

December 1, 2016

MULTIPLE CHOICE (60%)

1.	B
2.	A
3.	A
4.	D
5.	A
6.	A
7.	B
8.	B
9.	D
10.	D
11.	A
12.	B
13.	A
14.	B
15.	B
16.	A
17.	D
18.	D
19.	B
20.	C

21.	B
22.	D
23.	C
24.	C
25.	A
26.	B
27.	B
28.	D
29.	C
30.	B
31.	B
32.	B
33.	B
34.	B
35.	A
36.	A
37.	A
38.	D
39.	D
40.	C

Question I (15%)

Calculate the transaction price for this transaction?

Solution: $(\$900,000 \times .65) + (\$890,000 \times .25) +$
 $(\$880,000 \times .05) + (\$870,000 \times .05) = \$895,000$

Question II (25%)

Required:

(a) Prepare the consolidated income statement and consolidated statement of changes in equity of Alpha for the year ended 30 September 2005. Notes to the consolidated income statement are not required.

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a) 1. Consolidated income statement for the year ended 30 September 2005

\$'000		
Revenue	(W1)	241,200
Cost of sales (balancing figure)		(176,068)

Gross profit (W2)		65,132
Distribution costs	$(7,000 + 6,000 + (6,000 \times 35\% \times 4/12))$	(13,700)
Administrative expenses	$(8,000 + 7,000 + (7,200 \times 35\% \times 4/12))$	(15,840)

Operating profit		35,592
Investment income (W3)		1,000
Finance cost	(W4)	(6,890)

Profit before tax		29,702
Income tax expense	$(7,000 + 1,800 + (3,600 \times 35\% \times 4/12))$	(9,220)
Profit for the period		20,482

Attributable to		
Minority interest	$(4,200 \times 20\%)$	840
Alpha shareholders (balance)		19,642
Net profit for the period		20,482

2. Consolidated statement of changes in equity for the year ended 30 September 2005

		Parent	Minority	Total
		\$'000	\$'000	\$'000
Balance at 1 October 2004	(W5)	194,400	18,200	212,600
Net profit for the period		19,642	840	20,482
Dividends		(6,500)	(500)	(7,000)
Balance at 30 September 2005		207,542	18,540	226,082

Working 1 – revenue

		\$'000
Alpha + Beta		250,000
Gamma	$(96,000 \times 35\% \times 4/12)$	11,200
Sales from Alpha–Beta		(20,000)
		241,200

Working 2 – gross profit

		\$'000
Alpha + Beta		62,000
Gamma	$(30,000 \times 35\% \times 4/12)$	3,500
Unrealised profit adjustments (Beta)	$(1/5(3,000 - 2,000))$	(200)

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Fair value adjustment (Gamma)	(7,200 x 1/5 x 35% x 4/12)	(168)
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Working 3 – investment income

		\$'000
As per Alpha income statement		6,280
Intra-group dividends received:		
– Beta	(80% x 2,500)	(2,000)
– Gamma	(35% x 4,800)	(1,680)
Intra-group interest receivable	(8% x 20,000)	(1,600)
Residue in consolidated income statement		1,000

Working 4 – finance cost

			\$'000
Alpha + Beta			8,000
Gamma		(35% x 4,200 x 4/12)	490
Intra-group interest payable	(W4)		(1,600)
			6,890

Working 5 – consolidated equity at 1 January 2005

		\$'000
Alpha		122,000
Beta	(80% x 91,000)	72,800
Unrealised profit on opening inventory	(1/5 x 2,000)	(400)
		194,400