A - Multiple choice questions: (20 points)

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

B – True or False: (10 points)

1. F
2. T
3. F
4. T
5. T
6. T
7. T
8. T
9. F
10. T

C – Exercise: (10 points)

Component	Amount (USD 000)	Reason
Purchase of the site	10,000	Costs include costs of purchase
Dismantling costs	500	Site preparation costs a direct cost of getting the asset ready for use

Materials	6,000	All used in constructing the factory
Employment costs	1,600	Allowed to include employment costs in the construction period so 8/9 x 1,800 included
Production overheads	1,000	Production overheads a direct cost of getting the asset ready for use but must exclude abnormal element
Administrative overheads	Nil	Only direct costs allowed to be capitalized
Architects fees	400	Architects fees a direct cost of getting the asset ready for use
Relocation costs	Nil	Specifically disallowed by PPE standard
Costs of opening the factory	Nil	Specifically disallowed by PPE standard
	---------------	
Total before capitalized interest	19,500	
Capitalized interest	800	Borrowing costs standard requires capitalization of interest **for the period of construction** (12,000 x 10% x 8/12)

Total cost of factory	20,300	

D- Exercise: (8 points)

The expected value of the cost of repairs is:
(75% × 0) + (20% × 100,000) + (5% × 400,000) = USD 40,000

E – Exercise: (12 points)

For each of the items, ask whether this involves a change to:
• Recognition
• Presentation
• Measurement basis

If the answer to any of these is yes, the change is a change in accounting policy.
A This is a change in presentation and therefore, a change in accounting policy.
B This is a change in measurement basis and therefore a change in accounting policy.
C This is a change in estimation technique only.

F – Exercise: (10 points)

For XYZ Co, the thresholds are as follows.

- Combined revenue is $2,020m, so 10% is $202m.
- Combined reported profit is $330m, so 10% is $33m.
- Combined reported loss is $20m, so 10% is $2m.
- Total assets are $6,200m, so 10% is $620m.

The **Asia Pacific segment** meets the criteria. Its combined revenue is $604m, its reported profit is $120m and its assets are $1,600m, all of which are greater than the 10% thresholds for each category.

The **European segment** also meets the criteria. Its reported revenue, at $406m, is greater than 10% of combined revenue. Remember that only one of the quantitative tests must be satisfied in order for a segment to be reportable.

IFRS 8 requires further that at least 75% of total external revenue must be reported by operating segments. Currently, only 50% is so reported.

Additional operating segments (the 'other regions') must be identified until this 75% threshold is reached.

IFRS 8 may result in a change to the way XYZ's operating segments are reported, depending on how segments were previously identified.

G – Exercise: (30 points)

Consolidated statement of financial position as at 30 September 2023	$
Assets	
Non-current assets	
Tangible assets (697,210 + 648,010)	1,345,220
Interest in associated undertaking (W6)	270,800
	1,616,020
Current assets	
Inventory (495,165 + 388,619)	883,784
Receivables (385,717 + 320,540 + 6,000)	712,257
Cash at bank and in hand (101,274 + 95,010)	196,284
	1,792,325
Total assets	**3,408,345**
Equity and liabilities	
Share capital	600,000
Retained earnings (note 2)	1,355,800
	1,955,800

Non-controlling interest	204,000
	2,159,800
Non-current liabilities	
Loan notes (400,000 + 150,000)	550,000
Current liabilities	
Trade payables (375,366 + 252,179) (note 1)	627,545
Dividends payable - parent company	65,000
- non-controlling interest	6,000
	698,545
Total equity and liabilities	**3,408,345**

Notes to the accounts

(1) Payables

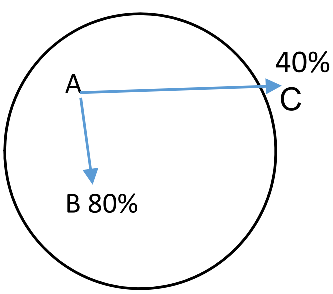
$	
Trade payables	609,545
Amounts owed to associated undertakings	18,000
	627,545

(2) Retained earnings

Of the $1,355,800, $86,800 has been retained by the associated undertaking

WORKINGS

(1) Group structure



Net assets

B

		End of the reporting period	*Acquisition*	*Post - acquisition*
			$	$
Original share capital		200,000	200,000	
Bonus issue		200,000	200,000	
		400,000	----	
Retained earnings	850,000		500,000	
Bonus issue	200,000		(200,000)	
Dividends payable	(30,000)			
		620,000	_______	320,000
		1,020,000	700,000	320,000

Net assets

C

	End of the reporting period		Acquisition	Post - acquisition
			$	$
Share capital		200,000	200,000	---
Retained earnings	478,000			
Less: dividends payable	(15,000)			
Unrealized profit on inventory	(4,000)			
		459,000	242,000	217,000
		659,000	442,000	217,000

(3) Goodwill

B

	$
Cost of shares	562,000
Share of net assets acquired (80% x 700,000) (W2)	(560,000)
	2,000

All written off to retained earnings as value impaired

As the recoverable amount exceeds the carrying amount of the investment there will be no impairment of the investment in associate C

(4) Non-controlling interest

	$
Share of net assets (20% x 1,020,000) (W2)	204,000

(5) Retained earnings

	$	$
A		1,050,000
Add Dividends receivable - B (80% x 30,000)	24,000	
- C (40% x 15,000)	6,000	
		30,000
B post-acquisition (80% x 320,000 (W2))		256,000
C post-acquisition (40% x 217,000 (W2))		86,800
Less Dividends payable		(65,000)
Goodwill written off - B		(2,000)
		1,355,800

(6) Interest in associated undertaking

	$
Cost of investment	184,000
C post acquisition (40% x 217,000 (W2))	86,800
	270,800