Answers

1 (a)

Warrburt Group
Statement of Cash flows for year ended 30 November 2008

	$m	$m
Loss before taxation		(21)
Adjustments to operating activities		
Available-for-sale financial assets (working i)	(7)	
Retirement benefit expense	10	
Depreciation	36	
Profit on sale of PPE	(7)	
Exchange loss (working viii)	2	
Gain on insurance proceeds (3 – 1) (working iii)	(2)	
Associate's profit (working iv)	(8)	
Impairment of goodwill and intangible assets	32	
Finance costs	9	65
Decrease in trade receivables	71	
Decrease in inventories	63	
Decrease in trade payables (115 – 21 – 180)	(86)	48
Cash generated from operations		92
Cash paid to retirement benefit scheme	(10)	
Finance costs paid (working vi)	(8)	
Income taxes paid (working v)	(39)	(57)
Cash flows from investing activities		
Sale of AFS financial assets	45	
Purchase of property, plant and equipment (PPE) (working viii)	(57)	
Proceeds from sale of PPE	63	
Dividend received from associate	2	
Purchase of associate	(96)	(43)
Cash flows from financing activities:		
Proceeds of issue of share capital	55	
Repayment of long term borrowings	(44)	
Non-controlling Interest dividend (working vii)	(5)	
Dividends paid	(9)	(3)
Net decrease in cash and cash equivalents		(11)
Cash and cash equivalents at beginning of period		323
Cash and cash equivalents at end of period		312

Working

(i) Available-for-sale financial assets

The sale proceeds of the AFS financial assets were $45 million thus creating a profit of $7 million. The profit on the sale of AFS financial assets has been shown in other income but the profit held in equity ($24 million) has been transferred to retained earnings when it should have been reclassified to other income.

	$m
Sale proceeds	45
Carrying value	(38)
Profit	7

The profit of $7 million will be included in the adjustments to operating activities.

(ii) The benefits paid to beneficiaries of the retirement benefit scheme are paid out of the scheme's assets and not the company's. Hence there is no cash flow effect.

(iii) The loss on the disposal of the destroyed assets of $1 million and the gain of $3 million should not be recognised in the statement of cash flows as it does not have a cash flow effect.

(iv) Associate

	$m
Balance at 30 November 2008	100
Less profit for period $24m x 25%	(6)
Add dividend received $8m x 25%	2
Cost of acquisition (cash)	96

Therefore, cash paid for the investment is $96 million, and cash received from the dividend is $2 million. The share of the profit of the associate before tax is $8 million and taxation will therefore be $2 million.

(v) Taxation

	$m	$m
Opening tax balances at 1 December 2007:		
Deferred tax	26	
Current tax	42	
		68
Charge for year (31 + 5)		36
Tax on associate's profit		(2)
Less closing tax balances at 30 November 2008:		
Deferred tax	28	
Current tax	35	
		(63)
Cash paid		39

The tax charge on the AFS financial asset ($3m) and the revaluation gain ($2m) is adjusted on the tax charge for the year.

(vi) Short term provisions

	$m
Opening balance at 1 December 2007	4
Finance costs	9
Cash paid	(8)
Closing balance at 30 November 2008	5

(vii) Non Controlling Interest

	$m
Opening balance at 1 December 2007	53
Current year amount	22
Dividend paid	(5)
Closing balance at 30 November 2008	70

(viii) Additions of PPE

The purchase will be recorded at 380 million dinars ÷ 5, i.e. $76 million. At 31 October 2008, the cash outflow will be recorded at 280 million dinars ÷ 4·9, i.e. $57 million giving a loss on exchange of $1 million (57 – 280/5). At the year end the monetary liability will be recorded at 100 million dinars ÷ 4·8, i.e. $21 million giving a loss on exchange of $1 million (21 – (100/5)). The total loss will be eliminated from cash generated from operations ($2 million), the cash flow will be $57 million and the decrease in trade payables will be adjusted by $21 million.

(b) Financial statement ratios can provide useful measures of liquidity but an analysis of the information in the cash flow statement, particularly cash flow generated from operations, can provide specific insights into the liquidity of Warrburt. It is important to look at the generation of cash and its efficient usage. An entity must generate cash from trading activity in order to avoid the constant raising of funds from non-trading sources. The 'quality of the profits' is a measure of an entity's ability to do this. The statement of cash flow shows that the company has generated cash in the period despite sustaining a significant loss ($92m cash flow but $21m loss). The problem is the fact that the entity will not be able to sustain this level of cash generation if losses continue.

An important measure of cash flow is the comparison of the cash from operating activity to current liabilities. In the case of Warrburt, this is $92m as compared to $155m. Thus the cash flow has not covered the current liabilities.

Operating cash flow ($92 million) determines the extent to which Warrburt has generated sufficient funds to repay loans, maintain operating capability, pay dividends and make new investments without external financing. Operating cash flow appears to be healthy, partially through the release of cash from working capital. This cash flow has been used to pay contributions to the pension scheme, pay finance costs and income taxes. These uses of cash generated would be normal for

any entity. However, the release of working capital has also financed in part the investing activities of the entity which includes the purchase of an associate and property, plant and equipment. The investing activities show a net cash outflow of $43 million which has been financed partly out of working capital, partly from the sale of PPE and AFS financial assets and partly out of cash generated from operations which include changes in working capital. It seems also that the issue of share capital has been utilised to repay the long term borrowings and pay dividends. Also a significant amount of cash has been raised through selling AFS investments. This may not continue in the future as it will depend on the liquidity of the market. This action seems to indicate that the long term borrowings have effectively been 'capitalised'. The main issue raised by the cash flow statement is the use of working capital to partially finance investing activities. However, the working capital ratio and liquidity ratios are still quite healthy but these ratios will deteriorate if the trend continues.

(c) Companies can give the impression that they are generating more cash than they are, by manipulating cash flow. The way in which acquisitions, loans and, as in this case, the sale of assets, is shown in the statement of cash flows, can change the nature of operating cash flow and hence the impression given by the financial statements. The classification of cash flows can give useful information to users and operating cash flow is a key figure. The role of ethics in the training and professional lives of accountants is extremely important. Decision-makers expect the financial statements to be true and fair and fairly represent the underlying transactions.

There is a fine line between deliberate misrepresentation and acceptable presentation of information. Pressures on management can result in the misrepresentation of information. Financial statements must comply with International Financial Reporting Standards (IFRS), the Framework and local legislation. Transparency, and full and accurate disclosure is important if the financial statements are not to be misleading. Accountants must possess a high degree of professional integrity and the profession's reputation depends upon it. Ethics describe a set of moral principles taken as a reference point. These principles are outside the technical and practical application of accounting and require judgement in their application. Professional accountancy bodies set out ethical guidelines within which their members operate covering standards of behaviour, and acceptable practice. These regulations are supported by a number of codes, for example, on corporate governance which assist accountants in making ethical decisions. The accountant in Warrburt has a responsibility not to mask the true nature of the statement of cash flow. Showing the sale of assets as an operating cash flow would be misleading if the nature of the transaction was masked. Users of financial statements would not expect its inclusion in this heading and could be misled. The potential misrepresentation is unacceptable. The accountant should try and persuade the directors to follow acceptable accounting principles and comply with accounting standards. There are implications for the truth and fairness of the financial statements and the accountant should consider his position if the directors insist on the adjustments by pointing the inaccuracies out to the auditors.

2 IFRS3 (Revised) is a further development of the acquisition model and represents a significant change in accounting for business combinations. The consideration is the amount paid for the business acquired and is measured at fair value. Consideration will include cash, assets, contingent consideration, equity instruments, options and warrants. It also includes the fair value of all equity interests that the acquirer may have held previously in the acquired business. The principles to be applied are that:

(a) a business combination occurs only in respect of the transaction that gives one entity control of another
(b) the identifiable net assets of the acquiree are re-measured to their fair value on the date of the acquisition
(c) NCI are measured on the date of acquisition under one of the two options permitted by IFRS3 (Revised).

An equity interest previously held in the acquiree which qualified as an associate under IAS28 is similarly treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is re-measured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount under IAS28 is recognised in profit or loss. Thus the 30% holding in the associate which was previously held will be included in the consideration. If the carrying amount of the interest in the associate is not held at fair value at the acquisition date, the interest should be measured to fair value and the resulting gain or loss should be recognised in profit or loss. The business combination has effectively been achieved in stages.

The fees payable in transaction costs are not deemed to be part of the consideration paid to the seller of the shares. They are not assets of the purchased business that are recognised on acquisition. Therefore, they should be expensed as incurred and the services received. Transaction costs relating to the issue of debt or equity, if they are directly attributable, will not be expensed but deducted from debt or equity on initial recognition.

It is common for part of the consideration to be contingent upon future events. Marrgrett wishes some of the existing shareholders/employees to remain in the business and has, therefore, offered share options as an incentive to these persons. The issue is whether these options form part of the purchase consideration or are compensation for post-acquisition services. The conditions attached to the award will determine the accounting treatment. In this case there are employment conditions and, therefore, the options should be treated as compensation and valued under IFRS2 'Share based payment'. Thus a charge will appear in post-acquisition earnings for employee services as the options were awarded to reward future services of employees rather than to acquire the business.

The additional shares to a fixed value of $50,000 are contingent upon the future returns on capital employed. Marrgrett only wants to make additional payments if the business is successful. All consideration should be fair valued at the date of acquisition, including the above contingent consideration. The contingent consideration payable in shares where the number of shares varies to give the recipient a fixed value ($50,000) meets the definition of a financial liability under IAS32 'Financial Instruments: Presentation'. As a result the liability will have to be fair valued and any subsequent remeasurement will be recognised in the income statement. There is no requirement under IFRS3 (Revised) for the payments to be probable.

Intangible assets should be recognised on acquisition under IFRS3 (Revised). These include trade names, domain names, and non-competition agreements. Thus these assets will be recognised and goodwill effectively reduced. The additional clarity in IFRS3 (Revised) could mean that more intangible assets will be recognised on acquisition. As a result of this, the post-combination income statement may have more charges for amortisation of the intangibles than was previously the case.

The revised standard gives entities the option, on a transaction by transaction basis, to measure non-controlling interests (NCI) at the fair value of the proportion of identifiable net assets or at full fair value. The first option results in measurement of goodwill on consolidation which would normally be little different from the previous standard. The second approach records goodwill on the NCI as well as on the acquired controlling interest. Goodwill is the residual but may differ from that under the previous standard because of the nature of the valuation of the consideration as previously held interests are fair valued and also because goodwill can be measured in the above two ways (full goodwill and partial goodwill). The standard gives entities a choice for each separate business combination of recognising full or partial goodwill. Recognising full goodwill will increase reported net assets and may result in any future impairment of goodwill being of greater value. Measuring NCI at fair value may have some difficulties but goodwill impairment testing may be easier under full goodwill as there is no need to gross-up goodwill for partly-owned subsidiaries. The type of consideration does not affect goodwill regardless of how the payment is structured. Consideration is recognised in total at its fair value at the date of acquisition. The form of the consideration will not affect goodwill but the structure of the payments can affect post-acquisition profits. Contingent payments which are deemed to be debt instruments will be remeasured at each reporting date with the change going to the income statement.

Marrgrett has a maximum period of 12 months to finalise the acquisition accounting but will not be able to recognise the re-organisation provision at the date of the business combination. The ability of the acquirer to recognise a liability for reducing or changing the activities of the acquiree is restricted. A restructuring provision can only be recognised in a business combination when the acquiree has at the acquisition date, an existing liability which complies with IAS37 'Provisions, contingent liabilities and contingent assets'. These conditions are unlikely to exist at the acquisition date. A restructuring plan that is conditional on the completion of a business combination is not recognised in accounting for the acquisition but the expense will be met against post-acquisition earnings.

IAS27 (Revised) uses the economic entity model whereas previous practice used the parent company approach. The economic entity model treats all providers of equity capital as shareholders of the entity even where they are not shareholders in the parent. A partial disposal of an interest in a subsidiary in which control is still retained is seen as a treasury transaction and accounted for in equity. It does not result in a gain or loss but an increase or decrease in equity. However, where a partial disposal in a subsidiary results in a loss of control but the retention of an interest in the form of an associate, then a gain or loss is recognised in the whole interest. A gain or loss is recognised on the portion that has been sold, and a holding gain or loss is recognised on the interest retained being the difference between the book value and fair value of the interest. Both gains/losses are recognised in the income statement.

3 Licences

An intangible asset meets the identifiability criterion when it is separable or it arises from contractual or other legal rights (IAS38 'Intangible Assets'). Additionally intangible assets are recognised where it is probable that the future economic benefits attributable to the asset will flow to the entity and the asset's cost can be reliably measured. Where intangible assets are acquired separately, the asset's cost or fair value reflects the estimations of the future economic benefits that are expected to flow to the entity. The licence will, therefore, meet the above criteria for recognition as an intangible asset at cost. Subsequent to initial recognition, IAS38 permits an entity to adopt the cost or revaluation model as its accounting policy. The revaluation model can only be adopted if intangible assets are traded in an active market. As the licence cannot be sold, the revaluation model cannot be used.

The cost model requires intangible assets to be carried at cost less amortisation and impairment losses (IAS38, para 74). Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life. The depreciable amount is the asset's cost less its residual value. The licence will have no residual value. The depreciable amount should be allocated on a systematic basis over its useful life. The method of amortisation should reflect the pattern in which the asset's economic benefits are expected to be consumed. If that pattern cannot be determined reliably, the straight line method of amortisation must be used. The licence does not suffer wear and tear from usage, that is the number of customers using the service. The economic benefits of the licence relate to Johan's ability to benefit from the use of the licence. The economic benefits relates to the passage of time and the useful life of the licence is now shorter. Therefore, the asset depletes on a time basis and the straight line basis is appropriate. The licence should be amortised from the date that the network is available for use; that is from 1 December 2007. An impairment review should have been undertaken at 30 November 2007 when the licence was not being amortised. Although the licence is capable of being used on the date it was purchased, it cannot be used until the associated network assets and infrastructure are available for use. Johan expects the regulator to renew the licence at the end of the initial term and thus consideration should be given to amortising the licence over the two licence periods, i.e. a period of 11 years (five years and six years) as the licence could be renewed at a nominal cost. However, Johan has no real experience of renewing licences and cannot reliably determine what amounts, if any, would be payable to the regulator. Therefore, the licence should be amortised over a five year period, that is $24 million per annum.

There are indications that the value of the licence may be impaired. The market share for the year to 30 November 2008 is disappointing and competition is fierce in the sector, and retention of customers difficult. Therefore, an impairment test should be undertaken. Johan should classify the licence and network assets as a single cash generating unit (CGU) for impairment purposes. The licence cannot generate revenue in its own right and the smallest group of assets that generates independent revenue will be the licence and network assets. The impairment indicators point to the need to test this cash generating unit for impairment.

Costs incurred in extending network
The cost of an item of property, plant and equipment should be recognised when

(i) it is probable that future economic benefits associated with the item will flow to the entity, and
(ii) the cost of the item can be measured reliably (IAS16, 'Property, plant and equipment' (PPE))

It is necessary to assess the degree of certainty attaching to the flow of economic benefits and the basis of the evidence available at the time of initial recognition. The cost incurred during the initial feasibility study ($250,000) should be expensed as incurred, as the flow of economic benefits to Johan as a result of the study would have been uncertain.

IAS16 states that the cost of an item of PPE comprises amongst other costs, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management (IAS16, para 16). Examples of costs given in IAS16 are site preparation costs, and installation and assembly costs. The selection of the base station site is critical for the optimal operation of the network and is part of the process of bringing the network assets to a working condition. Thus the costs incurred by engaging a consultant ($50,000) to find an optimal site can be capitalised as it is part of the cost of constructing the network and depreciated accordingly as planning permission has been obtained.

Under IAS17, 'Leases', a lease is defined as an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. An operating lease is a lease other than a finance lease. In the case of the contract regarding the land, there is no ownership transfer and the term is not for the major part of the asset's life as it is land which has an indefinite economic life. Thus substantially all of the risks and rewards incidental to ownership have not been transferred. The contract should be treated, therefore, as an operating lease. The payment of $300,000 should be treated as a prepayment in the statement of financial position and charged to the income statement over the life of the contract on the straight line basis. The monthly payments will be expensed and no value placed on the lease contract in the statement of financial position.

Handsets and revenue recognition
The inventory of handsets should be measured at the lower of cost and net realisable value (IAS2, 'Inventories', para 9). Johan should recognise a provision at the point of purchase for the handsets to be sold at a loss. The inventory should be written down to its net realisable value (NRV) of $149 per handset as they are sold both to prepaid customers and dealers. The NRV is $51 less than cost. Net realisable value is the estimated selling price in the normal course of business less the estimated selling costs.

IAS18, 'Revenue', requires the recognition of revenue by reference to the stage of completion of the transaction at the reporting date. Revenue associated with the provision of services should be recognised as service as rendered. Johan should record the receipt of $21 per call card as deferred revenue at the point of sale. Revenue of $18 should be recognised over the six month period from the date of sale. The unused call credit of $3 would be recognised when the card expires as that is the point at which the obligation of Johan ceases. Revenue is earned from the provision of services and not from the physical sale of the card.

IAS18 does not deal in detail with agency arrangements but says the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increases in equity for the entity. The amounts collected on behalf of the principal are not revenue. Revenue is the amount of the 'commission'. Additionally where there are two or more transactions, they should be taken together if the commercial effect cannot be understood without reference to the series of transactions as a whole.

As a result of the above, Johan should not recognise revenue when the handset is sold to the dealer, as the dealer is acting as an agent for the sale of the handset and the service contract. Johan has retained the risk of the loss in value of the handset as they can be returned by the dealer and the price set for the handset is under the control of Johan. The handset sale and the provision of the service would have to be assessed as to their separability. However, the handset cannot be sold separately and is commercially linked to the provision of the service. Johan would, therefore, recognise the net payment of $130 as a customer acquisition cost which may qualify as an intangible asset under IAS38, and the revenue from the service contract will be recognised as the service is rendered. The intangible asset would be amortised over the 12 month contract. The cost of the handset from the manufacturer will be charged as cost of goods sold ($200).

4 **(a)** It could be argued that the marketplace already offers powerful incentives for high-quality reporting as it rewards such by easing or restricting access to capital or raising or lowering the cost of borrowing capital depending on the quality of the entity's reports. However, accounting standards play an important role in helping the market mechanism work effectively. Accounting standards are needed because they:

- Promote a common understanding of the nature of corporate performance and this facilitates any negotiations between users and companies about the content of financial statements. For example, many loan agreements specify that a company provide the lender with financial statements prepared in accordance with generally accepted accounting principles or International Financial Reporting Standards. Both the company and the lender understand the terms and are comfortable that statements prepared according to those standards will meet certain information needs. Without standards, the statements would be less useful to the lender, and the company and the lender would have to agree to create some form of acceptable standards which would be inefficient and less effective.
- Assist neutral and unbiased reporting. Companies may wish to portray their past performance and future prospects in the most favourable light. Users are aware of this potential bias and are sceptical about the information they receive. Standards build credibility and confidence in the capital marketplace to the benefit of both users and companies.
- Improve the comparability of information across companies and national boundaries. Without standards, there would be little basis to compare one company with others across national boundaries which is a key feature of relevant information.

– Create credibility in financial statements. Auditors verify that information is reported in accordance with standards and this creates public confidence in financial statements
– Facilitate consistency of information by producing data in accordance with an agreed conceptual framework. A consistent approach to the development and presentation of information assists users in accessing information in an efficient manner and facilitates decision-making.

(b) Increased information disclosure benefits users by reducing the likelihood that they will misallocate their capital. This is obviously a direct benefit to individual users of corporate reports. The disclosure reduces the risk of misallocation of capital by enabling users to improve their assessments of a company's prospects. This creates three important results.

(i) Users use information disclosed to increase their investment returns and by definition support the most profitable companies which are likely to be those that contribute most to economic growth. Thus, an important benefit of information disclosure is that it improves the effectiveness of the investment process.

(ii) The second result lies in the effect on the liquidity of the capital markets. A more liquid market assists the effective allocation of capital by allowing users to reallocate their capital quickly. The degree of information asymmetry between the buyer and seller and the degree of uncertainty of the buyer and the seller will affect the liquidity of the market as lower asymmetry and less uncertainty will increase the number of transactions and make the market more liquid. Disclosure will affect uncertainty and information asymmetry.

(iii) Information disclosure helps users understand the risk of a prospective investment. Without any information, the user has no way of assessing a company's prospects. Information disclosure helps investors predict a company's prospects. Getting a better understanding of the true risk could lower the price of capital for the company. It is difficult to prove however that the average cost of capital is lowered by information disclosure, even though it is logically and practically impossible to assess a company's risk without relevant information. Lower capital costs promote investment, which can stimulate productivity and economic growth.

However although increased information can benefit users, there are problems of understandability and information overload.

Information disclosure provides a degree of protection to users. The benefit is fairness to users and is part of corporate accountability to society as a whole.

The main costs to the preparer of financial statements are as follows:

(i) the cost of developing and disseminating information,
(ii) the cost of possible litigation attributable to information disclosure,
(iii) the cost of competitive disadvantage attributable to disclosure.

The costs of developing and disseminating the information include those of gathering, creating and auditing the information.

Additional costs to the preparers include training costs, changes to systems (for example on moving to IFRS), and the more complex and the greater the information provided, the more it will cost the company.

Although litigation costs are known to arise from information disclosure, it does not follow that all information disclosure leads to litigation costs. Cases can arise from insufficient disclosure and misleading disclosure. Only the latter is normally prompted by the presentation of information disclosure. Fuller disclosure could lead to lower costs of litigation as the stock market would have more realistic expectations of the company's prospects and the discrepancy between the valuation implicit in the market price and the valuation based on a company's financial statements would be lower. However, litigation costs do not necessarily increase with the extent of the disclosure. Increased disclosure could reduce litigation costs.

Disclosure could weaken a company's ability to generate future cash flows by aiding its competitors. The effect of disclosure on competitiveness involves benefits as well as costs. Competitive disadvantage could be created if disclosure is made relating to strategies, plans, (for example, planned product development, new market targeting) or information about operations (for example, production-cost figures). There is a significant difference between the purpose of disclosure to users and competitors. The purpose of disclosure to users is to help them to estimate the amount, timing, and certainty of future cash flows. Competitors are not trying to predict a company's future cash flows, and information of use in that context is not necessarily of use in obtaining competitive advantage. Overlap between information designed to meet users' needs and information designed to further the purposes of a competitor is often coincidental. Every company that could suffer competitive disadvantage from disclosure could gain competitive advantage from comparable disclosure by competitors. Published figures are often aggregated with little use to competitors.

Companies bargain with suppliers and with customers, and information disclosure could give those parties an advantage in negotiations. In such cases, the advantage would be a cost for the disclosing entity. However, the cost would be offset whenever information disclosure was presented by both parties, each would receive an advantage and a disadvantage.

There are other criteria to consider such as whether the information to be disclosed is about the company. This is both a benefit and a cost criterion. Users of corporate reports need company-specific data, and it is typically more costly to obtain and present information about matters external to the company. Additionally, consideration must be given as to whether the company is the best source for the information. It could be inefficient for a company to obtain or develop data that other, more expert parties could develop and present or do develop at present.

There are many benefits to information disclosure and users have unmet information needs. It cannot be known with any certainty what the optimal disclosure level is for companies. Some companies through voluntary disclosure may have achieved their optimal level. There are no quantitative measures of how levels of disclosure stand with respect to optimal levels. Standard setters have to make such estimates as best they can, guided by prudence, and by what evidence of benefits and costs they can obtain.

				Marks
1	**(a)**	Net loss before tax		1
		AFS financial instruments		4
		Retirement benefit		3
		Property, plant and equipment		6
		Insurance proceeds		2
		Associate		4
		Goodwill and intangibles		1
		Finance costs		2
		Taxation		4
		Working capital		4
		Proceeds of share issue		1
		Repayment of borrowings		1
		Dividends		1
		Non Controlling interest		1
				35
	(b)	Discussion including professional marks		10
	(c)	Discussion including professional marks		5
			AVAILABLE	50

				Marks
2	Consideration			6
	IFRS2 and consideration			5
	Intangible assets			2
	NCI			5
	Finalisation and reorganisation provision			2
	IAS27			3
	Professional marks			2
			AVAILABLE	25

				Marks
3	Intangible assets:	licence		2
		amortisation		2
		impairment		2
		renewal		2
				8
	Property, plant and equipment:	cost		1
		feasibility study		1
		location and condition		1
		capitalised costs		1
	Leases:	operating lease		2
		prepayment		1
				7
	Inventory			2
	IAS18 Revenue:	recognition		2
		agency		2
		separability		2
				8
	Discussion			2
			AVAILABLE	25

			Marks
4	**(a)**	Common understanding	2
		Neutral, unbiased	2
		Comparability	1
		Credibility	2
		Consistency	2
			9
	(b)	Investment process	4
		Risk	2
		Protection	2
		Costs	2
		Competitive disadvantage	2
		Other criteria	2
			14
		Professional marks	2
		AVAILABLE	25