BPP LEARNING MEDIA

ACCA
ERRATA SHEET

Financial Reporting 2022-23

12/2023

Revision kit

Pages 69 and 70, Scenario information and Q202
There are errors relating to the dates in the scenario for item (ii). It should read as follows:

(ii) Hemlock Co sold a machine to Poisson SA, a French company which it agreed to invoice in €. The sale was made on 1 July 20X3 for €250,000. €155,000 was received on 1 August 20X3 and the balance is due on 1 October 20X3.

The exchange rate moved as follows:
1 July 20X3 – €0.85 to $1
1 August 20X3 – €0.84 to $1
30 September 20X3 – €0.79 to $1

Q202 should say:

Calculate the gain or loss on the receivable due to Hemlock Co from Poisson SA at 30 September 20X3?

- ○ $10,659 gain
- ○ $10,659 loss
- ○ $28,844 gain
- ○ $28,844 loss

Page 184, solution to Q202
The solution should read as follows:

The correct answer is: $10,659 gain.

This is calculated as follows:

	€	$
Initial sale translated at the exchange rate at the transaction date: €0.85:$1	250,000	294,118
Monies received on 1 August at €0.84:$1	(155,000)	(184,524)
Balance outstanding	95,000	109,594
Retranslate receivable at year end as it is a monetary asset at €0.79:$1	95,000	120,253
Gain on receivable		10,659

Page 88, Q231(a)
The pre-formatted table asks you to calculate 'Average inventory turnover'. Please instead calculate 'Inventory turnover' using closing inventory.

The pre-formatted table asks you to calculate 'Trade payables payment period'. You should use cost of sales when calculating this ratio in keeping with the approach expected by the ACCA FR Examining Team.

Page 130, solution page 239 Q282 Nedburg

Nedburg Co

The requirement should read:

Using the pull-down list available, what amount will appear under 'cash flows from financing activities' in the statement of cash flows of Nedburg Co for the year ended 30 September 20X2?

In the question the pull-down list should read:
$740 million
$500 million
$260 million
$160 million

In the solution it should state:
The correct answer is $260 million

Issue of shares	$m
Share capital and premium b/f (500+100)	600
Bonus issue - no net effect	
Cash received (bal)	500
Share capital and premium b/f (750+350)	1100
Dividends paid	
Retained earnings b/f	1740
Profit for the year	480
Dividend paid (bal)	-240
Retained earnings c/f	1980
Cash inflow from financing activities (500 - 240)	260

A bonus issue does not result in a cash flow. It has no net effect on the total of share capital and share premium as share capital will increase by 10 (500/0.5 x1/10) and share premium will decrease by the same amount.

Page 138, Q321
The trial balance should be amended as follows:
~~Right-of-use asset~~ Freehold property 25,000

Page 213, Q255 Zebra

The solution is correct but the answer goes on to explain what the NCI would be at acquisition if it was measured using the proportional method. The calculation should read: 25% x ($2,000,000 + $1,770,000) = $942,500

Zebra Co acquired 75% of the 2 million issued $1 ordinary shares of Penguin Co on 1 January 20X2 for $3,700,000 when Penguin Co's retained earnings were $1,770,000. Zebra Co has no other subsidiaries.

Zebra Co elected to measure non-controlling interests in Penguin Co at their fair value of $1,140,000 at the acquisition date.

An impairment review performed on 31 December 20X3 indicated that goodwill on the acquisition of Penguin Co had been impaired by $100,000. No impairment was recognised in the year ended 31 December 20X2.

Which THREE of the following statements are true in respect of the non-controlling interest to be included in the consolidated statement of financial position of the Zebra group for the year ended 31 December 20X3?

- ☐ Non-controlling interest would be higher if the proportionate method was used
- ☐ It will be included at its fair value on acquisition plus share of post-acquisition earnings of Penguin Co.
- ☐ It will be included as a separate component of equity.
- ☐ 25% of the impairment in the goodwill arising on acquisition will be debited to it.
- ☐ It will be included in the non-current liabilities of the Zebra group. (2 marks)

The correct answers are:

It will be included at its fair value on acquisition plus share of post-acquisition earnings of Penguin Co.

It will be included as a separate component of equity.

25% of the impairment in the goodwill arising on acquisition will be debited to it.

If the proportionate method was used, non-controlling interest on acquisition would have been lower at $692,500 (25% × ($1,000,000 + $1,770,000)). Non-controlling interest is included in the equity of the Zebra group, not non-current liabilities.

Page 141, Q333, Note (i)

The note should read as follows:

The balance on the long-term contract is made up of the following items. The following amounts are relevant to the contract:

Cost incurred to date	$8 million
Value of invoices issued work certified	$10 million

Page 150/151 Solution to Q16

The solution implies there are two correct answers, this is incorrect. The correct answer is: The present value of the estimated cash flows needed to fulfil a liability.

Page 167, Solution to Q167

The answer is correct, but the rationale for the correct answers are not relevant to the question. The correct rationale are as follows:

1. Events after the reporting period are events between reporting period date (year end) and the date the financial statements are authorised for issue. The date of the AGM is irrelevant.
2. Non-adjusting events are disclosed in the notes to the financial statements if material, so they are reflected in the financial statements, because the notes form part of the financial statements.

Page 199, Solution to Q231 (a)

The Quartile Co gearing should be 23% not 33% as stated.

Page 128, Q322

The requirement for part (b) should read as follows:

Prepare the consolidated statement of profit of loss for McIlroy Co for the year ended 30 September ~~2014~~ 20X8.

Page 158, solution to Q46

There is an error in the solution. The third item is incorrect and is NOT an indication of an impairment:

The correct answers are:

Advances in the technological environment in which an asset is employed has an adverse impact on its future use	INDICATOR OF IMPAIRMENT	
An increase in interest rates which increases the discount rate an entity uses	INDICATOR OF IMPAIRMENT	
The carrying amount of an entity's net assets is lower than the entity's number of shares in issue multiplied by its share price	~~INDICATOR OF IMPAIRMENT~~	✓
The estimated net realisable value of inventory has been reduced due to fire damage although this value is greater than its carrying amount		NOT AN INDICATOR OF IMPAIRMENT

The estimated net realisable value of inventory that has been reduced due to fire damage but the value is greater than its carrying amount is **not** an indicator of impairment. If the NRV of inventory is greater than its carrying amount, then no impairment has arisen.

Page 170, Solution to Q115

In the solution to the question Jetsam Co the answer is correct but there is an error in the workings, as shown below.

		$
Depreciation for the year	100,650/10	10,065
Finance cost for the year	100,650 × 8%	8,052
Total charge for the year		18,117~~702~~

Apportion for the year as acquired part way through the accounting period.
1 April – 31 December = 9 months so 9/12 × $18,117~~702~~ = $13,588

Page 224, Solution to Q318 Gold Co

In the solution of the goodwill calculation the consideration is measured using the share price of the parents shares at the date of acquisition. I.e. $8. The formula shows $8.40 but the calculation is correct ie it should read 90% x 16,000 x 3/5 x $8 = $16,120.

(a) *Goodwill*

	$'000	$'000
Consideration transferred		
Deferred cash (90% × 16,000 × $2.42 × 0.9091)		31,680
Shares (90% × 16,000 × 3/5 × ~~$8.40~~)		69,120
		100,800
Non-controlling interest (NCI) (10% × 16,000 × $3.50)		5,600
		106,400

Page 235, Solution to Q322 (c)

The solution to part (c) should read as follows:

Retained earnings	**McIlroy Co** **$**	**Spieth Co** **$**
Retained earnings at 30 September 20X8	3,419,310	581,580
Less: Pre-acquisition retained earnings		(180,600)
Less: Excess depreciation relating to fair value adjustment		(40,000)
Less: PURP adjustment (W5)		(5,400)
		355,580
Group percentage of Spieth Co's post acquisition retained earnings (80% × $355,580)	284,464	
Add: McIlroy Co profit on disposal of Clarke Co ($582,000 - $268,000)	314,000	
Less: Goodwill impairment	(30,000)	
	3,987,774	

Page 293, Mock Exam 1 Q12

In the solution the "x 30%" next to the Profit for the year should not be there.

12 $ 1,880,000

	$'000	$'000
FV of NCI at acquisition		1,100
Profit for year ~~× 30%~~	3,200	
Dep'n on FVA (1.5m/30)	(50)	
Unrealised profit	(550)	
	2,600 × 30%	780
		1,880

Page 343. Mock Exam 2 Q12

The question is correct, but the solution is not.

The solution should state:

The correct answers are:
The rate that existed on the day that the purchase or sale took place.

~~The rate that existed at the end of the accounting period.~~
An average rate for the year, provided there have been no significant fluctuations throughout the year

Page 350, solution to Mock Exam 3 Q3

The question and solution are correct, but there is an error in the solution working as follows:

3 The correct answer is: $840,000

	$	$
At 30 April 20X5		705,000
Increase in value of land in the year ($950,000 - $800,000) (~~$900,000 – $750,000~~)		150,000
		855,000
Annual transfer to retained earnings		
Depreciation based on revalued amount ($1,500,000/50 years)	30,000	
Depreciation based on historic cost ($750,000/50 years)	(15,000)	
		(15,000)
At 30 April 20X6		840,000

Page 363, Q7 Sept/Dec 21 exam

The first line is missing the amount of the grant that was received. It should state Pootle Co received a government grant of $60,000 on 1 September 20X4.

Page 372, 385, Mock Exam 4 Q30

There are is an error in both the question and the solution. Option 3 should read '2 and 3 only' and this is the correct answer.

During the year ended 31 March 20X8, Wilrob Co incurred the following costs:

(1) $400,000 in staff costs incurred in updating a computerised record of potential customers

(2) $800,000 for the purchase of a domain name for the website of a company making substantial online sales

(3) $4m for a patent purchased to improve the production process, with an expected useful life of three years

Which of the above costs would be capitalised as intangible assets in accordance with IAS 38 *Intangible Assets*? **(ACCA, Examiners Report March/June 2021)**

- O 1 only
- O 3 only
- O ~~1~~ 2 and 3 only
- O 1, 2 and 3

(2 marks)

The correct answer is: ~~1~~ 2 and 3 only

An intangible asset can be recognised when it meets: (1) the definition of an intangible asset; and (2) the recognition criteria.

Both the domain name and the patent meet the definition of being intangible assets and the cost of each can clearly be measured reliably. Based on the information available, it appears that economic benefits will flow to the entity through revenue from online sales (domain name) and production cost savings (patent). Internally generated customer lists are specifically excluded by IAS 38 from being recognised as intangible assets (along with other items such as internally generated brands). This is because any expenditure incurred on such items cannot be distinguished from the cost of developing the business as a whole.