

Study Text

Editions 01/2018 and 01/2019

Chapter 9, p.169/170

There is an error in the calculation of Working 1: Profit on the disposal of Hoof.

The NCI calculation of $1,080 \times 20\%$ should be \$216,000. This will also affect working 3 and give the final retained earnings carried forward for Horse of \$1,448,000 as shown below in the revised workings.

Working 1: Profit on disposal of Hoof Co

	\$'000	\$'000
Fair value of consideration received		1,300
Less: fair value of net assets of subsidiary at date of disposal		
Net assets (360 + 720)	1,080	
Goodwill (W3)	88	
Less; non-controlling interests ($1,080 \times 20\%$)	<u>(216)</u>	
		<u>(952)</u>
		<u>348</u>

Working 3: Retained earnings carried forward

	<i>Horse</i> \$'000	<i>Hoof</i> \$'000
Per question/date of disposal	812	720
Add group gain on disposal (W1)	<u>348</u>	–
Reserves at acquisition	–	<u>(360)</u>
		<u>360</u>
Share of post-acq'n reserves up to the disposal ($80\% \times 360$)	<u>288</u>	
	<u>1,448</u>	

Study Text: Practice Question Bank

Q24 Bulwell Aggregates Co

The question should also have the following added to the information provided about the lorries

"The scrap value of the lorries after four years is expected to be \$4,000"

The answer will therefore be amended to:

Depreciation on the Right of Use asset will be calculated as $\frac{\$54,000 - \$4,000}{4 \text{ years}} = \$12,500 \text{ pa}$

Note: The depreciation is calculated over 4 years (useful life) not 3 years (lease term) because the company obtains ownership of the asset at the end of the lease term.