BPP LEARNING MEDIA

# ACCA ERRATA SHEET

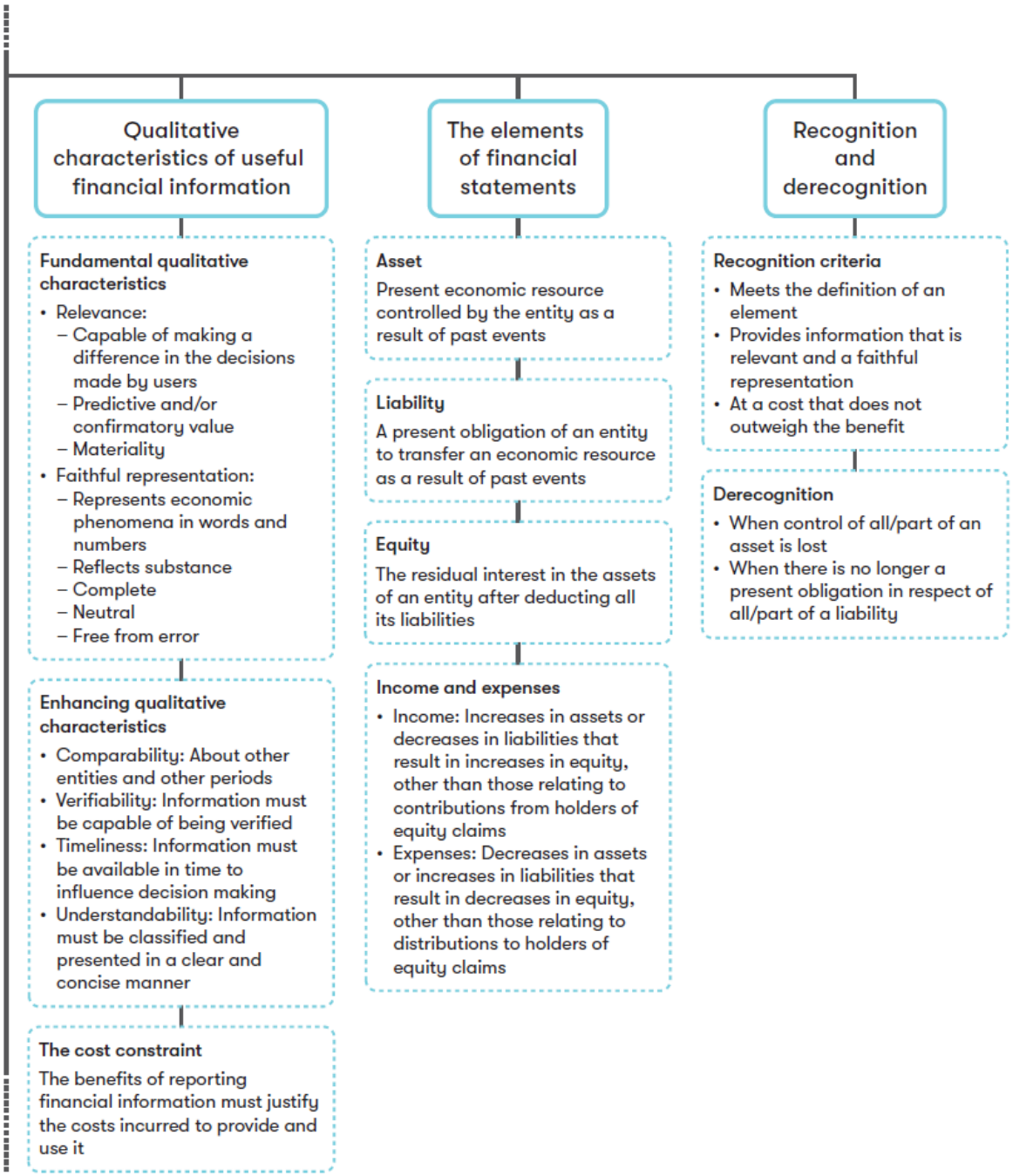
## Financial Reporting 2023-24

02/2024

## Workbook

## Pages 15 and 16, Chapter 1, Chapter summary

There is a diagram missing from the chapter summary which should appear in between the diagrams on pages 15 and 16. The diagram is provided below:



## Page 53, Chapter 3, Illustration 5

The calculation is correct ($8,750), however the highlighted text relating to the calculation of the investment income should be on the line above:

| | | | |
|---|---|---|---|
| 2 | | $ | $ |
| 3 | **Borrowing costs** | | |
| 4 | To 31 December 20X6 $500,000/$1,000,000 x 9% | 45,000 | 90,000 |
| 5 | Less investment income | (8,750) | (17,500) |
| 6 | To 30 June 20X6 $250,000/$500,000 x 7% x 6/12 | 36,250 | 72,500 |

## Pages 144, 147, 148 Skills Checkpoint 2, Q3

The question and distractors for Q3 should say:

**Every five years significant expenditure will need to be incurred in order to replace the circuit board within the machine. How should this be accounted for?**

- Write off the cost of the circuit board as maintenance costs in profit or loss in the year it is incurred
- Capitalise the cost of the circuit board when it is incurred in year 5 and depreciate this cost over five years
- Capitalise the cost of the circuit board when it is incurred in year 5 and depreciate this cost over the remaining useful life of the machine
- Recognise a provision for the cost of the new circuit board at the date of acquisition

The solution advice should read as follows:

The correct answer is: Capitalise the cost of the circuit board when it is incurred in year 5 and depreciate this cost over five years.

The cost of the circuit board relates to asset expenditure as it is capital in nature and so should not be written off in the statement of profit or loss as this will understate both assets and profit.

The cost of the circuit board should therefore be capitalised when it is incurred. Given that the cost relates to a specific component (ie the circuit board) it will be depreciated over the useful life of the circuit board (five years).

A provision cannot be recognised because an obligation does not exist independently of the entity's future actions, for example, the entity could sell the machine and avoid having replace the circuit board and therefore incur the associated costs. Provisions are covered later in the course.

# Page 596, Chapter 6 Activity 6

The solution incorrectly allocates the impairment to goodwill first, but since an asset was destroyed it should be allocated to that asset first then goodwill.

The solution should read:

There has been an impairment loss of $1.4 million ($4.5m – $3.1m).

The impairment loss will be recognised in profit or loss. The loss would normally be allocated between the assets in the cash-generating unit as follows.

1. A loss of $0.5 million should be allocated to goodwill in the first instance.
2. The remaining loss of $0.9 million will then be attributed directly to the uninsured asset that has been destroyed.

However, as an uninsured asset was destroyed this needs to be impaired to nil first. The loss will therefore be allocated:

1. A loss of $1m should be allocated to the destroyed asset
2. The remaining loss of $0.4m will then be attributed to the goodwill.

The carrying amount of the non-current assets will now be $3m and goodwill will be $0.4m.

# Pages 373, Chapter 15, Illustration

Product C's NRV doesn't cast - it should be 22 - 8 - 2 = 12. Then the cost is the same as the NRV so the valuation is 12.

Spreadsheet

Edit Format

100%

11

F6=SUM(F3:F5)

| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| 1 | *Product* | *Cost* | *NRV* | *Valuation* | *Quantity* | *Total Value* |
| 2 | | $ | $ | $ | Units | $ |
| 3 | A | 20 | 30 - 7 = 23 | 20 | 200 | 4,000 |
| 4 | B | 9 | 12 - 2 - 2 = 8 | 8 | 150 | 1,200 |
| 5 | C | 12 | 22 - 8 - 2 = ~~10~~ 12 | 12 | 300 | 3,600 |
| 6 | | | | | | 8,800 |

# Further Question Practice

The end of each chapter in the Workbook lists Question Practice to attempt in the Further Question Practice (FQP) bank. The following question numbers are incorrect.

| Chapter number | FQP question number per Chapter Question practice | Corrected FQP question number |
|---|---|---|
| 1, p18 | Section C Q23 Conceptual Framework | Section C Q35 Conceptual Framework |
| 2, p35 | Section C Q24 Regulators<br>Section C Q25(a) Standard setters | Section C Q36 Regulators<br>Section C Q37(a) Standard setters |
| 3, p59 | Section B Q22(a)<br>Section C Q27 Gains Co | Section B Q30<br>Section C Q39 Gains Co |
| 4, p79 | Section C Q28 Biogenics | Section C Q40 Biogenics |
| 5, p96 | Section B Q22<br>Section C Q29 Multiplex Co | Section B Q32, Q33<br>Section C Q41 Multiplex Co |
| 6, p136 | Section C Q42 Jenson Co<br>Section C Q43 Trontacc Co | Section C Q54 Jenson Co<br>Section C Q55 Trontacc Co |
| 8, p207 | Section C Q31 Barcelona Co and Madrid Co<br>Section C Q32 Reprise Group<br>Section C Q36 Highveldt Co<br>Section C Q56 Armstrong Co | Section C Q43 Barcelona Co and Madrid Co<br>Section C Q44 Reprise Group<br>Section C Q48 Highveldt Co<br>Section C Q68 Armstrong Co |
| 9, p238 | Section C Q33 Fallowfield Co and Rusholme Co<br>Section C Q34 Panther Group | Section C Q45 Fallowfield Co and Rusholme Co<br>Section C Q46 Panther Group |
| 11, p276 | Section C Q35 Hever Co | Section C Q47 Hever Co |
| 12, p313 | Section C Q40 Financial assets and liabilities | Section C Q52 Financial assets and liabilities |
| 13, p333 | Section B Q21<br>Section C Q45 Bulwell Aggregates Co<br>Section C Q46 Lis Co | Section B Q25 to 29<br>Section C Q57 Bulwell Aggregates Co<br>Section C Q58 Lis Co |
| 14, p364 | Section B Q20<br>Section C Q39 Provisions | Section B Q20 to 24<br>Section C Q51 Provisions |
| 15, p380 | Section C Q37 Villandry Co<br>Section C Q38 Biological assets | Section C Q49 Villandry Co<br>Section C Q50 Biological assets |
| 16, p402 | Section B Q22(b)<br>Section C Q44 Telenorth Co<br>Section C Q47 Carpati Co | Section B Q31<br>Section C Q56 Telenorth Co<br>Section C Q59 Carpati Co |
| 17, p428 | Section C Q26 Polymer Co<br>Section C Q44(a)(b) Telenorth Co | Section C Q38 Polymer Co<br>Section C Q56(a)(b) Telenorth Co |
| 18, p453 | Section B Q22(e)<br>Section C Q30 Hewlett Co | Section B Q34<br>Section C Q42 Hewlett Co |
| 19, p489 | Section C Q41 Alpha Co<br>Section C Q44 Telenorth Co<br>Section C Q48 Pilum Co | Section C Q53 Alpha Co<br>Section C Q56 Telenorth Co<br>Section C Q60 Pilum Co |
| 20, p520 | Section C Q35 Hever Co<br>Section C Q49 Biggerbuys Co<br>Section C Q50 Webster Co<br>Section C Q51 Xpand Co | Section C Q47 Hever Co<br>Section C Q61 Biggerbuys Co<br>Section C Q62 Webster Co<br>Section C Q63 Xpand Co |
| 21, p535 | Section C Q41 Alpha Co | Section C Q53 Alpha Co |
| 22, p564 | Section C Q52 Dundee Co<br>Section C Q53 Elmgrove Co | Section C Q64 Dundee Co<br>Section C Q65 Elmgrove Co |
| 23, p576 | Section C Q25 Standard setters<br>Section C Q54 Measurement<br>Section C Q55 Not for profit | Section C Q37 Standard setters<br>Section C Q66 Measurement<br>Section C Q67 Not for profit |

# Essential reading, Chapter 13

# Page 647, Activity 7 Sidcup Co

The activity requirement is incorrect, the requirement should state:

What is the amount of the gain in respect of the leased building that should be recognised on 1 January 20X6 in the financial statements of Sidcup Co?

### Activity 7: Sidcup Co

On 1 January 20X6, Sidcup Co sold its head office building to Eltham Co for $3 million and immediately leased it back on a 10-year lease. On that date, the carrying amount of the building was $2.6 million and its fair value was $3 million. The present value of the lease payments was calculated as $2.1 million. The remaining useful life of the building to Sidcup Co at 1 January 20X6 was 9 years. The transaction constituted a sale in accordance with IFRS 15.

**Required**

~~A right-of-use asset must be recognised in respect of the leased building. At what amount should this right-of-use asset be recognised on 1 January 20X6 in the financial statements of Sidcup Co?~~

- ○ $2,100,000
- ○ $1,820,000
- ○ $3,000,000
- ○ $280,000
- ○ $400,000
- ○ Nil
- ○ $280,000
- ○ $120,000

# Essential reading, Chapter 18

# Page 686, Activity 6 Tabby Co

The activity is missing the inventory figures, it should state that the opening inventory is $122, and closing is $143.

# Page 802, Solution to Q46 Panther Co

The calculation of non-controlling interest should **not** include the $20,000 intra-group interest charge between Panther Co and Sabre Co. Therefore the profit for the year attributable to NCI should be $116,000 and the total comprehensive income for the year should be $152,000.

The solution should show as follows:

| | $'000 | |
|---|---|---|
| Finance costs (200 + (70 × 6/12) – (W3) 20 cancellation) | (215) | |
| Finance income (50 – (W3) 20 cancellation) | 30 | |
| Profit before tax | 4,750 | |
| Income tax expense (1,300 + (220 × 6/12)) | (1,410) | |
| Profit for the year | 3,340 | |
| Other comprehensive income for the year, net of tax (1,600 + (180 × 6/12)) | 1,690 | |
| Total comprehensive income for the year | 5,030 | |
| Profit attributable to: | | |
| Owners of the parent (3,340 – 124) | ~~3,216~~ | 3,224 |
| Non-controlling interests (W1) | ~~124~~ | 116 |
| | 3,340 | |
| Total comprehensive income attributable to: | | |
| Owners of the parent (5,030 – 160) | ~~4,870~~ | 4,878 |
| Non-controlling interests (W1) | ~~160~~ | 152 |
| | 5,030 | |

*Workings*

1 ***Non-controlling interests***

| | | *PFY* | *TCI* | |
|---|---|---|---|---|
| | | $'000 | $'000 | |
| Profit/TCI for the year (610 × 6/12) / (790 × 6/12) | | 305 | 395 | |
| Less PUP (W2) | | (10) | (10) | |
| ~~Add back intragroup interest (W3)~~ | | ~~20~~ | ~~20~~ | |
| Additional depreciation on fair value adjustment (W4) | | (5) | (5) | |
| | 290 | ~~310~~ | ~~400~~ | 380 |
| NCI share (× 40%) | 116 | ~~124~~ | ~~160~~ | 152 |

# Page 819, Solution to Q57 Bulwell Aggregates

The depreciation is correctly calculated as $12,500, but this is incorrectly shown in the PL in each year, and the SFP extract in 20X1.

| | 20X1 | 20X2 | 20X3 | 20X4 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Finance cost | 11,250 | 8,063 | 4,078 | |
| Depreciation on lorries | ~~13,500~~ | ~~13,500~~ | ~~13,500~~ | ~~13,500~~ |

Correct figures:

| PL extract | 20X1 | 20X2 | 20X3 | 20X4 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Finance cost | 11,250 | 8,063 | 4,078 | - |
| Depreciatin on lorries | 12,500 | 12,500 | 12,500 | 12,500 |

In the SFP extract the depreciation for 20X1 should be 12,500.