

F2: Coursebook

Chapter 2 – Cost of long-term funds

- Page 30. The formula provided for K_e should include the definition of P_0 : P_0 = price at time 0 and should be written as follows:

$$K_e = \frac{D_1}{P_0} + g$$

Where:

K_e = cost of equity

D_1 = dividend to be paid in one year's time, calculated as $D_0(1 + g)$

D_0 = current dividend

g = constant rate of growth in dividends (expressed as decimal not as percentage eg 0.06 not 6%)

P_0 = price at time 0

- Page 37. In the formula provided for IRR, the denominator should say NPVL – NPVH, ie the L is missing:

$$IRR = L + \left[\frac{NPVL}{NPVL - NPVH} (H - L) \right]$$

- Page 53. Answer to Activity 7.

Step 2. The second row in the table should say 'discount factor at 10%'

Step 3 should include the following:

$$IRR = 5\% + \left[\frac{8.36}{8.36 - -11.08} (10 - 5) \right] = 7.2\%$$

Chapter 6 – Financial instruments

- Page 159. Answer to Activity 6. The correct answer is:

B Dr Investment \$840, Cr \$840 Profit or loss

The financial asset in the activity is classified as FVTPL and so the initial transaction costs should be expensed, not capitalised. The correct working is:

<i>Working: Carrying amount of investment</i>	\$
Fair value at 31 December 20X0 (12,000 shares x \$1.32)	15,840
Initial measurement at 1 July 20X0 (12,000 shares x \$1.25)	<u>15,000</u>
Remeasurement gain	<u>840</u>

Chapter 9 – Consolidated statement of financial position

- Page 215. Section 3.4. The second column of the table should say:
Joint control 20% to 50%
Significant influence 20% to 50%
- Page 226. Activity 3. The following sentence incorrectly said 20X4, when it should have said 20X3:
On 31 December 20X3, goodwill in LM was found to be impaired by \$400,000.
- Page 233. Activity 3. The SOFP should say:

	UV	XY
	\$'000	\$'000
Investment in XY (at cost)	6,000	-

Chapter 10 – Consolidated statement of financial position II

- Page 254. Section 2.4.1. double entry for goods in transit.
The double entry should be:
DEBIT Inventories
CREDIT Intra-group payables
- Page 255. Activity 1
The second column of numbers in the table relates to CD and should be labelled 'CD'.
- Page 278. Answer to Activity 1.

The answer to trade payables is wrong, it should be \$158,000, not \$155,000.

The corrected working is as follows:

<i>Trade payables</i>	\$'000
AB	115
CD (50 + 3 goods in transit)	53
Less intra-group payable (7 per question + 3 goods in transit)	<u>(10)</u>
	<u>158</u>

- Page 259. Activity 2
The answer to part 2 of the question (\$10,000) should not be printed in the activity.

Chapter 11 – Consolidated statement of profit or loss and other comprehensive income

- Page 306. Activity 6. The following information is missing from the question:

On 14 December 20X5, PL sold inventories to SF at a transfer price of \$200,000, which included a profit on transfer of \$30,000. Half of these inventories had been sold by SF by the year end.

Chapter 12 – Associates and joint arrangements

1. Page 323. Section 4.3.2.

The working should say 'Less impairment losses on investment in associate to date'

Chapter 13 – Foreign transactions and foreign subsidiaries.

1. Page 381. Solution to Activity 7

The exchange loss on goodwill was incorrectly included in the calculation of exchange differences in the year as A\$250,000, and the exchange gain therefore incorrectly calculated as A\$625. The corrections are highlighted below.

Exchange differences in the year

<i>On translation of net assets</i>	A\$'000
Closing net assets at closing rate $([B\$7,000,000 + B\$900,000]/4.0)$	1,975
Less opening net assets at opening rate $(B\$7,000,000/5.0)$	<u>(1,400)</u>
	575
Less total comprehensive income as translated $(B\$900,000/4.5)$	<u>(200)</u>
	375
<i>On goodwill (working)</i>	<u>50</u>
Exchange gain to recognise in other comprehensive income	<u>425</u>

Chapter 14 – Consolidated statement of changes in equity

1. Activities 2–6. The answer box should appear as follows:

\$'000

2. Solutions to activities 2–6. The answers should be presented in \$'000s.
3. Page 392. Activity 2. The question should say:
At that date, CD had net assets of \$2.5 million.
4. Activity 3. The summarised statements of changes in equity as printed is incorrect. It should be as follows:

	EF	GH
	\$'000	\$'000
Equity at 1 April 20X8	6,000	4,000
Total comprehensive income for the year	<u>700</u>	<u>400</u>
Equity at 31 March 20X9	<u>6,700</u>	<u>4,400</u>

Chapter 15 – Consolidated statement of cash flows

1. Activities 1, 2, 3, 5, 6, 7, 8, 9. The answer box should appear as follows:

\$'000

2. Answers to activities 1, 2, 3, 5, 6, 7, 8, 9. The answers should be presented in \$'000s.
3. Page 425. Activity 5.

The following information is missing from the question, the answer remains unchanged:

Property, plant and equipment with a carrying amount of \$420,000 was disposed of during the year ended 31 December 20X4.

Chapter 16 – Disclosure standards

1. Page 472. Answer to Activity 5, requirement 3. The solution is missing the actual EPS calculation, which is:

$$450,000/591,667 = 76c$$

Chapter 17 – Integrated reporting

1. Page 501. Answer to Activity 2. The answer only provides two correct options, when there are three correction options. The missing correct option is highlighted below:

The correct answers are:

- Its current objective is for integrated reporting to become the global norm.
- It believes that integrated reporting and thinking will be conducive to financial stability and sustainability.
- It is promoting communication about value creation as the next step in the evolution of corporate reporting.

Formula sheet – page 607

1. The formula given for IRR is incorrect, the denominator should say NPVL – NPVH:

$$IRR = L + \left[\frac{NPVL}{NPVL - NPVH} (H - L) \right]$$