



**PRACTICE & REVISION KIT For exams in September 2018,  
December 2018, March 2019 and June 2019**

**Mock exam 2, Question 1**

There is an error in the answer to part (a)(i) as the contingent liability had incorrectly been added to the fair value of identifiable net assets acquired instead of subtracted from it. The corrections are highlighted below.

**Goodwill related to the acquisition of Hail**

Goodwill at acquisition:	\$m	\$m
Consideration transferred for 80% interest		
Cash payable on 1 June 20X1	50	
Deferred cash consideration (\$24.2 million/(1.10) <sup>2</sup> )	20	
Contingent consideration	40	
Fair value of non-controlling interest	30	
		140
Fair value of identifiable net assets acquired	130	
Contingent liability	(2)	
		<u>(128)</u>
		<u>12</u>

There is an error in the question relating to the acquisition of Zinc. The correct figure, and the correction to the answer, are highlighted below.

*Question*

At 31 May 20X2 the carrying amount of the investment in Zinc in Robby's separate financial statements was \$3 million.

*Answer (to part (a)(i))*

- (1) The 5% investment has been sold. Per IFRS 3, the investment previously held is remeasured to fair value at the date control is obtained and a gain or loss reported in profit or loss:

Fair value of 5% at date control achieved (1 December 20X2)	\$m
	5
Fair value of carrying amount of 5% per SOFP at 31 May 20X2	<u>(3)</u>
Remeasurement gain (1 June 20X2 to 1 December 20X2)	<u>2</u>