

Strategic Business Reporting: Workbook

For exams in September 2020, December 2020, March 2021 and June 2021

Chapter 10, illustration 2 on page 223 - 224

The profit or loss expense for the years to 31 December 20X3 and 20X4 were incorrect. The corrected amounts are highlighted below.

| | \$ |
|---|------------------|
| <i>Year ended 31 December 20X3</i> | |
| Liability b/d | 413,333 |
| ∴ Profit or loss expense | 272,127 |
| Less cash paid on exercise of SARs by employees (150 × 100 × \$15.00) | <u>(225,000)</u> |
| Liability c/d ((500 – 35 – 40 – 22 – 150) × 100 × \$18.20) | <u>460,460</u> |

| | \$ |
|---|------------------|
| <i>Year ended 31 December 20X4</i> | |
| Liability b/d | 460,460 |
| ∴ Profit or loss expense | 61,360 |
| Less cash paid on exercise of SARs by employees (140 × 100 × \$20.00) | <u>(280,000)</u> |
| Liability c/d ((500 – 35 – 40 – 22 – 150 – 140) × 100 × \$21.40) | <u>241,820</u> |

Chapter 12 - Chapter summary diagram

The diagram contained errors. A corrected version of the diagram is given in Appendix 1 below.

Further question practice bank

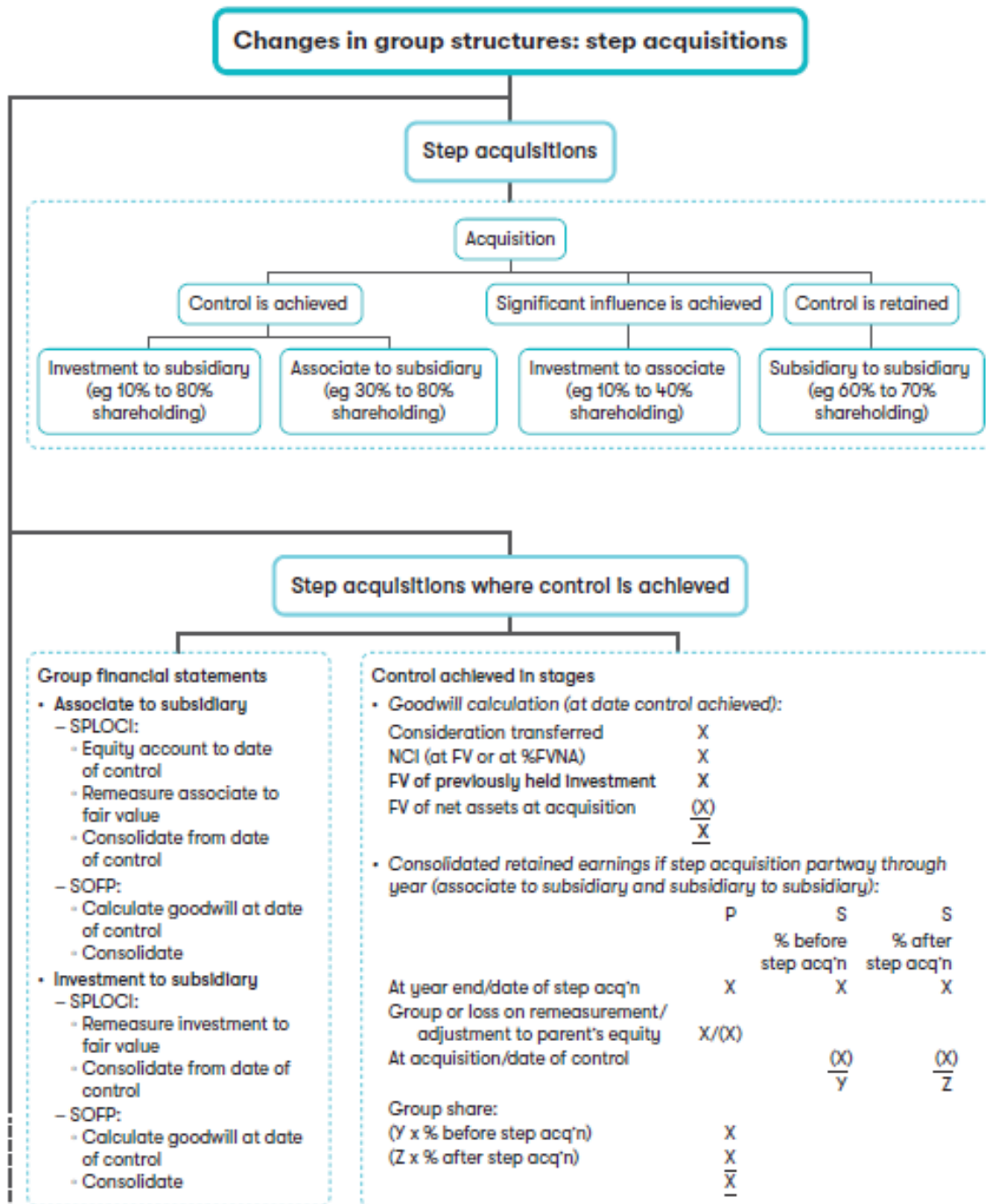
Q14 Kesare Group

The requirement is missing from part (b):

Calculate the deferred tax liability at 30 June 20X6 after any necessary adjustments to the financial statements showing how the deferred tax liability would be dealt with in the financial statements. (Assume that any adjustments do not affect current tax. You should briefly discuss the adjustments required to calculate deferred tax liability.)

APPENDIX 1

Chapter 12 - Chapter summary diagram



Step acquisitions where significant influence is achieved

- Group financial statements – Investment to associate
- SPLOCI:
 - Equity account from date of significant influence
 - SOFP:
 - Equity account (original investment is treated as part of cost of associate measured either at cost or fair value)

Step acquisitions where control is retained

- Group financial statements – Subsidiary to subsidiary
- SPLOCI:
 - Consolidate results for whole period
 - Time apportion NCI
 - SOFP:
 - Consolidate
 - Record decrease in NCI
 - Calculate and record adjustment to equity (in parent's column in consolidated retained earnings working)

NCI (SOFP)

| | |
|--|----------|
| NCI at acquisition (date of control) | X |
| NCI share of post acq'n reserves to date of step acquisition | <u>X</u> |
| NCI at date of step acquisition | X |
| Decrease in NCI * | (X) |
| NCI after step acquisition | X |
| <i>Next 2 lines only required if step acquisition is partway through year:</i> | |
| NCI share of post-acq'n reserves | |
| From date of step acquisition to year end | <u>X</u> |
| NCI at year end | <u>X</u> |

Adjustment to equity

| | |
|--------------------------|--------------|
| FV of consideration paid | (X) |
| Decrease in NCI * | <u>X</u> |
| Adjustment to equity | <u>(X)/X</u> |

* NCI at date of step acquisition × $\frac{\% \text{ purchased}}{\text{NCI \% before step acq'n}}$