Time allowed: 3 hours
This examination is divided into three sections:

**Section A**
- 15 objective test (OT) questions, each worth 2 marks
- 30 marks in total

**Section B**
- Three OT cases, containing a scenario which relates to five OT questions, each worth 2 marks
- 30 marks in total

**Section C**
- Two constructed response questions, each containing a scenario which relates to one or more requirement(s)
- Each constructed response question is worth 20 marks in total
- 40 marks in total

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Section A

This section of the exam contains 15 objective test (OT) questions. Each question is worth 2 marks and is compulsory. This exam section is worth 30 marks in total.

1. At 31 October 20X6, the non-current assets of Nium Co had a carrying amount of $754,860 and a tax base of $543,875. At 31 October 20X5, the company’s provision for deferred tax was $39,853. The tax rate is 20%.

What amount should be reported in Nium Co’s statement of profit or loss for the year to 31 October 20X6 for deferred tax?

Select...
- $2,344 credit
- $2,344 charge
- $42,197 credit
- $42,197 charge

2. Which of the following statements regarding historical cost accounting are correct?

(1) Holding gains on assets are never recognised
(2) Inflation can be ignored when comparing financial performance between different time periods
(3) Market values are reported for non-current assets

○ 1 only
○ 2 only
○ 1 and 2
○ 2 and 3

3. A company has $500,000 issued share capital of $0.50 equity shares. The following events occurred in the financial year ended 31 December 20X6:

(1) On 31 March, paid a final dividend of $0.10 a share that had been proposed on 31 December 20X5.
(2) On 31 July, paid an interim dividend of $0.05 a share.
(3) On 31 December, proposed a final dividend of $0.12 a share.

What amount for dividends should be included in the statement of changes in equity for the year ended 31 December 20X6?

$000

4. According to IAS® 8 Accounting Policies, Changes in Accounting Estimates and Errors, which of the following would require a prior period adjustment in a company’s financial statements for the year ended 31 October 20X6?

- Inventory as at 31 October 20X4 had been materially overvalued due to double counting of some inventory in a warehouse
- The straight-line method of depreciation applied to vehicles up to 31 October 20X5 was changed to reducing balance method from 1 November 20X5
- The non-controlling interest in a subsidiary acquired on 1 June 20X5 has been measured at fair value. Non-controlling interests in all other subsidiaries are measured at their share of identifiable net assets
- A business segment sells kitchen units to customers. From 1 April 20X6, the segment also offers a kitchen fitting service to customers
## Section A

1. **2,344 charge**

   **WORKING**

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount</td>
<td>754,860</td>
</tr>
<tr>
<td>Tax base</td>
<td>543,875</td>
</tr>
<tr>
<td>Taxable temporary difference</td>
<td>210,985</td>
</tr>
<tr>
<td>Provision required at 20%</td>
<td>42,197</td>
</tr>
<tr>
<td>Brought forward</td>
<td>39,853</td>
</tr>
<tr>
<td>Increase (i.e. charge)</td>
<td>2,344</td>
</tr>
</tbody>
</table>

2. **O 1 only**

   **Tutorial note:** Holding gains on assets are never recognised, therefore (1) is correct. Inflation should be considered when comparing different time periods and market values are not reported for non-current assets, therefore statements (2) and (3) are incorrect.

3. **$ 150,000**

   **Tutorial note:** Dividends are accounted for only when declared for payment, not when they are merely proposed (as this does not give rise to a liability). The statement of changes in equity will therefore include dividends declared and paid in the year.

   **WORKING**

   There are 500,000/$0.50 = 1 million shares in issue.

<table>
<thead>
<tr>
<th>Description</th>
<th>$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>20X5 Final dividend (1m × 0.1)</td>
<td>100</td>
</tr>
<tr>
<td>20X6 Interim dividend (1m × 0.05)</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>150</td>
</tr>
</tbody>
</table>

4. **O Inventory as at 31 October 20X4 had been materially overvalued due to double counting of some inventory in a warehouse**

   **Tutorial note:** The error in the count is a prior period error, which must be corrected retrospectively (i.e. as a prior period adjustment). The change in depreciation is a change in accounting estimate, which is recognised prospectively. IFRS 3 Business Combinations allows an entity to choose either method for each subsidiary, so there is no change in policy or error in the measurement of NCI. The new source of revenue from 1 April will require a new accounting policy, not a change in an existing policy.