BPP LEARNING MEDIA

ACCA
ERRATA SHEET

Financial Reporting 2023-24

12/2023

Practice & Revision Kit

Page 28, 177, Q78

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.

78 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)***

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

(2 marks)

78 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.

Page 186-187, Solution to Q121

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

Pages 67 and 201, Question and solution Q197
In the question Maitlis the multiple choice options should so as follows:

Amount	Profit or loss
○ $43,000	Loss
○ $9,000	Profit
○ $34,000	Loss
○ $88,000	Profit

In the solution it should state:

The correct answer is: $9,000 Profit

Pages 71 and 72, Scenario information and Q211
There are errors relating to the dates in the scenario for item (ii). It should read as follows:

(2) 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

Q211 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 171, solution to Q48
There is an error in the solution. The third item is incorrect and is NOT an indication of an impairment:

48 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 204, solution to Q211

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 239, Q264 Zebra
The solution is correct. The answer goes on to explain what the NCI would be at acquisition if it was measured using the proportionate method and this calculate is incorrect.

The calculation should read: 25% × ($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 239, Q265 Platinum Co
The solution is incorrect and should say:

The correct answer is: $180,000

The working is however correct:

265 $ ~~18,000~~ $180,000

	$'000	$'000
Fair value of consideration transferred		
Cash consideration		β
Contingent consideration		250
Plus: Fair value of NCI at acquisition		100
Less: fair value of net assets acquired		
Shares	500	
Retained losses at acquisition (W)	(270)	
		230
Goodwill		300

Working

Retained losses at acquisition

	$'000
Retained losses at 1 January 20X0	(300)
Profit to the date of acquisition (120 × 3/12 months)	30
Retained losses at the date of acquisition	(270)

Page 113, 246 Q293 Nedburg Co

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 100 (500/0.5 × 1/10) and share premium will decrease by the same amount.

Page 257, solution to Q329 Gold Co

In the solution to the goodwill calculation the consideration is measured using the share price of the parent's shares at the date of acquisition, i.e. $8. The calculation is correct, however the formula incorrectly shows $8.40.

The working should read 90% × 16,000 × 3/5 × $8 = $69,120.

(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 135, 269 Q334 Laurel Co

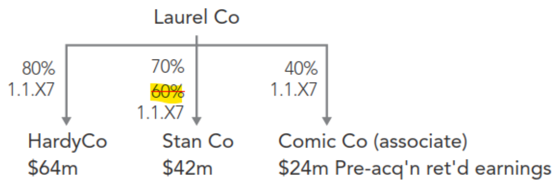
In the question note (2) should read:

Laurel Co acquired ~~60%~~ 70% of the ordinary share capital of Stan Co for $140m on 1 January 20X7 when the retained earnings of Stan Co were $42m.

The group structure in W1 also needs amending as shown below:

Workings

1 ***Group structure***



Page 337, solution to Mock Exam 1 Q12

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

12 $ $\boxed{1,880,000}$

		$'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 374, solution to 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 408, 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 425, Q7 Mock Exam 4

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

Page 437, page 450 Mock Exam 4 Q31 Treats Co

In part (a) of the questions the ratios are showing in the question itself, but they should only be shown in the solution.

In the solution to part (a) the calculation of the receivables collection period should include ‘x 365’ as shown below.

Receivables collection period	17,603/214,553 x 365	30 days	15 days

Page 452 solution to Mock Exam 4 Q32 Perd Co

The solution should show how the unrealised profit figure was calculated, as follows:

$9,000 x 25/125 x 1/3 = $600.