Answers

1 Consolidated statement of profit or loss for the year ended 30 June 20X4

	$'000
Revenue ($2,721m + $819m – $32m)	3,508,000
Cost of sales (W1)	(1,606,500)
Gross profit	**1,901,500**
Distribution expenses ($212m + $22·4m)	(234,400)
Administrative expenses (W2)	(309,839)
Operating profit	**1,357,261**
Investment income (W3)	26,600
Finance costs (W4)	(54,140)
Profit before tax	**1,329,721**
Income tax expense ($247m + $43m)	(290,000)
Profit from continuing operations	**1,039,721**
Profit from discontinued operations (W12)	241,700
Profit for the year	**1,281,421**
Attributable to:	
Shareholders of Alpha (balancing figure)	1,217,411
Non-controlling interest (W8)	64,010
	1,281,421

Profit for the year attributable to:

	$'000
Shareholders of Alpha:	
Profit for the period from continuing operations ($1,039,721 – $53,160 (see below))	986,561
Profit for the period from discontinued operations ($241,700 – $10,850 (see below))	230,850
	1,217,411
Non-controlling interests:	
Profit for the period from continuing operations (20% x ($274,000 – $7,000 – $1,200))	53,160
Profit for the period from discontinued operations (35% x ($62,000 x 6/12))	10,850
	64,010

Workings

Working 1 – Cost of sales

	$'000
Alpha + Beta	1,630,300
Intra-group trading	(32,000)
Fair value depreciation adjustment ($70m x 1/10)	7,000
Unrealised profit (1/4 x $32m x 15%)	1,200
	1,606,500

Working 2 – Administrative expenses

	$'000
Alpha + Beta	267,475
Impairment of goodwill in Beta (W7)	42,364
	309,839

Working 3 – Investment income

	$'000
Alpha	206,600
Less intercompany loan interest (5% x $400m)	(20,000)
Less intercompany dividend (40m x $4·00)	(160,000)
Total	26,600

Working 4 – Finance cost

	$'000
Alpha + Beta	51,000
Intercompany loan interest (5% x $400m)	(20,000)
Unwinding of discount on deferred consideration (W5)	23,140
	54,140

Working 5 – Deferred consideration

	$'000
Deferred consideration on 1 July 20X2 ($280m x 0·7513)	210,364
Finance cost for year ended 30 June 20X3 ($210·364m x 10%)	21,036
Deferred consideration on 30 June 20X3	231,400
Finance cost for year ended 30 June 20X4 ($231·400m x 10%)	23,140

Working 6 – Goodwill in Beta

	$'000
Cost ($60m + $210·364m (W5))	270,364
Non-controlling interest (20% x $256m)	51,200
Less fair value of net assets ($50m + $136m + $70m)	(256,000)
Goodwill on acquisition	65,564

Working 7 – Impairment of goodwill in Beta

	$'000
Net assets at 30 June 20X4 ($520m + $70m – ($70m x 2/10))	576,000
Goodwill (grossed up $65·564m (W6) x 100/80)	81,955
Total	657,955
Recoverable amount ($605m is higher than $580m)	605,000
Impairment	52,955
Group share (80%)	42,364

Working 8 – Non-controlling interest (NCI)

	$'000
Beta (20% x ($274m – $7m (W1) – $1·2m (W1)))	53,160
Gamma (35% x ($62m x 6/12))	10,850
Total	64,010

Working 9 – Net assets of Gamma at date of disposal

	$'000
At 1 July 20X3 ($50m + $333m)	383,000
Plus profit to date of disposal ($62m x 6/12)	31,000
Total	414,000

Working 10 – Goodwill in Gamma at date of disposal

	$'000
Cost	230,000
Non-controlling interest (35% x ($162m + $50m)	74,200
Less net assets at date of acquisition ($50m + $162m)	(212,000)
Goodwill at date of acquisition	92,200
Less cumulative impairment	(22,000)
At date of disposal	70,200

Working 11 – Gain or loss on disposal

	$'000
Proceeds	613,000
Less net assets at date of disposal (W9)	(414,000)
Less goodwill at date of disposal (W10)	(70,200)
Add non-controlling interest at date of disposal (35% x $414m (W9))	144,900
Gain on disposal	273,700

Working 12 – Profit from discontinued operation

	$'000
Gain on disposal (W11)	273,700
Tax on gain on disposal	(63,000)
Profit for six months to date of disposal (W9)	31,000
	241,700

2 (a) Exhibit 1: Customer contract

The relevant standard is **IFRS 15** – *Revenue from Contracts with Customers*. A contract is **clearly evident** in this case, so the provisions of IFRS 15 apply.

Once a contract has been identified, then IFRS 15 requires us to identify the **performance obligation** or obligations which the contract places on Delta. In this case, the performance obligation is to **construct the manufacturing facility** on behalf of customer C.

IFRS 15 states that revenue should be recognised **as (or when) a performance obligation is satisfied**. IFRS 15 further states that a performance obligation is **either satisfied over time or at a point in time**, depending on the provisions of the contract.

Where the performance obligation is the creation of an asset which is controlled by the customer as it is created, then IFRS 15 would classify the performance obligation as one satisfied **over time**. This **is the case** for the contract between Delta and customer C.

Given the information provided in the question, it is reasonable to assume on 30 June 20X3 the progress Delta has made towards satisfaction of the performance obligation is 30% complete.

The next stage of the revenue recognition process is to **measure the expected transaction price** (total revenue receivable) under the contract. In this case, the expectation of total revenue would have been reduced by the fact that a delay is expected to the completion of the contract by Delta. Therefore, there is an **element of variable consideration**. IFRS 15 requires us to take this into account provided the variable element can be reliably measured.

The expected total revenue receivable by Delta is $32 million (W1).

Since the contract is 30% complete by 30 June 20X3, Delta should recognise revenue of **$9·6 million** ($32 million x 30%) in the current period. $9·6 million will be recognised in the **statement of profit or loss** for the year ended 30 June 20X3.

The costs which relate directly to the contract include:

– the month-by-month labour and material costs; and
– the depreciation of the plant and equipment which is being used on the contract.

Delta would also need to recognise the following cost as an expense when incurred:

– the cost of wasted materials which were not reflected in the initial pricing of the contract.

Therefore, the total direct costs of fulfilling the contract to 30 June 20X3 will be **$8·8 million** (W2). The wasted materials of $2 million would also need to be expensed, but do not relate directly to the contract so would likely be recorded within administrative expenses. All of the costs ($10·8 million) will be recognised in **profit or loss**.

IFRS 15 requires the statement of financial position should show a contract asset or contract liability, depending on the relationship between the revenues and the amounts received from customers.

In this case, Delta will recognise a contract liability of **$4·40 million** (W3). This will be shown as a **current** liability in the statement of financial position at 30 June 20X3.

The plant and equipment used on the contract will be shown as a **non-current** asset in the statement of financial position at 30 June 20X3. Its carrying amount will be **$14·4 million** ($16 million – $1·6 million (W2)).

Exhibit 2: Share portfolio

IFRS 3 – *Business Combinations* – states that when an entity acquires a controlling interest in another entity, then the assets and liabilities of the acquired entity must be measured at their fair values at the date of acquisition This means, at 1 April 20X3, Delta must measure the share portfolio at its fair value.

The methodology for measuring fair values is set out in IFRS 13 – *Fair Value Measurement*. IFRS 13 does not state when fair values should be used (such matters are dealt with in other IFRS Accounting Standards) but rather how fair value should be measured when its use is deemed appropriate.

IFRS 13 states that the fair value of an asset is the amount which would be received to sell the asset in an orderly transaction between market participants.

Where the asset is traded in more than one market, fair value should be measured based on the amount receivable from a trade in the principal market, provided such a market can be identified. Therefore, in this case, the measure should be based on prices prevailing in Exchange A.

Since IFRS 13 regards fair value as an exit price, it is the **bid price** which is relevant for fair value measurement. In this case, the fair value of the portfolio on 1 April 20X3 would be measured at **$840,000**. Under IFRS 13, **transaction costs are ignored in computing fair values**.

Following initial recognition, the portfolio will be measured under the provisions of IFRS 9 – *Financial Instruments*. The portfolio would be regarded as a **financial asset**.

IFRS 9 states that the measurement base for financial assets depends on the reasons for holding the asset (the business model) and the types of cash flow receivable from the asset (the contractual cash flows).

In the case of a portfolio of shares of the type held by New Sub, the measurement method which would be appropriate is **fair value through profit or loss**. This is primarily due to the fact that the portfolio of shares is a trading portfolio.

Gains on re-measurement of the portfolio plus any dividend income from the portfolio would be recognised in the consolidated statement of profit or loss of Delta for the year ended 30 June 20X3.

Tutorial note: *Paragraphs 70–71 of IFRS 13 state that, for assets such as quoted shares '**the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value**'. These paragraphs further state that '**this IFRS does not preclude the use of mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread**'. Candidates who made references to these paragraphs received appropriate credit.*

W1 – Spreadsheet workings – expected total revenue receivable by Delta

Date	Amount	Explanation
	$'000	
1 January 20X3	6,000	Initial deposit
30 June 20X3	8,000	Payment 1
31 December 20X3	8,000	Payment 2
15 August 20X4 ($11m – $1m)	10,000	Final payment reduced by $1 million due to late completion
	32,000	

W2 – Spreadsheet workings – costs to date on the contract

Cost type	Incurred to date
	$'000
Overheads ($1·2 million per month x 6)	7,200
Depreciation ($16 million x 6/60)	1,600
30 June 20X3	8,800

W3 – Spreadsheet workings – contract liability at 30 June 20X3

	Dr	Cr
	$'000	$'000
Revenue recognised to date	9,600	
Payments received from C to date		14,000
Contract liability at 30 June 20X3	4,400	
	14,000	14,000

(b) Ethical issues – Email from FD

You are in danger of breaching the fundamental ethical principle of integrity. The director has suggested that you collude in the reporting of an inflated profit figure to improve the likelihood of a successful share issue. The director has indicated a willingness to be an advocate for you in salary discussions should you follow the instructions given to you (*candidates who refer to a self-interest threat here received appropriate credit*).

You face a danger of breaching the principle of objectivity because of the way the director has linked your complying with these instructions to your upcoming salary and bonus review (*candidates who refer to an intimidation threat here received appropriate credit*).

You also may be breaching the fundamental ethical principle of professional competence and due care. Treatments which seek to maximise reported profits are not likely to be in compliance with IFRS Accounting Standards. Were you to implement them, you would be in breach of your professional duty to conduct yourself in a competent manner.

Your decision to discuss these issues with your friend, a trainee accountant, may cause you to further breach the fundamental ethical principle of professional competence and due care. Given your friend's trainee status, they may not have the necessary expertise to advise you on these matters.

Note: No marks for discussing confidentiality, as they both work for Delta.

3 Exhibit 1 – Memorandum

To: Trainee accountant
From: Financial controller

Generally, accounting for transactions denominated in a foreign currency is dealt with under the provisions of IAS 21 – *The Effects for Foreign Exchange Rates*. Your specific queries are dealt with below:

(i) *How we decide which exchange rate to use to measure assets or liabilities denominated in francs when we first recognise them.*

IAS 21 requires us to initially recognise all foreign currency transactions using the rate of exchange in force on the date the transaction is recognised (spot rate).

(ii) *How we deal with a situation where the exchange rate between the franc and the $ changes after the asset or liability is initially recognised but before the asset is realised or the liability is settled.*

The impact of subsequent exchange rate changes on foreign currency assets and liabilities which have already been recognised depends on whether or not the relevant amounts are monetary or non-monetary in nature.

A monetary item is one which is realisable or payable for a fixed or determinable monetary amount.

Assets such as **cash balances or trade receivables are monetary** whereas assets such as inventories or property, plant and equipment (PPE) are non-monetary. Almost all liabilities are monetary.

IAS 21 requires that monetary items which are denominated in a foreign currency should be retranslated using the rate of exchange in force **at the reporting date**. Any resulting exchange differences should be recognised in **profit or loss**.

Unless they are revalued (see below), non-monetary assets should continue to be translated using the rate of exchange in force at the date they were initially recognised.

(iii) *How we reflect the subsequent revaluation of an item of PPE which was originally denominated and revalued in francs given our financial statements are prepared in $.*

Where the carrying amount of a non-monetary asset denominated in a foreign currency is changed as the result of revaluation, then the $ equivalent should be measured using the rate of exchange in force at the date the revaluation occurred.

The recognition of the resulting exchange difference **depends** on where the underlying revaluation difference would be recognised under the relevant IFRS Accounting Standards. **If** this is in other comprehensive income, then the exchange component of the revaluation would also be in other comprehensive income.

(iv) *How do we account for the subsequent payment of a supplier in francs when the liability is recorded in $ and the exchange rate has continued to change.*

On the final de-recognition of an asset or settlement of a liability, any difference between the amount received or paid and the current carrying amount of the asset or liability would be recognised in profit or loss.

Exhibit 2 – Transactions

Transaction (a)

The carrying amount of the inventory on 1 January 20X5 would have been recorded using the rate of exchange **on that date of 4 francs** to $1. Therefore, the initially recognised amount would have been **$150,000** (600,000 Francs/4).

$150,000 would have been debited to **inventories** and credited to **trade payables**.

The inventories are **non-monetary** assets and so would **not** be retranslated when the exchange rate changes.

Since 75% of the inventories were sold between 1 January 20X5 and 31 March 20X5, then **$112,500** ($150,000 x 75%) would be recognised as cost of sales in the statement of **profit or loss** for this period.

The sales revenue of $120,000 would be recognised in the statement of profit or loss for the year ended 31 March 20X5.

The closing cost of the inventories of unsold goods would be **$37,500** ($150,000 x 25%). The net realisable value of the goods is $39,000 and under the principles of IAS 2 – *Inventories* – inventories are measured at the **lower of** cost and net realisable value – in this case $37,500. This amount will be shown as a **current asset in the statement of financial position** at 31 March 20X5.

The trade payable would be regarded as a **monetary item** and so would be retranslated at the **closing rate to $157,895** (600,000/3·8). The resulting exchange loss of **$7,895** ($157,895 – $150,000) would be recognised in **profit or loss** for the year ended 31 March 20X5. The trade payable would be recognised as a **current liability in the statement of financial position** at 31 March 20X5.

The amount paid to settle the liability on 30 April 20X5 will be **$160,000** (600,000/3·75). This will lead to a further exchange loss of **$2,105** ($160,000 – $157,895) being recognised in the **statement of profit or loss** for the year ended 31 March 20X6.

See working 1 for spreadsheet workings.

Transaction (b)

Under the principles of IAS 21, the machine will initially be measured in the financial statements using the rate of exchange in force on 1 April 20X4 – **5 francs** to $1. Therefore the initial carrying amount of the machine will be **$160,000** (800,000/5).

The machine will be classified as property, plant and equipment. Under the principles of IAS 16 – *Property, Plant and Equipment* – the machine will need to be **depreciated over its useful life**. The depreciation charge in this case will be **$20,000** ($160,000/8). $20,000 will be charged to **profit or loss** for the year ended 31 March 20X5.

The carrying amount of the machine at 31 March 20X5 prior to its revaluation will be **$140,000** ($160,000 – $20,000).

When the machine is revalued, the revalued amount will be measured using the rate of exchange in force on **31 March 20X5** – the date of the revaluation. Therefore the revalued amount will be **$189,474** (720,000/3·8) and **this** will be the carrying amount in the statement of financial position at 31 March 20X5.

Since the carrying amount is increased as a result of the revaluation, the increase of **$49,474** ($189,374 – $140,000) will be recognised in **other comprehensive income** for the year ended 31 March 20X5.

The remaining useful life of the machine at 1 April 20X5 will be **seven years**. Therefore, depreciation of **$27,068** ($189,474/7) will be charged to profit or loss for the year ended 31 March 20X6.

Under the principles of IAS 36 – *Impairment of Assets* – the fall in demand for products manufactured by the machine is an **indicator** the machine may have suffered impairment. Therefore an **impairment review** is required.

An impairment review involves comparing the carrying amount of the asset with its **recoverable** amount.

The recoverable amount of an asset is the **higher of its value in use and its fair value less costs of disposal**. In this case, therefore, the recoverable amount of the asset in Francs is 600,000.

Given the financial statements are prepared in $, the recoverable amount **needs to be measured in** $ also. This is done using the **rate of exchange in force on the date the impairment review is carried out**, in this case 31 March 20X6.

Therefore the recoverable amount in $ will be **$171,429** (600,000/3·5). The carrying amount of the machine in $ prior to the impairment review would have been **$162,406** ($189,474 – $27,068). Therefore **no impairment write down** is required.

The machine will be shown as a **non-current asset** in the statement of financial position at 31 March 20X6. Unless the machine is revalued (and there is no necessity for annual revaluations) the carrying amount will be **$162,406**.

See working 2 for spreadsheet workings.

Tutorial note: *Candidates who state the machine could be revalued to fair value on 31 March 20X6, with an appropriate credit to other comprehensive income, were awarded credit.*

Spreadsheet workings

Transaction (a)

Date		Statement of financial position	Profit or loss
		$	$
1 January 20X5 – purchase	600,000 francs/4	150,000	
31 March 20X5 – retranslation at reporting date	600,000 francs/3·8	157,895	
Year ended 31 March 20X5			7,895
30 April 20X5 – settlement	600,000 francs/3·75	160,000	
Year ended 31 March 20X6			2,105

Transaction (b)

Date		Statement of financial position	Profit or loss	Other comprehensive income
		$	$	$
1 April 20X4 – purchase	800,000 francs/5	160,000		
Depreciation for year ended 31 March 20X5	$160,000/8 years	(20,000)	20,000	
Carrying amount		140,000		
Revaluation 31 March 20X5	720,000 francs/3·8	**189,474**		
Gain to OCI				49,474
Depreciation for year ended 31 March 20X6	$189,474/7 years	(27,068)	27,068	
Carrying amount		**162,406**		
Recoverable amount	600,000 francs/3·5	171,429		
		=> **no impairment**		

4 **Exhibit 1 – Exploration expenditure**

(i) *Is there an IFRS Accounting Standard which deals with the accounting treatment of exploration and evaluation expenditure and if so what type of expenditure does it cover?*

There is an IFRS Accounting Standard which deals with the accounting treatment of exploration and evaluation expenditure. The standard is **IFRS 6** – *Exploration for and Evaluation of Mineral Resources*.

IFRS 6 only applies to exploration and evaluation expenditure relating to a **specific period**. IFRS 6 identifies this period as being the period **after** legal rights have been obtained to explore a specific area but **before** the technical feasibility and commercial viability of the relevant mineral resource is demonstrated.

IFRS 6 provides specific examples of expenditure which might be regarded as exploration and evaluation expenditure in nature. These include acquisition of exploration rights and the costs of exploratory drilling – the list provided in IFRS 6 is not exhaustive.

(ii) *How do we decide whether to treat exploration and evaluation expenditure as an asset or as an expense?*

IFRS 6 **allows** entities to determine their **own** accounting policy specifying which types of exploration and evaluation expenditures should be treated as expenses and which as assets and apply the policy **consistently**.

(iii) *How do we subsequently classify and measure any exploration and evaluation assets we might recognise?*

Any exploration and evaluation assets should be classified as **tangible or intangible, depending on their nature**. They are initially recognised at cost. They can then be measured using **either the cost model or the revaluation model**.

(iv) *I am fairly sure there is an IFRS Accounting Standard which deals with the accounting treatment of research and development expenditure. To what extent do the requirements of this IFRS Accounting Standard apply to exploration and evaluation expenditure?*

There is an IFRS Accounting Standard which deals with the accounting treatment of research and development expenditure. This standard is **IAS 38** – *Intangible Assets*.

IAS 38 requires research costs to be treated as expenses in profit or loss but requires development costs which satisfy certain criteria be treated as intangible assets in the financial statements.

You could argue that the exploration and evaluation costs covered by IFRS 6 would more generally be described as 'research costs'. As we have already stated, IFRS 6 allows entities to develop their own policies for the treatment of such costs relating to this specific area.

Once a particular 'exploration and evaluation project' reaches the stage where the technical feasibility and commercial viability of the project has been demonstrated, then any assets which had been recognised at this date would be assessed for reclassification under the principles of IAS 38 or IAS 16 after assessing them for impairment.

Exhibit 2 – New investments

The relevant IFRS Accounting Standard which covers both investments is **IFRS 11** – *Joint Arrangements*. A joint arrangement is one in which two or more investors have **joint control**.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the **unanimous consent** of the parties sharing control. This is **the case** for both investments described in exhibit 2.

IFRS 11 specifies two different types of joint arrangement – a joint operation and a joint venture.

The distinction between a joint operation and a joint venture depends on whether the investors have direct rights and obligations connected with the separate assets and liabilities of the arrangement or whether they have an interest in the net assets of the joint arrangement.

Where the joint arrangement is merely a vehicle for the more effective operation of the existing businesses of the investors, then it is likely that the investors have direct rights and obligations connected with the separate assets and liabilities of the arrangement.

In the above circumstances, the joint arrangement is likely to be regarded as a **joint operation**. This would be the conclusion for **investment 1**.

Investors in a joint operation should include their share of the individual assets, liabilities, revenues and expenses of the joint operation in their separate financial statements.

In the case of investment 1, it is likely that the cash invested by Sinker will be used to purchase delivery vehicles and pay for their operation. Therefore, Sinker will show their share of the purchased vehicles as property, plant and equipment in its separate financial statements, together with its share of the running costs as expenses.

Where a joint arrangement carries out a business which is basically separate from the businesses directly carried out by the individual investors, then the joint arrangement is likely to be regarded as a **joint venture**. This would be the conclusion for **investment 2**.

Investors in a joint venture should measure their investment as a single amount using the equity method of accounting.

The equity method involves measuring the investment as the investor's share of the net assets of the investee at the reporting date. This is the treatment which Sinker will adopt.

The equity method effectively means that the investor's share of the post acquisition profits of the investee will be recognised in profit or loss over the life of the investment.

Exhibit 3 – Farming subsidiary

(i) *Is there a separate IFRS Accounting Standard which deals with the financial statements of a farming business? If so, what is its scope?*

The relevant IFRS Accounting Standard is **IAS 41** – *Agriculture*. IAS 41 deals with **agricultural activity** rather than with the overall financial statements of a farming business. Other assets of a farming business are subject to the IFRS Accounting

Standard which would be appropriate for any business. **For example**, the property, plant and equipment of a farming business would be subject to IAS 16 – *Property, Plant and Equipment*.

IAS 41 identifies a category of asset which is specific to a farming business – a **biological asset**. A biological asset is a **living plant or animal**. The herd of dairy cows and the herd of sheep would **both** be examples of a biological asset.

(ii) *How are the assets and liabilities of Rural recognised, measured and presented in the financial statements?*

IAS 41 states that biological assets should be recognised when control is established. In the case of Rural, this would be when cows or sheep are purchased or born and appropriately marked to establish ownership.

IAS 41 states that biological assets should be measured at **fair value less costs to sell** at the date of initial recognition and at subsequent accounting dates. Changes in the fair value less costs to sell of biological assets should be recognised in **profit or loss**.

IAS 1 – *Presentation of Financial Statements* – states that biological assets should be presented as a **separate category of asset** in the statement of financial position.

(iii) *I am sure the IFRS Accounting Standard which deals with inventories requires inventories are measured at cost. How do we arrive at the cost of inventories of milk and meat when they have not been purchased or manufactured?*

IAS 41 also defines **agricultural produce** as the **harvested produce of an entity's biological assets**. The milk from a dairy herd and the meat from the sheep herd are **both** examples of agricultural produce.

IAS 41 states agricultural produce should be measured at the point of 'harvesting' at its fair value less costs to sell.

At the point of harvesting, agricultural produce should be recognised as inventory. Fair value less costs to sell will represent the initial 'cost' of the inventory for the purpose of applying IAS 2 – *Inventories*.

		Marks
1	**Consolidated statement of profit or loss**	
	Revenue	1
	Cost of sales	
	– Intra-group and unrealised profit	2
	– FV depreciation	0·5
	Distribution expenses	0·5
	Administrative expenses	
	– Impairment of goodwill	
	o Net assets at 30 June 20X4	1·5
	o Goodwill and gross up calculation	3
	o Recoverable amount	1
	o Impairment and group share	1
	Investment income	1
	Finance costs	
	– Aggregation and inter company	1
	– Unwinding of discount on deferred consideration	2·5
	Income tax	0·5
	Profit from discontinued operations	
	– Gain or loss on disposal	
	o Net assets at date of disposal	1·5
	o Goodwill at date of disposal	2
	o Non-controlling interest at date of disposal	1
	– Tax on gain	0·5
	– Profit for six months to date of disposal	0·5
	Split of profit between parent and non-controlling interest	3
	Allocation between continuing and discontinuing	1
		25
2	**(a)** Exhibit 1	
	– Explanations per IFRS 15	8·5
	– Calculations	5·5
	Exhibit 2	
	– Explanations per IFRS 3	0·5
	– Explanations per IFRS 13	3
	– Explanations per IFRS 9	3·5
		21
	(b) Ethics	4
		25
3	**(a)** – Answers to queries	8
	(b) Transaction (a)	
	– Explanations per IAS 21	2·5
	– Calculations	6
	Transaction (b)	
	– Explanations per IAS 21	4
	– Calculations	4·5
		17
		25

		Marks
4	Exhibit 1	
	– Explanations per IFRS 6	5·5
	– Explanations per IAS 38	2·5
	Exhibit 2	
	– Explanations per IFRS 11	4
	– Explanation and conclusion for investment 1	3·5
	– Explanation and conclusion for investment 2	3·5
	Exhibit 3	
	– Explanations per IAS 41	4·5
	– Explanations for IAS 1 and IAS 2	1·5
		25