010 – 17,700

Finance income in the statement of comprehensive income for the year ended 31 March:

2008 – 1,530
 2009 – 1,558
 2010 – 1,418

Impairment loss on financial asset for the year ended 31 March 2009 – 2006

Explanations

The bond investment will be classified as Held to Maturity by Epsilon because Epsilon does not wish to use the alternative Available for Sale classification unless required to do so. Therefore the investment will be measured at amortised cost. The table below shows how the investment would be measured for the years ended 31 March 2008 and 2009 before the issue of Lambda's financial difficulty is taken into account:

Year to 31 March	Opening Balance	Finance Income (8·5%)	Cash Received	Closing Balance
2008	18,000	1,530	(1,200)	18,330
2009	18,330	1,558	(1,200)	18,688

Following evidence of the financial difficulty of Lambda the financial asset would be reviewed for impairment. The recoverable amount of the asset at 31 March 2009 would be the present value of the (revised) estimated future cash flows, discounted at the original effective rate of interest. This would be 16,682 ($400 \times 0.922 + 400 \times 0.849 + 400 \times 0.783 + 20,000 \times 0.783$). An impairment loss of 2,006 ($18,688 - 16,682$) would be recognised in the statement of comprehensive income for the year ended 31 March 2009.

In the year ended 31 March 2010 the financial asset would continue to be measured on an amortised cost basis using the original effective interest rate. Therefore the carrying value at 31 March 2010, and the amount taken to the statement of comprehensive income for the year to 31 March 2010, would be as follows:

Opening Balance	Finance Income (8·5%)	Cash Received	Closing Balance
16,682	1,418	(400)	17,700

Transaction (b)

Summary (all in '000s)

Statement of comprehensive income – year ended 31 March 2010

Lease rental – 425
Depreciation – 78 (60 + 18)
Finance cost – 9

Statement of financial position at 31 March 2010

Non-current assets – 706 (540 + 166)
Non-current liabilities – 218 (25 + 193)

Explanations

The lease is an operating lease so the rentals are charged as an expense in the statement of comprehensive income. IAS 17 – *Leases* – states that this charge should be on a straight-line basis unless another pattern is clearly more appropriate. The total lease rentals are 4,250 (400 x 5 + 450 x 5). Therefore the charge to the income statement each year will be 425 (4,250 x 1/10). Since the rental actually paid in the year to 31 March 2010 is 400 there will be an accrual of 25 (425 – 400) in the statement of financial position as at 31 March 2010.

Even though the lease is operating the lease improvements are capitalised as a non-current asset with a useful economic life of 10 years. This means that depreciation of 60 (600 x 1/10) will be required and the closing non-current assets balance relating to the improvements at 31 March 2010 will be 540 (600 – 60).

Under the principles of IAS 37 – *Provisions, contingent liabilities and contingent assets* – the carrying out of alterations to the leased asset creates an obligating event to restore the asset at the end of the lease and so a provision must be recognised. The amount of the provision is the present value of the expected future payments, which is 184 (300 x 0.614). This expenditure provides access to future economic benefits so it is capitalised along with the alterations themselves. This creates additional depreciation of 18 (184 x 1/10) and an addition to non-current assets at 31 March 2010 of 166 (184 – 18).

As the date for restoration approaches the discount unwinds and this is reflected by a finance cost in the statement of comprehensive income. For the year ended 31 March 2010 this cost is 9 (184 x 5%). The closing provision will be 193 (184 + 9).

Transaction (c)

Summary

Statement of comprehensive income – year ended 31 March 2010

Cost of sales – \$125,000 (\$250,000 x 50%)
Exchange loss on settlement of trade payable – \$10,000.

Statement of financial position at 31 March 2010

Inventory – \$125,000.

Explanations

A liability to pay for the goods arises on 1 December 2009 when they are delivered. On this date \$250,000 (200,000 x 1.25) is debited to inventory and credited to trade payables. When the liability was settled 200,000 Euros cost \$260,000 (200,000 x 1.30) so an exchange loss of \$10,000 (\$260,000 – \$250,000) is recognised in the statement of comprehensive income.

The inventory is a non-monetary asset and so is measured using the rate of exchange in force when purchased. No exchange difference arises.

- 4 (a) (i) IAS 18 defines revenue as the gross inflow of economic benefits in a period arising in the course of the ordinary activities of an entity when those inflows result in an increase in equity, other than increases relating to contributions from equity participants. Revenue does not include amounts collected on behalf of third parties, such as sales taxes.
- Revenue should be measured at the fair value of the consideration received or receivable.
- (ii) Revenue from the sale of goods should be recognised when:
- (i) The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
 - (ii) The entity retains neither managerial involvement in, nor effective control over, the goods sold.
 - (iii) The amount of revenue can be measured reliably.
 - (iv) It is probable that the economic benefits associated with the transaction will flow to the entity.
 - (v) The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Revenue from the rendering of services should be recognised when:
- (i) The amount of revenue can be measured reliably.
 - (ii) It is probable that the economic benefits associated with the transaction will flow to the entity.
 - (iii) The stage of completion of the transaction at the end of the reporting period can be measured reliably.
 - (iv) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

- (b) (i)** Where goods are subject to installation and inspection, revenue is normally recognised only when installation and inspection are complete. However, where the installation process is simple in nature revenue is recognised immediately upon the buyer accepting the goods.

This means that revenue of \$250,000 from the sale of Machine A can be recognised in the year to March 2010, with \$250,000 being debited to trade receivables. The cost of construction of the machine of \$190,000 will be included in cost of sales.

However, revenue from the sale of Machine B cannot be recognised until April 2010, when the installation process is complete. Therefore, this machine will be included in inventory at its construction cost of \$200,000.

- (ii)** Where goods are sold on consignment then the appendix to IAS 18 indicates that revenue should be recognised when the recipient (Omicron in this case) sells the goods to a third party. The only way this could be accelerated under the general principles of the standard would be where the terms of the consignment clearly transfer the risks and rewards of ownership of the consigned inventory to Omicron on delivery, which is not the case here. Therefore, only those goods sold by Omicron to the ultimate purchaser prior to 31 March should be recognised as revenue. The amount of revenue that should be recognised is the fair value of the consideration payable by the final purchaser, which in this case is \$240,000. The manufactured cost of the goods treated as sold should be taken to cost of sales. This amount is \$192,000 ($\$320,000 \times (\$240,000/\$400,000)$). The commission payable of \$24,000 ($\$240,000 \times 10\%$) should also be treated as part of cost of sales. \$216,000 ($\$240,000 - \$24,000$) should be debited to trade receivables. The cost of goods unsold by Omicron at 31 March 2010 of \$128,000 ($\$320,000 - \$192,000$) should be included in the inventory of Kappa at 31 March 2010.

- (iii)** For sale transactions with an option or commitment to repurchase IAS 18 requires an analysis of the transaction to ascertain whether, in substance, the seller has transferred the risks and rewards of ownership to the buyer. If this transfer has not occurred, the transaction is treated as a financing arrangement that does not give rise to revenue.

In this case the terms of the sale leave Kappa occupying the property, with responsibility for its maintenance. Also it is highly likely that the option to repurchase will be exercised either on 31 March 2011 or 2012. Therefore, no revenue would be recognised and the 'sales proceeds' would be treated as a borrowing.

This means that the asset would remain an asset of Kappa and be subject to depreciation of \$40,000 ($\$1,200,000 \times 1/30$). The closing carrying value of the asset would be \$1,960,000 ($\$2,000,000 - \$40,000$).

The longer Kappa takes to repurchase the property the higher the repurchase price. It can be seen that this repurchase is increasing at 10% per annum compound – e.g. $\$3,300,000/\$3,000,000 = 1.10$. Therefore the borrowing is treated as a financial liability measured at amortised cost with an effective annual interest rate of 10%.

The finance cost for the year ended 31 March 2010 would be \$300,000 ($\$3,000,000 \times 10\%$) and the closing borrowing \$3,300,000 ($\$3,000,000 + \$300,000$). This would be shown as a liability.

5 (a) Computation of cost (all numbers in \$'000s)

Details	Amount	Explanation	
Purchase of land	20,000	Direct cost of construction	1
Levelling of land	850	Direct cost of construction	1
Purchase of materials	7,500	Not including cost of materials lost in fire	1 ¹ / ₂
Costs of construction workers	2,250	Construction period five months, less idle two weeks	1 ¹ / ₂
Other construction overheads	900	Construction period as above. Ignore overheads incurred after construction complete	1 ¹ / ₂
Consultants fees	500	Direct cost of construction	1
Income from car park	Nil	Income from operations incidental to the construction taken to the statement of comprehensive income	1 ¹ / ₂
Relocation costs	Nil	Not a direct cost of construction	1
Costs of opening factory	Nil	Not a direct cost of construction	1
	<u>32,000</u>		
Capitalised finance costs	<u>800</u>	Five and a half months interest on \$30 million at 8%, less temporary investment of surplus funds	2
Total cost	<u>32,800</u>		

Computation of depreciation charged to 31 March 2010

Depreciate from 1 April 2009 (the date available for use)	1
The depreciable amount is 12,300 (32,000 – 20,000 + 800 x 12/32)	1
The depreciation for the year is 368 (2,400 x 1/20 + (12,300 – 2,400) x 1/40)	1

Computation of carrying value at 31 March 2010

Cost	32,800	1/2
Depreciation	<u>(368)</u>	1/2
Carrying value	<u>32,432</u>	17

Tutorial Note

The need to replace the roof in 20 years' time is recognised through component depreciation rather than by recognising a provision

(b) (all numbers in \$'000s)**Summary of accounting treatments****Statement of financial position at 31 March 2010.**

Non-current assets 18,000
Current assets (or non-current assets held for sale) 24,625.

Statement of comprehensive income for the year ended 31 March 2010

Depreciation 775 (375 + 400)
Impairment 3,600 (21,600 – 18,000)

From 1 January 2010 property A would be regarded as held for sale under the principles of IFRS 5 – *Non-current assets held for sale and discontinued operations*. The property is available for immediate sale in its present condition and is being actively marketed at a reasonable price. On the other hand property B would not, since it cannot be sold until necessary repairs are carried out.

Property A would be depreciated up to the date of classification as held for sale but not thereafter. Therefore, depreciation of 375 (15,000 x 1/30 x 9/12) would be necessary in the year to 31 March 2010. The property would be removed from non-current assets and shown in current assets or in a separate section of the assets side of the statement of financial position. It would be measured at the lower of its carrying value of the date of classification of 24,625 (25,000 – 375) and its fair value less costs to sell of 28,000 – 24,625 in this case. The decline in property prices affecting this property relates to an economic event occurring after the reporting date. Therefore, it would be regarded as a non-adjusting event after the reporting date. The event would be disclosed as a note to the financial statements but the decline in value would not be recognised.

Property B would be depreciated for the whole period and would remain in non-current assets. The depreciation required for the year ended 31 March 2010 would be 400 (16,000 x 1/40). The fact that its fair value less costs to sell is estimated at \$18 million whilst the carrying value prior to any write down is 21,600 (22,000 – 400) is *prima-facie* evidence of impairment. Given that the property is to be sold – even though it cannot be classified as held for sale at 31 March 2010 – this is the best indicator of the recoverable amount of the property.

	<i>Marks</i>
1 Marks as indicated on answers	<u>25</u>
2 Marks as indicated on answers	<u>25</u>
3 (a) Identify correct measurement basis	1
Measure financial asset and related income up to 31 March 2009 – pre-impairment	2
Identify impairment issue	1
Principle measure PV of newly expected cash flows	1
Principle use 8.5% discount rate	1
Marks for discounting calculations	2 ¹ / ₂
Identify impairment loss and new carrying value	1 ¹ / ₂
Principle of 2010 measurement at amortised cost of 8.5%	1
Marks for 2010 calculations	<u>1</u>
Total for part 3(a)	<u>12</u>
(b) Principle rental expense in statement of comprehensive income	1
Compute charge for year	1
Identify accrual as non-current liability (only ¹ / ₂ if this not stated)	1
Principle capitalise improvements and depreciate	1
Calculations re: above	1
Principle recognise provision and debit non-current assets	1
Calculation of amount to capitalise	1
Compute depreciation and finance cost	<u>2</u>
Total for part 3(b)	<u>9</u>
(c) Principle account for transaction from 1 December 2009	1
Compute opening carrying value of inventory and trade payables	1
Compute exchange loss on settlement of trade payable	1
Compute closing inventory balance and charge to cost of sales re: sold goods	<u>1</u>
Total for part 3(c)	<u>4</u>

		Marks	
4	(a) (i) Definition of revenue (gross, normal course of business, not equity contributions) Identify measurement base as fair value (only $\frac{1}{2}$ if they say invoiced price)	2	
		1	
	Total for part (a)(i)		<u>3</u>
	(ii) Timing of recognition re: goods – $\frac{1}{2}$ each up to Timing of recognition re: services – $\frac{1}{2}$ each up to	2 $\frac{1}{2}$	
		2 $\frac{1}{2}$	
		<u>5</u>	
	(b) (i) General principle of when revenue recognised Application to sale of machine A Application to sale of machine B	2	
		2	
		1	
		<u>5</u>	
		Total for part (b)(i)	
	(ii) General principle of when revenue recognised Application to sale and computation of amount of revenue, cost of sales, trade receivables and inventory	2	
		3	
		<u>5</u>	
(iii) General principle of when revenue recognised Conclude no revenue here Treatment of PPE Conclude proceeds of borrowing Compute finance cost State closing liability	2		
	1		
	1		
	1		
	1		
	1		
	<u>7</u>		
Total for part (iii)			
5	(a) Marks as indicated on answers	<u>17</u>	
	(b) Conclusions about classification as held for sale – 1 each Depreciation of property A Measurement and disclosure of property A in statement of financial position Depreciation of property B Identify and discuss impairment issue with property B Disclosure of property B in statement of financial position	2	
		1	
		2	
		1	
		1	
		1	
		1	
	Total for event 2		<u>8</u>