# Answers

**1 (a) Paradigm – Consolidated statement of financial position as at 31 March 2013**

| | $'000 | $'000 |
|---|---|---|
| **Assets** | | |
| Non-current assets: | | |
| Property, plant and equipment (47,400 + 25,500 – 3,000 fair value + 500 depreciation) | | 70,400 |
| Goodwill (w (i)) | | 8,500 |
| Financial asset: equity investments (7,100 + 3,900) | | 11,000 |
| | | 89,900 |
| Current assets | | |
| Inventory (20,400 + 8,400 – 600 URP (w (ii))) | 28,200 | |
| Trade receivables (14,800 + 9,000 – 3,700 intra-group (w (iii))) | 20,100 | |
| Bank (2,100 + 900 CIT (w (iii))) | 3,000 | 51,300 |
| Total assets | | 141,200 |
| **Equity and liabilities** | | |
| Equity attributable to owners of the parent | | |
| Equity shares (40,000 + 12,000 (w (i))) | | 52,000 |
| Retained earnings (w (iv)) | | 34,000 |
| | | 86,000 |
| Non-controlling interest (w (v)) | | 8,800 |
| Total equity | | 94,800 |
| Non-current liabilities | | |
| 10% loan notes (8,000 + 1,500 (w (i))) | | 9,500 |
| Current liabilities | | |
| Trade payables (17,600 + 13,000 – 2,800 intra-group (w (iii))) | 27,800 | |
| Bank overdraft | 9,100 | 36,900 |
| Total equity and liabilities | | 141,200 |

**Workings (figures in brackets are in $'000)**

(i) Goodwill in Strata

| | $'000 | $'000 |
|---|---|---|
| Controlling interest | | |
| Share exchange ((20,000 x 75%) x 2/5 x $2) | | 12,000 |
| 10% loan notes (15,000 x 100/1,000) | | 1,500 |
| Non-controlling interest (20,000 x 25% x $1·20) | | 6,000 |
| | | 19,500 |
| Equity shares | 20,000 | |
| Pre-acquisition retained losses: | | |
| – at 1 April 2012 | (4,000) | |
| – 1 April to 30 September 2012 | (2,000) | |
| Fair value adjustment – plant | (3,000) | (11,000) |
| Goodwill arising on acquisition | | 8,500 |

The market value of the shares issued of $12 million would be recorded as a $12 million addition to share capital.

(ii) Unrealised profit (URP) in inventory

Strata's inventory (from Paradigm) at 31 March 2013 is $4·6 million (one month's supply). At a mark-up on cost of 15%, there would be $600,000 of URP (4,600 x 15/115) in the inventory.

(iii) Intra-group current accounts

| | $'000 |
|---|---|
| Current account balance of Strata per question | 2,800 |
| Cash-in-transit (CIT) not yet received by Paradigm | 900 |
| Current account balance of Paradigm | 3,700 |

(iv) Consolidated retained earnings

| | $'000 |
|---|---|
| Paradigm's retained earnings (19,200 + 7,400) | 26,600 |
| Strata's post-acquisition profit (11,200 (see below) x 75%) | 8,400 |
| URP in inventory (w (ii)) | (600) |
| Loss on equity investments (7,500 – 7,100) | (400) |
| | 34,000 |

The adjusted post-acquisition profits of Strata are:

| | |
|---|---|
| As reported for the year | 8,000 |
| *Add* pre-acquisition losses | 2,000 |
| Gain on equity investments (3,900 – 3,200) | 700 |
| Adjustment for over depreciation on fair value of plant (3,000 x 6/36 months) | 500 |
| | 11,200 |

(v) Non-controlling interest

| | $'000 |
|---|---|
| Fair value on acquisition (w (i)) | 6,000 |
| Post-acquisition profit (11,200 (w (iv)) x 25%) | 2,800 |
| | 8,800 |

**(b)** The consolidated financial statements of Paradigm are of little value when trying to assess the performance and financial position of its subsidiary, Strata. Therefore the main source of information on which to base any investment decision would be Strata's own entity financial statements. However, where a company is part of a group, there is the potential for the financial statements (of a subsidiary) to have been subject to the influence of related party transactions. In the case of Strata, there has been a considerable amount of post-acquisition trading with Paradigm and, because of the related party relationship, there is the possibility that this trading is not at arm's length (i.e. not at commercial rates). Indeed from the information in the question, Paradigm sells goods to Strata at a much lower cost than it does to other third parties. This gives Strata a benefit which is likely to lead to higher profits (compared to what they would have been if it had paid the market value for the goods purchased from Paradigm). This seems to coincide with a remarkable turn around in the profitability of Strata; before the acquisition it was carrying accumulated losses of $6 million, whereas in the six months since the acquisition it made a profit of $10 million (see part (a)). The sales of $4·6 million per month have a cost of $4 million (4,600 x 100/115). Had these been priced at Paradigm's normal prices, they would have been sold to Strata for $5·6 million (4,000 x 140%). For the six month post-acquisition period, this gives Strata a trading 'advantage' of $6 million (($5·6 million – $4·6 million) x 6 months) which is a large proportion of its post-acquisition profit. There may be other aspects of the relationship where Paradigm gives Strata a benefit that may not have happened had Strata not been part of the group, e.g. access to technology/research, cheap finance, etc.

The main concern is that any information about the 'benefits' Paradigm may have passed on to Strata through related party transactions is difficult to obtain from published sources. It may be that Paradigm has deliberately 'flattered' Strata's financial statements specifically in order to obtain a high sale price and a prospective purchaser would not necessarily be able to determine that this had happened from either the consolidated or entity financial statements.

**2 (a) (i) Atlas – Statement of profit or loss and other comprehensive income for the year ended 31 March 2013**

**Monetary figures in brackets are in $'000**

| | $'000 |
|---|---|
| Revenue (550,000 – 10,000 in substance loan) | 540,000 |
| Cost of sales (w (i)) | (420,600) |
| Gross profit | 119,400 |
| Distribution costs | (21,500) |
| Administrative expenses (30,900 + 5,400 re directors' bonus of 1% of sales made) | (36,300) |
| Finance costs (700 + 500 (10,000 x 10% x 6/12 re in substance loan)) | (1,200) |
| Profit before tax | 60,400 |
| Income tax expense (27,200 – 1,200 + (9,400 – 6,200) deferred tax) | (29,200) |
| Profit for the year | 31,200 |
| Other comprehensive income | |
| Revaluation gain on land and buildings (w (ii)) | 7,000 |
| Total comprehensive income for the year | 38,200 |

**(ii) Atlas – Statement of changes in equity for the year ended 31 March 2013**

| | Share capital $'000 | Revaluation reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balances at 1 April 2012 | 46,000 | nil | 11,200 | 57,200 |
| Share issue (see below) | 24,000 | | | 24,000 |
| Total comprehensive income (see (i) above) | | 7,000 | 31,200 | 38,200 |
| Dividend paid | | | (20,000) | (20,000) |
| Balances at 31 March 2013 | 70,000 | 7,000 | 22,400 | 99,400 |

The rights issue of 20 million shares (80,000/4) at $1·20 was recorded at a value of $24 million.

**(iii) Atlas – Statement of financial position as at 31 March 2013**

| | | |
|---|---|---|
| **Assets** | $'000 | $'000 |
| Non-current assets | | |
| Property, plant and equipment (44,500 + 52,800 (w (ii))) | | 97,300 |
| Current assets | | |
| Inventory (43,700 + 7,000 re in substance loan) | 50,700 | |
| Trade receivables | 42,200 | 92,900 |
| Plant held for sale (w (ii)) | | 3,600 |
| Total assets | | 193,800 |
| **Equity and liabilities** | | |
| Equity (see (ii) above) | | |
| Equity shares | | 70,000 |
| Revaluation reserve | 7,000 | |
| Retained earnings | 22,400 | 29,400 |
| | | 99,400 |
| Non-current liabilities | | |
| In substance loan from Xpede (10,000 + 500 accrued interest) | 10,500 | |
| Deferred tax | 9,400 | 19,900 |
| Current liabilities | | |
| Trade payables | 35,100 | |
| Income tax | 27,200 | |
| Accrued directors' bonus | 5,400 | |
| Bank overdraft | 6,800 | 74,500 |
| Total equity and liabilities | | 193,800 |

**(b) Atlas – Basic earnings per share for the year ended 31 March 2013**

| | |
|---|---|
| Earnings per statement of comprehensive income | $31·2 million |
| Weighted average number of shares (w (iii)) | 96·7 million |
| Earnings per share | 32·3 cents |

**Workings (figures in brackets are in $'000)**

(i) Cost of sales

| | $'000 |
|---|---|
| Per question | 411,500 |
| Closing inventory re in substance loan | (7,000) |
| Depreciation of buildings (w (ii)) | 2,500 |
| Depreciation of plant and equipment (w (ii)) | 13,600 |
| | 420,600 |

| | | $'000 |
|---|---|---|
| (ii) | Non-current assets | |
| | **Land and buildings** | |
| | The gain on revaluation and carrying amount of the land and buildings will be: | |
| | Carrying amount at 1 April 2012 (60,000 – 20,000) | 40,000 |
| | Revaluation at that date (12,000 + 35,000) | 47,000 |
| | Gain on revaluation | 7,000 |
| | Buildings depreciation (35,000/14 years) | (2,500) |
| | Carrying amount of land and buildings at 31 March 2013 (47,000 – 2,500) | 44,500 |

Plant

The plant held for sale should be shown separately and not be depreciated after 1 October 2012.

| | $'000 |
|---|---|
| Other plant | |
| Carrying amount at 1 April 2012 (94,500 – 24,500) | 70,000 |
| Plant held for sale (9,000 – 5,000) | (4,000) |
| | 66,000 |
| Depreciation for year ended 31 March 2013 (20% reducing balance) | (13,200) |
| Carrying amount at 31 March 2013 | 52,800 |
| Plant held for sale: | |
| At 1 April 2012 (from above) | 4,000 |
| Depreciation to date of reclassification (4,000 x 20% x 6/12) | (400) |
| Carrying amount at 1 October 2012 | 3,600 |
| Total depreciation of plant for year ended 31 March 2013 (13,200 + 400) | 13,600 |

As the fair value of the plant held for sale at 1 October 2012 is $4·2 million, it should continue to be carried at its (lower) carrying amount (and no longer depreciated).

(iii) Earnings per share

Theoretical ex-rights value:

| | Shares | $ | $ |
|---|---|---|---|
| Holding (say) | 100 | 2·00 | 200 |
| Rights taken up (1 for 4) | 25 | 1·20 | 30 |
| | 125 | | 230 |
| Theoretical ex-rights value | | 1·84 ($230/125 shares) | |

Weighted average number of shares:

| | | |
|---|---|---|
| 1 April 2012 to 30 June 2012 | 80 million x $2·00/$1·84 x 3/12 = | 21·7 million |
| 1 July 2012 to 31 March 2013 | 100 million x 9/12 = | 75·0 million |
| Weighted average for the year | | 96·7 million |

**3 (a) Monty – Statement of cash flows for the year ended 31 March 2013:**

**(Note: Figures in brackets are in $'000)**

| | $'000 | $'000 |
|---|---|---|
| Cash flows from operating activities: | | |
| Profit before tax | | 3,000 |
| Adjustments for: | | |
| depreciation of non-current assets | | 900 |
| amortisation of non-current assets | | 200 |
| finance costs | | 400 |
| decrease in inventories (3,800 – 3,300) | | 500 |
| increase in receivables (2,950 – 2,200) | | (750) |
| increase in payables (2,650 – 2,100) | | 550 |
| Cash generated from operations | | 4,800 |
| Finance costs paid | | (400) |
| Income tax paid (w (i)) | | (425) |
| Net cash from operating activities | | 3,975 |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment (w (ii)) | (700) | |
| Deferred development expenditure (1,000 + 200) | (1,200) | |
| Net cash used in investing activities | | (1,900) |
| Cash flows from financing activities: | | |
| Redemption of 8% loan notes (3,125 – 1,400) | (1,725) | |
| Repayment of finance lease obligations (w (iii)) | (1,050) | |
| Equity dividend paid (w (iv)) | (550) | |
| Net cash used in financing activities | | (3,325) |
| Net decrease in cash and cash equivalents | | (1,250) |
| Cash and cash equivalents at beginning of period | | 1,300 |
| Cash and cash equivalents at end of period | | 50 |

**Workings**

| | | $'000 |
|---|---|---|
| (i) | Income tax paid | |
| | Provision b/f – current | (725) |
| | – deferred | (800) |
| | Tax charge | (1,000) |
| | Transfer from revaluation reserve | (650) |
| | Provision c/f – current | 1,250 |
| | – deferred | 1,500 |
| | Balance – cash paid | (425) |
| (ii) | Property, plant and equipment | |
| | Balance b/f | 10,700 |
| | Revaluation | 2,000 |
| | New finance lease | 1,500 |
| | Depreciation | (900) |
| | Balance c/f | (14,000) |
| | Balance – cash purchases | (700) |
| (iii) | Finance leases | |
| | Balances b/f – current | (600) |
| | – non-current | (900) |
| | New finance lease | (1,500) |
| | Balances c/f – current | 750 |
| | – non-current | 1,200 |
| | Balance cash repayment | (1,050) |

(iv) Equity dividend

| | $'000 |
|---|---|
| Retained earnings b/f | 1,750 |
| Profit for the year | 2,000 |
| Retained earnings c/f | (3,200) |
| Balance – dividend paid | (550) |

**(b)** **Return on capital employed**

The most striking feature of Monty's performance is the increase in its ROCE; whilst this is 4·7% percentage points (21·4% – 16·7%), it represents an increase in return of 28·1% (4·7%/16·7% x 100) which is an excellent performance during a period of apparent expansion. Indeed, had Monty not revalued its property, the return would have been even higher. Looking at the component parts of the ROCE, it can be seen that most areas contributed to the improvement. Gross margins improved, meaning either selling prices increased or cost of sales were reduced, and although operating margins improved, this is mainly due to the follow through of the increased gross margins as operating overheads actually increased proportionally with revenue. There may be a correlation between the increase in operating cost and increase in sales, such as higher expenditure on advertising may have led to increased sales and higher gross margins. The other component of ROCE is asset utilisation; here again Monty has had some success increasing sales per $1 invested by 12·1% ((1·95 – 1·74)/1·74 x 100). Given the new investment in property, plant and equipment (including new finance leased assets that have not been operating for a full year), this is an excellent achievement and bodes well for future periods. Also, it seems likely that some of the improvement is due to the development project coming on stream and generating revenues (as it is being amortised). These factors have more than overcome the comparatively suppressing effect on ROCE due to the revaluation of the property.

**Gearing**

The capital structure changes of repaying $1,725,000 of the 8% loan less a net increase in finance lease obligations of $450,000 (1,950 – 1,500) have reduced debt by $1,275,000. This, coupled with an increase in equity of $2·8 million (albeit that nearly half of this came from the revaluation reserve of $1·35 million), has acted to reduce gearing markedly from 47·4% in 2012 to only 26·7% in 2013. Many shareholders may be comforted by a reduction in debt, however, debt is not necessarily a bad thing. Monty is borrowing at 8% (on the loan notes, the interest rate of the lease is unknown) yet earning an overall ROCE of 21·4%; this means shareholders are benefiting from the relatively cheap debt.

**Appendix**

**Note: References to 2013 should be taken as being to the year ended 31 March 2013 (similarly for references to 2012).**

**Calculation of ratios (figures in $'000):**

| | 2013 | 2012 |
|---|---|---|
| Return on capital employed (ROCE) | | |
| ((3,000 + 150 + 250)/(12,550 + 1,400 + 1,950) x 100) | 21·4% | 16·7% |
| Margins: | | |
| Gross profit margin (9,200/31,000 x 100) | 29·7% | 25·6% |
| Operating margin (3,400/31,000 x 100) | 11·0% | 9·6% |
| Utilisation: | | |
| Net asset turnover (31,000/15,900) | 1·95 times | 1·74 times |
| Gearing (debt/equity) (1,400 + 1,950/12,550) | 26·7% | 47·4% |

The figures for the calculation of 2013's ratios are given in brackets; the figures for 2012 are derived from the equivalent figures. Capital employed taken as equity + loan notes + finance lease obligations (current and non-current).

**4** **(a)** A discontinued operation is a component (see below) of an entity that has either already been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of business operations (or is part of a co-ordinated plan to dispose of such). It also applies to a subsidiary that is acquired specifically with a view to resale.

A component of an entity has operations and cash flows that are clearly distinguished for reporting purposes from those of the rest of an entity. It would normally be a cash generating unit (or a group of cash generating units) or a subsidiary.

This information is important to users of financial statements when they are forming an assessment of the likely future performance of an entity. For example, if a group made a large profit from one of its subsidiaries that it has recently sold (or will soon sell), this will have a material effect on any forecast of the group's future profit. This is because the profits from the subsidiary disposed of will no longer contribute to future group profit (though the re-investment of any sale proceeds from the disposal could). Also, the converse would be true where the disposal or closure of a loss-making subsidiary could improve future profitability.

**(b)** FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* has been criticised for the use of the term '*a separate major line of business or geographical area of business operations*' to identify a discontinued operation as it may mean different things to different people and lead to inconsistency (and thus a lack of comparability). Despite this, the disposal of hotels in country A would seem to represent a separate geographical location and should be treated as a discontinued operation, even though the group will continue to operate hotels in other countries. The example of country B is less conclusive. Some might argue that a change in the target market (to holiday and tourism) does represent a different 'line of business operations' that has a different pricing structure, operating costs (such as providing 'all-inclusive' holidays) and profit margins than that of business clients. Also, the refurbishment of the hotels would seem to indicate catering to a different market. Others may argue that this is simply adapting a product (as all companies have to do) and does not represent a change to a separate line of business.

**(c)** On its own, a board decision to close the factory is not sufficient to justify the creation of a provision under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*. However, by formulating a plan and informing interested parties (employees, customers and suppliers), this is likely to constitute a constructive obligation for a restructuring provision by raising a valid expectation of the closure.

The amounts that should be provided for at 31 March 2013 are:

**(workings in brackets are in $'000)**

| | $'000 | |
|---|---|---|
| – redundancy (200 employees x 5) | 1,000 | |
| – impairment loss on plant (2,200 – (500 – 50)) | 1,750 | (may be shown as a separate provision) |
| – onerous contract (lower amount) | 850 | |
| – penalty payments | 200 | |
| | 3,800 | |

The $3·8 million should be charged to the statement of profit or loss for the year ended 31 March 2013 and the same amount reported in the statement of financial position as at 31 March 2013 as a current liability/plant impairment (assuming all parts of the factory closure will be completed within the next 12 months).

The factory and the plant would be disclosed in the statement of financial position as non-current assets held for sale at the lower of their carrying amount (the factory) or fair value less cost to sell (the plant).

The $125,000 retraining costs cannot be provided for as they are part of future activities and the anticipated $1·2 million profit on the disposal of the factory cannot be recognised until it is realised.

**5 (a) (i)** An investment property is land or buildings (or a part thereof) held by the owner to generate rental income or for capital appreciation (or both) rather than for production or administrative use. It would also include property held under a finance lease and may include property under an operating lease, if used for the same purpose as other investment properties. Generally, non-investment properties generate cash flows in combination with other assets, whereas a property that meets the definition of an investment property means that it will generate cash flows that are largely independent of the other assets held by an entity and, in that sense, such properties do not form part of the entity's normal operations.

**(ii)** Superficially, the revaluation model and the fair value model sound very similar; both require properties to be valued at their fair value which is usually a market-based assessment (often by an independent valuer). However, any gain (or loss) over a previous valuation is taken to profit or loss if it relates to an investment property, whereas for an owner-occupied property, any gain is taken to a revaluation reserve (via other comprehensive income and the statement of changes in equity). A loss on the revaluation of an owner-occupied property is charged to profit or loss unless it has a previous surplus in the revaluation reserve which can be used to offset the loss until it is exhausted. A further difference is that owner-occupied property continues to be depreciated after revaluation, whereas investment properties are not depreciated.

**(b) Extracts from Speculate's financial statements for the year ended 31 March 2013**

**(workings in brackets in $'000)**

| | $'000 |
|---|---|
| **Statement of profit or loss and other comprehensive income** | |
| Depreciation of office building (A) (2,000/20 years x 6/12) | (50) |
| Gain on investment properties: A (2,340 – 2,300) | 40 |
| B (1,650 – 1,500) | 150 |
| Other comprehensive income (A see below) | 350 |
| **Statement of financial position** | |
| Non-current assets | |
| Investment properties (A and B) (2,340 + 1,650) | 3,990 |
| Equity | |
| Revaluation reserve (A) (2,300 – (2,000 – 50)) | 350 |

In Speculate's consolidated financial statements property B would be accounted for under FRS 16 *Property, Plant and Equipment* and be classified as owner-occupied. Further information is required to determine the depreciation charge.

**Fundamentals Level – Skills Module, Paper F7 (SGP)**
**Financial Reporting (Singapore)** **June 2013 Marking Scheme**

**This marking scheme is given as a guide in the context of the suggested answers. Scope is given to markers to award marks for alternative approaches to a question, including relevant comment, and where well-reasoned conclusions are provided. This is particularly the case for written answers where there may be more than one acceptable solution.**

| | | | | *Marks* |
|---|---|---|---|---|
| **1** | **(a)** | Statement of financial position: | | |
| | | property, plant and equipment | | 1½ |
| | | goodwill | | 5 |
| | | equity investments | | 1 |
| | | inventory | | 1 |
| | | receivables | | 1 |
| | | bank | | 1 |
| | | equity shares | | 2 |
| | | retained earnings | | 3½ |
| | | non-controlling interest | | 1½ |
| | | 10% loan notes | | 1 |
| | | trade payables | | 1 |
| | | bank overdraft | | ½ |
| | | | | 20 |
| | **(b)** | 1 mark per valid point | | 5 |
| | | | **Total for question** | **25** |

| | | | | | |
|---|---|---|---|---|---|
| **2** | **(a)** | **(i)** | Statement of profit or loss and other comprehensive income | | |
| | | | revenue | | 1 |
| | | | cost of sales | | 3 |
| | | | distribution costs | | ½ |
| | | | administrative expenses | | 1 |
| | | | finance costs | | 1 |
| | | | income tax | | 1½ |
| | | | other comprehensive income | | 1 |
| | | | | | 9 |
| | | **(ii)** | Statement of changes in equity | | |
| | | | balances b/f | | 1 |
| | | | rights issue | | 1 |
| | | | total comprehensive income | | 1 |
| | | | dividend paid | | 1 |
| | | | | | 4 |
| | | **(iii)** | Statement of financial position | | |
| | | | property, plant and equipment | | 2½ |
| | | | inventory | | 1 |
| | | | trade receivables | | ½ |
| | | | plant held for sale (at 3,600) | | 1 |
| | | | in substance loan | | 1 |
| | | | deferred tax | | 1 |
| | | | trade payables | | ½ |
| | | | current tax | | ½ |
| | | | directors' bonus | | ½ |
| | | | bank overdraft | | ½ |
| | | | | | 9 |
| | **(b)** | Basic earnings per share | | | |
| | | earnings per statement of comprehensive income | | | ½ |
| | | theoretical ex-rights value | | | 1 |
| | | calculation of weighted average number of shares | | | 1½ |
| | | | | | 3 |
| | | | | **Total for question** | **25** |

| | | | Marks |
|---|---|---|---|
| 3 | (a) | profit before tax | ½ |
| | | depreciation/amortisation | 1 |
| | | finance costs added back | ½ |
| | | working capital items (½ mark each) | 1½ |
| | | finance cost paid (outflow) | ½ |
| | | income tax paid | 2½ |
| | | purchase of property, plant and equipment | 2½ |
| | | deferred development expenditure | 1 |
| | | repayment of 8% loan notes | 1 |
| | | repayment of finance lease obligations | 2 |
| | | equity dividend paid | 1 |
| | | cash b/f | ½ |
| | | cash c/f | ½ |
| | | | 15 |
| | (b) | 1 mark per valid point (up to 4 marks for ratios) | 10 |
| | | **Total for question** | **25** |
| 4 | (a) | 1 mark per valid point | 5 |
| | (b) | operations in country A is a discontinued operation | 2 |
| | | discussion of issue for country B | 2 |
| | | | 4 |
| | (c) | information points to a constructive obligation | 1 |
| | | provide for redundancy | 1 |
| | | but not for retraining | 1 |
| | | impairment of plant 1,750 (cannot recognise/offset gain on property) | 1 |
| | | onerous contract – lower amount provided for | 1 |
| | | provide for penalty | 1 |
| | | | 6 |
| | | **Total for question** | **15** |
| 5 | (a) | **(i)** 1 mark per valid point | 3 |
| | | **(ii)** 1 mark per valid point | 2 |
| | | | 5 |
| | (b) | depreciation of property A for 6 months | 1 |
| | | gain on investment properties A and B | 1 |
| | | carrying amounts at 31 March 2013 | 1 |
| | | OCI/revaluation reserve at 31 March 2013 | 1 |
| | | property B classified as owner-occupied in consolidated financial statements | 1 |
| | | | 5 |
| | | **Total for question** | **10** |