

Errata in CIMA F2 Exam Practice Kit for CIMA 2015 Syllabus Exams in 2019

Questions

4.16

Amend 'legal title **reverts** to DF' to 'legal title **passes** to DF'.

4.17

Replace question with:

PQ leases office equipment to businesses. On 1 April 20X8 CD enters into an arrangement to lease 50 tablet computers for its staff from PQ. On this date, the market price of each tablet (and carrying amount in PQ's accounting records) is approximately \$800, with an economic life of four years.

The leases are for four years with rental of \$240 per year per tablet payable in advance. The present value of all lease payments (including the first instalment in advance) is \$800 per tablet computer, equivalent to a finance rate of 13.7% per annum.

CD's accounting policy is to apply any optional exemptions permitted by IFRS 16 *Leases*.

Which of the following options correctly describes the accounting treatment for this lease in the statement of profit or loss of CD for the year ended 31 March 20X9?

- Recognise rental expense of \$12,000
- Recognise depreciation of \$7,000 and finance costs of \$3,386
- Recognise depreciation of \$10,000 and finance costs of \$3,386
- Recognise depreciation of \$10,000 and finance costs of \$5,480

17.16

The total in the extract from the consolidated statement of profit or loss needs correcting from 10,000 to 11,000:

| | |
|---------------------------|---------------|
| | \$'000 |
| Profit attributable to: | |
| Owners of the parent | 9,700 |
| Non-controlling interests | <u>1,300</u> |
| | <u>11,000</u> |

Answers

2.38

The answer of 16.6% is correct but in the cost of equity calculation, 1.15 has been incorrectly included as 1.5. The correction is highlighted below:

$$K_e = \frac{4(1.15)}{280} + 0.15 = 16.6\%$$

3.1

The table calculating the net carrying amount should be headed up \$'m (not \$'000). The correction is highlighted below:

| | \$'m |
|-----------------------------------|------|
| Gross carrying amount | 100 |
| Less: Allowance for credit losses | (20) |
| Net carrying amount | 80 |

3.17

The explanation should say 'Stage 2' not 'Stage 3'. The correction is highlighted below:

The credit risk on the loan asset has increased significantly since recognition and therefore in accordance with IFRS 9 *Financial Instruments* a loss allowance equal to the present value lifetime expected credit losses is required at the reporting date as the loan has reached **Stage 2** of the expected loss impairment model.

3.18

Closing bracket missing as highlighted below:

Therefore, an allowance for credit losses should be recognised, calculated as present value of the 12-month expected credit losses (the probability of default in the next 12 months multiplied by the present value of lifetime expected credit losses).

4.17

Replace the solution with:

The correct answer is:

Recognise rental expense of \$12,000

CD is the lessee. This is a lease of low value items, therefore, as CD's accounting policy is to apply the IFRS 16 exemptions, the lease payments of \$12,000 ($50 \times \240) are recorded as an expense in profit or loss. It would be incorrect to recognise all the lease rentals for the whole lease term of \$48,000 ($\$12,000 \times 4$ years) in profit or loss as the cost must be spread over the four year lease term.

If CD had not elected to apply IFRS 16's recognition exemptions, it would have recognised a right-of-use asset and a lease liability. The lease liability would have been measured at the present value of lease payments not paid at the commencement date of \$28,000. In the statement of profit or loss for the year ended 31 March 20X9, CD would have recognised finance costs of \$3,846 ($13.7\% \times \$28,000$). The amount of \$5,840 would be incorrect because this is based on an initial lease liability calculated as the present value of all lease payments so has not removed the first instalment paid in advance ($13.7\% \times \$800 \times 50$). The initial right of use asset would have been measured at the present value of lease payments not paid at the commencement date (\$28,000) plus lease payments made on the commencement date ie the first instalment in advance ($\$240 \times 50 = \$12,000$). This amounts to \$40,000. Therefore, depreciation for the year ended 31 March 20X9 would be \$10,000 ($\$40,000/4$ years). Depreciation of \$7,000 would be incorrect as this would be based on the initial lease liability ($\$28,000/4$ years) rather than the initial right-of-use asset.

4.22

The sentence starting 'A gain or loss of \$136,000 is recognised in profit or loss' should say 'A gain of \$480,000 is recognised in profit or loss'.

8.15

Should say 'The correct answer is' (not 'The correct answers is:').

15.10

'Additions under finance leases' should be 'Additions under leases' in the lease liability working. The correction is highlighted below:

| | |
|--|------------------|
| Lease liability: | \$m |
| B/d (10 + 45) | 55 |
| Interest | 6 |
| Instalments paid | <u>(18)</u> |
| | 43 |
| Additions under leases (balancing figure) | <u>28</u> |
| C/d (20 + 51) | <u><u>71</u></u> |

17.10

Replace the explanatory paragraph with:

Remember that to restate the original 20X5 EPS for the bonus element of the rights issue, it must be multiplied by the reciprocal of the bonus fraction. The bonus fraction is calculated as: Theoretical ex-rights price / Fair value before the rights issue (\$1.50/\$1.40). Therefore, the reciprocal of the bonus fraction is \$1.40/\$1.50.