

## Financial Reporting (FR) Practice and Revision Kit

Editions 01/2018 and 01/2019

### Q81

The question information should read:

Broom Co successfully receives a government grant of \$1,500,000 on 1 January 20X5 allowing it to purchase **an asset which also costs \$1,500,000.**

### Q107 Fresco

The workings give the correct answer, and the options give the correct answer, however the answer in the back states the incorrect answer. The correct answer is B, \$4,097,940.

### Q113 Pennyroyal

Option D answer should read \$1,491,100.

### Q117

The answer should read:

Aston Co – provision (there is a constructive obligation as it is the policy of the company to clean up environmental issues)

Brum Co – provision (onerous contract)

Coleshill Co – provision (communication of the plan externally)

Dudley Co – provision (based on the machine having to be overhauled in order to remain economically viable. The provision can be capitalised and the discount unwound over the period prior to the provision, in this case, three years.)

### Q134

The question asks for the tax liability; however, the correct question would be to ask for the income tax amount in the profit or loss.

### Q226 Harban Co

On 1 October 20X6 Harbin Co purchased the whole of the net assets of Fatima Co (previously a privately-owned entity) for \$100 million, financed by the issue of **\$100 million** 8% loan notes.

### Q288/Q300 Prodigal Co

The calculation of goodwill is incorrect as the total retained earnings should be \$158,300.

	\$'000	\$'000
Consideration $((160,000 \times 75\%) \times 2/3) \times \$4$		320,000
Fair value of non-controlling interest (per part (iv))		<u>100,000</u>
		420,000
Fair value of net assets:		
Shares	160,000	
Other equity reserve $(2,200 - (400 \times 6/12)^*$	2,000	
Retained earnings $(125,000 + (66,600 \times 6/12))$	<u>158,300</u>	
		<u>(320,300)</u>
Goodwill		<u>99,700</u>

### Q236 Crash Co

"Bang Co also has an internally developed customer list which has been independently valued at \$90,000 and is in addition to the retained earnings figure."

### Q245 Spider and Fly loan

The correct answer should read as follows:

C: The group reserves will decrease by \$160,000.

### Q306 Party Co

The information in the notes for part (ii) should read:

On 1 October 20X4, the fair values of Streamer Co's net assets were equal to their carrying amounts with the exception of some inventory which had cost \$3 million but had a fair value of \$3.6 million. On 30 September 20X5, 10% of these goods remained in the inventories of Streamer Co.

### Q307/309 Xtol Co

The question information should also state the following:

'Buildings are depreciated over 20 years, which is equivalent to their lease term.'

### Q308 Dexon Co

Working 6 should be as follows

Revaluation surplus	\$'000
B/f	18,000
Surplus re land and buildings	<u>6,000</u>
	24,000
Deferred tax provision $(6,000 \times 20\%)$	<u>(1,200)</u>
Net surplus	<u>24,800</u>

## Mock 1

- 3 On 1 October 20X4, Flash Co acquired an item of plant under a five-year lease agreement. Under the terms of the agreement, an immediate deposit of \$2 million is payable on inception of the lease and the present value of future lease payments at that date have been calculated as \$25,272,000. Annual rentals of \$6 million are payable on 30 September each year for five years. The agreement had an implicit rate of interest of 5% per annum.

What is the current liability for the leased plant in Flash Co's statement of financial position as at 30 September 20X5?

\$

### Revised answer

- 3 \$4,973,220

Year	Opening (\$)	Interest @ 5% (\$)	Payment (\$)	Closing (\$)
30 Sept X5	25,272,000	1,263,600	(6,000,000)	20,535,600
30 Sept X6	20,535,600	1,026,780	(6,000,000)	15,562,380
			Current	4,973,220

## Mock 2

- 14 Question should ask:

What is the total equity attributable to the shareholders of the parent which should appear in Anita Co's consolidated statement of financial position as at 30 September 20X7?