

## Financial Reporting (FR) Study Text

Editions 01/2018 and 01/2019

### Chapter 9, p.169/170

There is an error in the calculation of Working 1: Profit on the disposal of Hoof.

The NCI calculation of  $1,080 \times 20\%$  should be \$216,000. This will also affect Working 3 and give the final retained earnings carried forward for Horse of \$1,448,000 as shown below in the revised workings.

#### Working 1: Profit on disposal of Hoof Co

	\$'000	\$'000
Fair value of consideration received		1,300
Less: fair value of net assets of subsidiary at date of disposal		
Net assets (360 + 720)	1,080	
Goodwill (W3)	88	
Less; non-controlling interests ( $1,080 \times 20\%$ )	(216)	
		(952)
		<u>348</u>

#### Working 3: Retained earnings carried forward

	Horse \$'000	Hoof \$'000
Per question/date of disposal	812	720
Add group gain on disposal (W1)	348	–
Reserves at acquisition	–	<u>(360)</u>
		<u>360</u>
Share of post-acq'n reserves up to the disposal (80% × 360)	<u>288</u>	
	<u>1,448</u>	

### Study Text: Practice Question Bank

#### Q24 Bulwell Aggregates Co

The question should also have the following added to the information provided about the lorries:

"The scrap value of the lorries after four years is expected to be \$4,000."

The answer will therefore be amended to:

Depreciation on the Right of Use asset will be calculated as  $\frac{\$54,000 - \$4,000}{4 \text{ years}} = \$12,500 \text{ pa}$

Note: The depreciation is calculated over four years (useful life) not three years (lease term) because the company obtains ownership of the asset at the end of the lease term.