
Answers

1 (a) Robby Consolidated Statement of Financial Position at 31 May 2012

	\$m
Assets	
Non-current assets:	
Property, plant and equipment (W8)	241.13
Goodwill (5 + 1) (W1 and W2)	6.00
Financial assets	29.00
Current assets (W9)	36.00
Total assets	312.13
Equity and Liabilities	
Ordinary shares	25.00
Other components of equity (W3)	2.00
Retained earnings (W3)	81.45
	108.45
Non-controlling interest (W4)	27.64
Total equity	136.09
Non-current liabilities including provision (W11)	94.84
Current liabilities (W10)	81.20
Total equity and liabilities	312.13

Working 1

Hail

	\$m
Fair value of consideration for 80% interest	50.00
Fair value of non-controlling interest	15.00
	65.00
Fair value of identifiable net assets acquired	(60.00)
Goodwill	5.00

On consolidation, there will be a reversal of the fair value adjustments to the investment held at fair value through profit and loss. Further, the dividend income on investment should be taken to profit or loss and not other comprehensive income. Therefore the adjustments required are:

Dr Other comprehensive income	5.00
Cr Investment in Hail	5.00
Dr Other comprehensive income	2.00
Cr Retained earnings	2.00

Working 2

Zinc

	\$m
Consideration: at 1 June 2009	2.00
at 1 June 2011	16.00
Increase in fair value to 31 May 2011	1.00
Investment in Zinc in Robby's financial statements	19.00
Increase in fair value of equity interest (5.00 – 2.00 – 1.00)	2.00
Fair value of consideration	21.00
Fair value of non-controlling interest	9.00
	30.00
Fair value of identifiable net assets	(26.00)
Increase in value	(3.00)
Goodwill	1.00

Retained earnings

Other components of equity

Working 4

Non-controlling interest

Working 5

Trade receivables

The correcting double entry is:

	\$m
DR Trade receivables	4.00
CR Secured borrowings	3.60
CR Retained earnings	0.40

Working 6

Impairment of PPE

Any impairment loss on a revalued asset is charged to other comprehensive income to the extent of the amount relating to that asset in the revaluation surplus and thereafter in profit or loss.

PPE	Depreciated historical cost \$m	Revalued carrying amount \$m
31 May 2011	9.00	9.00
Revaluation		2.00
Total	9.00	11.00
Depreciation to 31 May 2012	(0.50)	(0.61)
Balance 31 May 2012	8.50	10.39
Impairment loss	(0.70)	(2.59)
31 May 2012 after impairment loss	7.80	7.80

There will have been a transfer of \$0.11 (0.61 – 0.50) million from the revaluation surplus to retained earnings for the excess depreciation charged in the year so the remaining amount in the revaluation surplus is \$1.89m (2.00 – 0.11). \$1.89m of the impairment will be recognised in other comprehensive income and the remaining \$0.7m in profit or loss.

Working 7

Joint operation

SOFP	1 June 2011 \$m	Dismantling cost \$m	Depreciation \$m	Unwinding of discount \$m	31 May 2012 \$m
PPE	6	2 x 40%	(6.8 x 1/10)		6.12
Trade receivables					8
Trade payables (0.2 + 6.4)					6.6
Provision		0.8		0.04	0.84
Income statement					
Revenue (20.00 x 40%)					8
Cost of sales (16.00 x 40%)					(6.4)
Operating cost (0.50 x 40%)					(0.2)
Depreciation					(0.68)
Finance expense					(0.04)
Net profit					0.68

Working 8

Property, plant and equipment

	\$m	\$m
Robby	112.00	
Hail	60.00	
Zinc	26.00	
		198.00
Increase in value of land – Hail (60 – 20 – 16)		24.00
Increase in value of PPE – Zinc (26 – 10 – 15)		1.00
Further increase in value of PPE at acquisition		3.00
Less: increased depreciation (1 + 3)/5 x 6/12		(0.40)
Impairment loss		(2.59)
Joint operation (W7)		6.12
Land – option to repurchase		12.00
		241.13

The sale of land should not be recognised in the financial statements as the risks and rewards of ownership have not been transferred. The land can be repurchased at the sale price plus a premium, which represents effectively an interest payment. It is effectively manipulating the financial statements in order to show a better cash position. The land should be reinstated at its carrying amount before the transaction, so \$12 million, a current liability recognised of \$16 million and the profit on disposal of \$4 million that was recorded reversed.

Working 9

Current assets

	\$m	\$m
Robby	5.00	
Hail	7.00	
Zinc	12.00	
		24.00
Factoring trade receivables		4.00
Joint operation (W7)		8.00
		36.00

Working 10

Current liabilities

	\$m
Robby	47.00
Hail	6.00
Zinc	2.00
Secured borrowings	3.60
Joint operation (W7) (6.40 trade payable + 0.20 operating costs)	6.60
Land sale	16.00
	81.20

Working 11

Non-current liabilities

	\$m
Robby	53.00
Hail	20.00
Zinc	21.00
Joint operation (0.80 provision + unwinding of discount 0.04) (W7)	0.84
	94.84

- (b) (i) The basic rules for the derecognition model in HKFRS 9 *Financial Instruments* is to determine whether the asset under consideration for derecognition is:
- (i) an asset in its entirety, or
 - (ii) specifically identified cash flows from an asset (or a group of similar financial assets), or
 - (iii) a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets), or
 - (iv) a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for de-recognition has been determined, an assessment is made as to whether the asset should be derecognised. Derecognition is required if either:

- (i) the contractual rights to the cash flows from the financial asset have expired, or
- (ii) financial asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- (i) the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset;
- (ii) the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient);
- (iii) the entity has an obligation to remit those cash flows without material delay.

Once an entity has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded. If the entity has neither retained nor transferred substantially all of the risks and rewards of the asset, then the entity must assess whether it has relinquished control of the asset or not. If the entity does not control the asset then derecognition is appropriate; however, if the entity has retained control of the asset, then the entity continues to

recognise the asset to the extent to which it has a continuing involvement in the asset. Robby has transferred its rights to receive cash flows and its maximum exposure is to repay \$3.6 million. This is unlikely, but Robby has guaranteed that it will compensate the bank for all credit losses. Additionally, Robby receives the benefit of amounts received above \$3.6 million and therefore retains both the credit risk and late payment risk. Substantially, all the risks and rewards remain with Robby and therefore the receivables should still be recognised.

- (ii) Manipulation of financial statements often does not involve breaking rules, but the purpose of financial statements is to present a fair representation of the company's or group's position, and if the financial statements are misrepresented on purpose then this could be deemed unethical. The financial statements in this case are being manipulated to hide the fact that the group has liquidity problems. The Robby Group has severe problems with a current ratio of 0.44 (\$36m/\$81.2m) and a gearing ratio of 0.83 (\$53 + 20 + 21 + factored receivables 3.6 + land option 16 = 113.6/equity interest including NCI \$136.09m). The sale and repurchase of the land would make little difference to the overall position of the company, but would maybe stave off proceedings by the bank if the overdraft were eliminated. Robby has considerable PPE, which may be undervalued if the sale of the land is indicative of the value of all of the PPE.

Accountants have the responsibility to issue financial statements that do not mislead users as they assume that such professionals are acting in an ethical capacity, thus giving the financial statements credibility. Accountants should seek to promote or preserve the public interest. If the idea of a profession is to have any significance, then it must have the trust of users. Accountants should present financial statements that meet the qualitative characteristics set out in the Framework. Faithful representation and verifiability are two such concepts and it is critical that these concepts are applied in the preparation and disclosure of financial information.

- 2 (a) A lease is classified as a finance lease if it transfers substantially the entire risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form. Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

In this case the lease back of the building is for the major part of the building's economic life and the present value of the minimum lease payments amounts to all of the fair value of the leased asset. Therefore the lease should be recorded as a finance lease.

The building is derecognised at its carrying amount and then reinstated at its fair value with any disposal gain, in this instance \$1.5 million (\$5m – \$3.5m) being deferred over the new lease term. The building is depreciated over the shorter of the lease term and useful economic life, so 20 years. Finance lease accounting results in a liability being created, finance charge accruing at the implicit rate within the lease, in this case 7%, and the payment reducing the lease liability in arriving at the year-end balance. The associated double entry for the lease is as follows:

	\$000	\$000
Sale of building		
Dr cash	5,000	
Cr building		3,500
deferred income		1,500
Leased asset and liability		
Dr asset – finance lease	5,000	
Cr finance lease creditor		5,000
Deferred income release		
Dr deferred income	75	
Cr profit or loss		75
Depreciation of asset		
Dr depreciation	250	
Cr assets under finance lease		250
Rentals paid		
Dr interest	350	
finance lease creditor	91	
Cr cash		441

- (b) Under HKAS 19 *Employee Benefits*, the accounting procedures would be:

Recognition of actuarial gains and losses (remeasurements):

Actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in 'other comprehensive income' (OCI). Actuarial gains and losses cannot be deferred or recognised in profit or loss; this is likely to increase volatility in the statement of financial position and OCI. Remeasurements recognised in OCI cannot be recycled through profit or loss in subsequent periods. Thus William will not be able to spread these gains and losses over the remaining working life of the employees.

Recognition of past service cost:

Past-service costs are recognised in the period of a plan amendment; unvested benefits cannot be spread over a future-service period. The plan benefits which were enhanced on 1 June 2011 would have to be immediately recognised and the unvested benefits would not be spread over five years from that date. A curtailment occurs only when an entity reduces significantly the number of employees. Curtailment gains/losses are accounted for as past-service costs. Thus William will need to realise that any curtailment is only recognised in these circumstances and will result in immediate recognition of any gain or loss.

Measurement of pension expense:

Annual expense for a funded benefit plan will include net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability. The discount rate used is a high-quality corporate bond rate where there is a deep market in such bonds, and a government bond rate in other markets.

Presentation in the income statement:

The benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. This analysis can be in the income statement or in the notes.

- (c) Expenses in respect of cash-settled share-based payment transactions should be recognised over the period during which goods are received or services are rendered, and measured at the fair value of the liability. The fair value of the liability should be remeasured at each reporting date until settled. Changes in fair value are recognised in the statement of comprehensive income.

The credit entry in respect of a cash-settled share-based payment transaction is presented as a liability. The fair value of each share appreciation right (SAR) is made up of an intrinsic value and its time value. The time value reflects the fact that the holders of each SAR have the right to participate in future gains. At 31 May 2012, the expense will comprise any increase in the liability plus the cash paid based on the intrinsic value of the SAR.

Liability 31 May 2012 (10 x 500 x \$24)	\$120,000
Liability 31 May 2011 (17 x 500 x \$14)	(\$119,000)
Cash paid (7 x 500 x \$21)	\$73,500
Expense year ending 31 May 2012	\$74,500

Therefore the expense for the year is \$74,500 and the liability at the year end is \$120,000.

- (d) HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* describes contingent liabilities in two ways. Firstly, as reliably possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control, or secondly, as present obligations that are not recognised because: (a) it is not probable that an outflow of economic benefits will be required to settle the obligation; or (b) the amount cannot be measured reliably.

In Chrissy's financial statements contingent liabilities are not recognised but are disclosed and described in the notes to the financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote.

However, in a business combination, a contingent liability is recognised if it meets the definition of a liability and if it can be measured. The first type of contingent liability above under HKAS 37 is not recognised in a business combination. However, the second type of contingency is recognised whether or not it is probable that an outflow of economic benefits takes place but only if it can be measured reliably. This means William would recognise a liability of \$4 million in the consolidated accounts. Contingent liabilities are an exception to the recognition principle because of the reliable measurement criteria.

- 3 (a) The fair value model in HKAS 40 *Investment Property* defines fair value as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value should reflect market conditions at the date of the statement of financial position. The standard gives a considerable amount of guidance on determining fair value; in particular, that the best evidence of fair value is given by current prices on an active market for similar property in the same location and condition and subject to similar lease and other constraints. Therefore investment properties are not being valued in accordance with the best possible method. This means that goodwill recognised on the acquisition of an investment property through a business combination of real estate investment companies is different as compared to what it should be under HKFRS 3 *Business Combination* valuation principles. In reality, the fair value of both the property and the deferred tax liability are reflected in the purchase price of the business combination. The difference between this purchase price and the net assets recognised according to HKFRS 3, upon which deferred tax is based, is recognised as goodwill in the consolidated statement of financial position.

Ethan's methods for determining whether goodwill is impaired, and the amount it is impaired by, are not in accordance with HKAS 36 *Impairment of Assets*. The standard requires assets (or cash generating units (CGU) if not possible to conduct the review on an asset by asset basis) to be stated at the lower of carrying amount and recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is a post-tax valuation taking account of deferred taxes. According to HKAS 36, the deferred tax liability should be included in calculating the carrying amount of the CGU, since the transaction price also includes the effect of the deferred tax and the purchaser assumes the tax risk. Therefore, the impairment testing of goodwill should be based on recoverable amount, rather than on the relationship between the goodwill and the deferred tax liability as assessed by Ethan.

Ethan should disclose both the methodology by which the recoverable amount of the CGU, and therefore goodwill, is determined and the assumptions underlying that methodology under the requirements of HKAS 36. The standard requires Ethan to state the basis on which recoverable amount has been determined and to disclose the key assumptions on which it is based.

In accordance with HKAS 36, where impairment testing takes place, goodwill is allocated to each individual real estate investment identified as a cash-generating unit (CGU). Periodically, but at least annually, the recoverable amount of the CGU is compared with its carrying amount. If this comparison results in the carrying amount being greater than the recoverable amount, the impairment is first allocated to the goodwill. Any further difference is subsequently allocated against the value of the investment property.

The recognition of deferred tax assets on losses carried forward is not in accordance with HKAS 12 *Income Taxes*. Ethan is not able to provide convincing evidence to ensure that Ethan would be able to generate sufficient taxable profits against which the unused tax losses could be offset. Historically, Ethan's activities have generated either significant losses or very minimal profits; they have never produced large pre-tax profits. Therefore, in accordance with HKAS 12, there is a need to produce convincing evidence from Ethan that it would be able to generate future taxable profits equivalent to the value of the deferred tax asset recognised.

Any decision would be based mainly on the following:

- history of Ethan's pre-tax profits;
- previously published budget expectations and realised results in the past;
- Ethan's expectations for the next few years; and
- announcements of new contracts.

There have been substantial negative variances arising between Ethan's budgeted and realised results. Also, Ethan has announced that it would not achieve the expected profit, but rather would record a substantial loss. Additionally, there is no indication that the losses were not of a type that could clearly be attributed to external events that might not be expected to recur. Thus the deferred tax asset should not be recognised or at the very least reduced.

- (b) Normally debt issued to finance Ethan's investment properties would be accounted for using amortised cost model. However, Ethan may apply the fair value option in HKFRS 9 *Financial Instruments* as such application would eliminate or significantly reduce a measurement or recognition inconsistency between the debt liabilities and the investment properties to which they are related. The provision requires there to be a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The option is not restricted to financial assets and financial liabilities. The HKICPA concludes that accounting mismatches may occur in a wide variety of circumstances and that financial reporting is best served by providing entities with the opportunity of eliminating such mismatches where that results in more relevant information. Ethan supported the application of the fair value option with the argument that there is a specific financial correlation between the factors that form the basis of the measurement of the fair value of the investment properties and the related debt. Particular importance was placed on the role played by interest rates, although it is acknowledged that the value of investment properties will also depend, to some extent, on rent, location and maintenance and other factors. For some investment properties, however, the value of the properties will be dependent on the movement in interest rates.

Under HKFRS 9, entities with financial liabilities designated as FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. The movement in fair value due to other factors would be recognised within profit or loss. However, if presenting the change in fair value attributable to the credit risk of the liability in OCI would create or enlarge an accounting mismatch in profit or loss, all fair value movements are recognised in profit or loss. An entity is required to determine whether an accounting mismatch is created when the financial liability is first recognised, and this determination is not reassessed. The mismatch must arise due to an economic relationship between the financial liability and the associated asset that results in the liability's credit risk being offset by a change in the fair value of the asset. Financial liabilities that are required to be measured at FVTPL (as distinct from those that the entity has designated at FVTPL), including financial guarantees and loan commitments measured at FVTPL, have all fair value movement recognised in profit or loss. HKFRS 9 retains the flexibility that existed in HKFRS 7 *Financial Instruments: Disclosures* to determine the amount of fair value change that relates to changes in the credit risk of the liability.

- (c) Ethan's classification of the B shares as equity instruments does not comply with HKAS 32 *Financial Instruments: Presentation*. HKAS 32 paragraph 11, defines a financial liability to include, amongst others, any liability that includes a

contractual obligation to deliver cash or financial assets to another entity. The criteria for classification of a financial instrument as equity rather than liability are provided in HKAS 32 paragraph 16. This states that the instrument is an equity instrument rather than a financial liability if, and only if, the instrument does not include a contractual obligation either to deliver cash or another financial asset to the entity or to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to Ethan. HKAS 32 paragraph AG29 explains that when classifying a financial instrument in consolidated financial statements, an entity should consider all the terms and conditions agreed between members of a group and holders of the instrument, in determining whether the group as a whole has an obligation to deliver cash or another financial instrument in respect of the instrument or to settle it in a manner that results in classification as a liability. Therefore, since the operating subsidiary is obliged to pay an annual cumulative dividend on the B shares and does not have discretion over the distribution of such dividend, the shares held by Ethan's external shareholders should be classified as a financial liability in Ethan's consolidated financial statements and not non-controlling interest. The shares being held by Ethan will be eliminated on consolidation as intercompany.

- 4 (a) (i)** The existing guidance requires a provision to be recognised when: (a) it is probable that an obligation exists; (b) it is probable that an outflow of resources will be required to settle that obligation; and (c) the obligation can be measured reliably. The amount recognised as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount that an entity would rationally pay to settle the obligation at the balance sheet date or to transfer it to a third party. This guidance, when applied consistently, provides useful, predictive information about non-financial liabilities and the expected future cash flows, and is consistent with the recognition criteria in the Framework. Standard setters have initiated a project to replace HKAS 37 for three main reasons:
1. To address inconsistencies with other HKFRSs. HKAS 37 requires an entity to record an obligation as a liability only if it is probable (i.e. more than 50% likely) that the obligation will result in an outflow of cash or other resources from the entity. Other standards, such as HKFRS 3 *Business Combinations* and HKFRS 9 *Financial Instruments*, do not apply this 'probability of outflows' criterion to liabilities.
 2. To achieve global convergence of accounting standards. The IASB is seeking to eliminate differences between IFRSs and US generally accepted accounting principles (US GAAP). At present, IFRSs and US GAAP differ in how they treat the costs of restructuring a business.
 3. To improve measurement of liabilities in HKAS 37. The requirements for measuring liabilities are unclear. As a result, entities use different measures, making it difficult for analysts and investors to compare their financial statements. Two aspects are particularly unclear. HKAS 37 requires entities to measure liabilities at the 'best estimate' of the expenditure required to settle the obligation. In practice, there are different interpretations of what 'best estimate' means: the most likely outcome, the weighted average of all possible outcomes or even the minimum or maximum amount in the range of possible outcomes. It does not specify the costs that entities should include in the measurement of a liability. In practice, entities include different costs. Some entities include only incremental costs while others include all direct costs, plus indirect costs and overheads, or use the prices they would pay contractors to fulfil the obligation on their behalf.
- (ii)** The IASB has decided that the new IFRS will not include the 'probability of outflows' criterion. Instead, an entity should account for uncertainty about the amount and timing of outflows by using a measurement that reflects their expected value, i.e. the probability-weighted average of the outflows for the range of possible outcomes. Removal of this criterion focuses attention on the definition of a liability in the Framework, which is a present obligation of an entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Furthermore, the new IFRS will require an entity to record a liability for each individual cost of a restructuring only when the entity incurs that particular cost.
- The exposure draft proposes that the measurement should be the amount that the entity would rationally pay at the measurement date to be relieved of the liability. Normally, this amount would be an estimate of the present value of the resources required to fulfil the liability. It could also be the amount that the entity would pay to cancel or fulfil the obligation, whichever is the lowest. The estimate would take into account the expected outflows of resources, the time value of money and the risk that the actual outflows might ultimately differ from the expected outflows.
- If the liability is to pay cash to a counterparty (for example to settle a legal dispute), the outflows would be the expected cash payments plus any associated costs, such as legal fees. If the liability is to undertake a service, for example to decommission plant at a future date, the outflows would be the amounts that the entity estimates it would pay a contractor at the future date to undertake the service on its behalf. Obligations involving services are to be measured by reference to the price that a contractor would charge to undertake the service, irrespective of whether the entity is carrying out the work internally or externally.
- (b)** Under HKAS 37, a provision of \$105 million would be recognised since this is the estimate of the present obligation. There will be no profit or loss impact other than the adjustment of the present value of the obligation to reflect the time value of money by unwinding the discount.

Under the proposed approach there are a number of different outcomes:

- with no risk and probability adjustment, the initial liability would be recognised at \$129 million which is the present value of the resources required to fulfil the obligation based upon third-party prices. This means that in 10 years the provision would have unwound to \$180 million, the entity will spend \$150 million in decommission costs and a profit of \$30 million would be recognised. If there were no market for the dismantling of the platform, then Royan would recognise a liability by estimating the price that it would charge another party to carry out the service.
- With risk and probability being taken into account, then the expected value would be $(40\% \times \$129\text{m} + 60\% \times \$140\text{m})$, i.e. \$135.6m plus the risk adjustment of \$5 million, which totals \$140.6 million.
- \$105 million being the present value of the future cashflows discounted.

The ED suggests within paragraph 36B that the entity should take the lower of:

- (a) the present value of the resources required to fulfil the obligation, i.e. \$105 million;
- (b) the amount that the entity would have to pay to cancel the obligation, for which information is not available here; and
- (c) the amount that the entity would have to pay to transfer the obligation to a third party, i.e. \$140.6 million incorporating the administrative costs.

Therefore \$105 million should be provided.

The ED makes specific reference to provisions relating to services such as decommissioning where it suggests that the amount to transfer to a third party would be the required liability, so \$140.6 million would be provided.

	<i>Marks</i>
1 (a) Property, plant and equipment	6
Goodwill	6
NCI	4
Financial asset	1
Current asset	3
OCE	3
Retained earnings	6
Non-current liabilities	2
Current liabilities	4
	<hr/> 35
(b) (i) 1 mark per point up to max	9
(ii) Manipulation	2
Ethical discussion	4
	<hr/> 6
	50
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