## MOCK EXAMS ANSWER SCRIPT

Really well done. I love your have a go style at section B. Neat. Use of space. Well done.

Paper:

Date:

Q1. Great answer to Q1 – part a) Strong some errors, so best to review. I like your answer to part c) too but there was no answer to the ethics! Come on, have a go. ~~18~~ 30

Q3. A really good answer / attempt please review. 12

Q4 missing the FX part, see recent examiners article. 10 ~~9~~ ~~8~~

52

Q1a) (W1) Chan $\xrightarrow[70\%]{}$ Hg (NCI 30%)

$\xrightarrow[60\%]{}$ Zion (NCI 40%)

(W2) NA of Hg

| | Acq Date ('m) | YE ('m) | Different |
|---|---|---|---|
| Equity share | 40 | 40 | |
| OCE | 10 | 10 | |
| RE | 60 | 80 | |
| FVA - land | 10 | 10 | |
| | 120 | 140 | 20 |

correct

NCI = 20 x 30% = \$ 6

RE = 20 x 70% = \$ 14

(W3) Goodwill (GW)

| | \$('m) |
|---|---|
| Purchase Consideration | 98 |
| NCI ( 120 x 30% ) | 36 |
| NA at FV | (120) |
| GW at YE | 14 |

(W4) NCI

| | \$'m |
|---|---|
| Hg + O'bal | 36 |
| - post acq | 6 |
| Zion - O'bal | |
| - post acq | (5) |
| | 37 |

exdifferences missing

(W5) RE

| | $'m |
|---|---|
| Parent | 120 |
| Ng – post acq | 14 |
| Zion – post acq | (3) |
| Penalty (Note (v)) | (1) |
| Bonus | (5.4) |
| ~~Inter~~ UPR | (4) |
| | 120.6 |

best to show the working here please.

(W6) OCE

| | $'m |
|---|---|
| Parent | 30 |
| Exchange different – NA of Zion | (4) |
| Exchange loss – GW | (1) |
| | 25 |

? both should be 209.

(W7) NA of Zion

| | Acq Date (D'm) | Y6 (D'm) | Different |
|---|---|---|---|
| Equity share | 330 | 209 | |
| OCE | — | Nil | |
| RE | 220 | 249 | |
| FVA – land | (55) | (55) | |
| | 495 | 453 | (42) |

Exchange different

| | | | |
|---|---|---|---|
| O'bal | 495 ✓ | 10 | 49.5 |
| post acq | (42) | 9.8 | (4.3) |
| Exchange different – OCI – loss | | | (7.45) |
| c'bal | 453 | 12 | 37.75 |

right method well done.

NCI = (4.3 x 40%) + (7.45 x 40%) = 4.7. ✓
OCI = 7.45 x 60% = 4.47 ✓
RE = 4.3 x 60% = 2.58 ✓

right method.

(W8) Goodwill

| | (D'm) |
|---|---|
| Purchase Consideration [(37-4) X 10] | 330 |
| NCI (495 X 40%) | 198 |
| NA @ FV | (495) |
| GW @ YE | 33 |

Exchange different

| | (D'm) | Rate | ($'m) |
|---|---|---|---|
| O'b | 33 | 10 | 3.3 |
| Impairment loss | — | 9.8 | — |
| Exchange different - OCI - loss | | | (0.55) - 100% to parent |
| C'b | 33 | 12 | 2.75 |

Good.

(W9) Note (iii) PPE

| | D'm | Rate | $'m |
|---|---|---|---|
| Purchase building | 40m | 9.8 | 4 |
| Depreciation (4 X 1/20) | | | (0.2) |
| | | | 3.8 |
| Recoverable amount | | | 3.6 |
| Impairment loss | | | .2 |

DR OCI $.2m
CR PPE $.2m

well done

(W10) Note (v)
Cash

31/5/X8 $3m X 100 = $3m
30/11/X8 $3m X 90% = $2.7m
0.3m

Good.

DR RE $0.3
CR liability $0.3

(W11) Note (vi)

Consolidated SOFP

| | |
|---|---|
| Property, plant and equipment (250 + 120) | 370 |
| Zion (360 / 12) | 30 |
| Chan's post aq | 10 |
| Zion post aq | (25) |
| ~~impact~~ impairment loss | (2) |
| Goodwill (14 + 33) | 47 |
| Financial asset (3 + 5) | 8 |
| - Zion (143 / 12) | 12 |
| Current asset (22 + 17) | 39 |
| - Zion (120 / 12) | 12 |

? maths

| | |
|---|---|
| Equity share | 60 |
| NCI | 37 |
| RG | 1206 |
| OCE | 25 |

reference

no need to show total.

| | |
|---|---|
| Non current liability (90 + 5) | 95 |
| - Zion (46 / 12) | 4 |
| - LT loan | (10) |
| Current liability (110 + 7) | 117 |
| - Zion (72 / 12) | 6 |
| - Bonus | 54 |

✓

Q3 d) - These lease is a finance lease as the ownership has been transferred to the lessee. Then lessee had the annual payment lease as $2000.

- The lessee need to record the Non Current Asset at $5,710.

- Depreciation charge over the 4 years. 1/4 x $5,710 = $1,428.

- Liability is recorded at Fair Value and subsequently reduced by the portion which paying out.

good.

| Yr | O'bal | Interest (15%) | Cash | C'bal |
|---|---|---|---|---|
| 1 | 5,710 | 857 | 2,000 | 4,567 |
| 2 | 4567 | 685 | 2,000 | 3,252 |
| 3 | 3252 | 488 | 2,000 | 1,740 |
| 4 | 1740 | 261 | 2,000 | Nil |

not needed.

d. tax missing

c) - China had sold $2 million (Trade Receivable) to Easy Finance

DR Cash/Bank $1.8m
DR impairment credit loss $0.2m

CR Trade receivable $2m

- The $0.2m is of the administrative cost should be expensed after four months.

- $2m x 2% x 4 months = $0.16m
$0.01m x 4 months = $0.04m
$0.2m

- After four months, Easy finance sold back to China. The Trade Receivable should debit back of $2m

but this is really a loan so need to show substance

b) $500 - $600 = $100 (increase)

- This is a liability had been accounted at fair value through profit and loss.

- There are increase the liability by $100m and this would have to debit the liability

Creditworthiness reduction is showing the negative to China and this affected China. Its show china's is credit worthiness which ~~that~~ by using the entity assets to extend the credit.

- There are not have proper term to debit the creditworthiness. Since the bond had reduction the China's creditworthiness. The $100m should credit to the bond by increase the liability of China

I think you miss the point see answer

d) - IAS 40 Investment Property is the property that held to earn the rentals or for the capital appreciation or both.

- China has elected to measure the investment property at fair value. The basis of the fair value is from the replacement cost less wear and tear. Therefore, any change in the fair value must be ~~classified~~ recognised in profit and loss

- Two investment properties are rented to the subsidiary and associate. These two properties should treat different in the group account.

- Subsidiary is the entity ~~one~~ that control by the parent. In the group account the subsidiary and consolidate with the parent account.

- The investment which rented to associate should keep remain as the investment property whereas the investment property which rented to subsidiary should be transfer from investment property to IAS 16 PPE.

- IAS 16 PPE is define as an asset that have future economic benefit associated with the asset flows to the entity.

- Parent rented to the subsidiary will be eliminate the inter transaction. So the investment property should be classified as PPE ~~asset~~. The fair value at the date of rent are treat as the subsequent accounting for IAS 16 PPE

good answer

well done

Q4a: IFRS15 Revenue has been replaced IAS 18 Revenue and IAS 11 Construction Contract. The replacement is cause of some reason.

(i) One standard make it simpler and easier.
By depending the two old standard, the user sometimes might be face difficulty of which standard shall be apply. By having one standard and one accounting it make it simpler and easier for the user.

(ii) Easier to understand.
Having one revenue standard it will easier to understand by the user. and stakeholder.

(iii) Consistency
The old standard are inconsistence whereas by having the new standard IFRS15 Revenue. It make the assets and liability approach more consistent with other standard.

(iv) Convergence
The benefit of IFRS 15 Revenue is convergence as it is from a combine project with USA. Once its joint, the information will be benefit for user as the are easily to compare over the different accounting presented from different country.

(v) Less creative accounting
IFRS 15 Revenue is more clear state and this will minimize the creative accounting by recognize through the 5 step of IFRS Revenue, it is more reliable than the old stander.

The 5 step of measure of revenue

① Identify the contract with customer.
The contract can be from different different form but must be enforceable have commercial substance and approved by the parties involve.

② Identify the performance obligation in the contract
- identify the cost contract and seperate the goods and/or services in the contract. 1
- determine the performance obligation for the good/or services.

③ Determine the transaction price.
The revenue should be measure at fair value '

④ Allocate the transaction price to the performance obligation identify in step 2
- Allocate the transaction price by portion to the stand-alone selling price.

~~5~~ ⑤ recongnise the revenue

- Revenue recognised once the performance obligation is satisfied. which at a point in time when the control passed.

b) - USA has to recognised the revenue of the machinery immediately as the delivery, take place, and the legal title to the machine has been passes to the supplier.

- The contract with customer is exit, USA has a contract agreement with the supplier it show enforceable and have commercial substance. It also approved between USA and the customer.

✓ - The performance obligation is related to the next order by the customer. If customer place similar large order the price charged will be reduce by 10%.

very good. - There must be determine the fair value of the machine's transaction price. The first payment and the balance spread over next two years must be take in the time value of money.

- The revenue must be recognised in the current accounting period and the receivable which the payment not make immediately but over the two year times.

✓

Q4c) The volatility of the foreign exchange is obviously affects the entities that engage in foreign currency transaction.

- The market environment is becoming more and more complex. This could rise the market risk

Q1 c) ~~Financial lease is the lease that have transfer the risk and reward to the lessee. In this scenario, Chan had rented the property~~

- The alterations cost of \$7m should be capitalised and depreciate over the useful life which is the remaining eight years

- The restoration cost also need to capitalised to the asset and depreciate over the eight years useful life.

- The restoration cost need be capitalise at present value ( 5m x 1/1.08⁸ ) \$2.7m

- Operating lease the lease that other than a finance lease

well done.