



Workbook INT version (fifth edition)

Further Question Practice - Question 17 'Keffler'

Pages 560 and 605/6

Issue (1) of the question should state:

- **\$200,000** licence amortisation calculated on a sum of digits basis to increase the charge over the useful life of the site.

The solution should state:

- (b) The charge of **\$200,000** for the year has been based on 10 years (the sum of digits is 55 so the first year's charge will be $10/55 \times 1.1\text{m} = \200k). The charge for the year represents **10%** of profit before tax and so **is material**.
- (c) The sum of digits method has been chosen on the basis that the company has estimated that the amount of waste dumped will increase each year and this method charges higher amortisation each year. **This is incorrect as the opposite will happen.**
- (e) This will in turn affect the amortisation charge **which will increase the charge to profit or loss each year to reflect the discounted provision being unwound.**