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# Answers

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1 (a)

Jocatt Group

Statement of Cash flows for the year ended 30 November 2010

	\$m	\$m
<b>Cash flows from operating activities:</b>		
Profit before tax		59
Adjustments to operating activities:		
Retirement benefit expense (working (vii))	4	
Depreciation on PPE	27	
Loss on replacement of investment property component part (working (viii))	0.5	
Amortisation of intangible assets (working (ix))	17	
Profit on sale of land	(9)	
Profit on investment property (working (viii))	(1.5)	
Associates profit	(6)	
Impairment of goodwill (working (i))	31.5	
Profit on AFS investments (working (ii))	(1)	
Finance costs	6	
Cash paid to retirement benefit scheme (working (vii))	(7)	
Decrease in trade receivables (113 – 62 + 5)	56	
Decrease in inventories (128 – 105)	23	
Increase in trade payables (144 – 55)	89	
	<hr/>	229.5
Cash generated from operations		288.5
Finance costs paid		(6)
Income taxes paid (working (iv))		(16.5)
		<hr/>
Cash flow from operating activities		266
<b>Cash flows from investing activities:</b>		
Purchase of associate (working (iii))	(48)	
Purchase of PPE (working (vi))	(98)	
Purchase of subsidiary (15 – 7) (working (ii))	(8)	
Additions-investment property (working (viii))	(1)	
Proceeds from sale of land (working (vi))	15	
Intangible assets (working (ix))	(12)	
Purchases of AFS investments (working (x))	(5)	
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Cash flow from investing activities		(157)
<b>Cash flows from financing activities:</b>		
Repayment of long-term borrowings	(4)	
Rights issue NCI (working (v))	2	
Non-controlling interest dividend (working (v))	(13)	
Dividends paid	(5)	
	<hr/>	
Cash flow from financing activities		(20)
Net increase in cash and cash equivalents		89
Cash and cash equivalents at beginning of period		143
		<hr/>
Cash and cash equivalents at end of period		232

**Workings**

(i) Tigret goodwill

	\$m
1 December 2009 – consideration	30
Fair value of equity interest held before business combination	5
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Fair value of consideration	35
Fair value of non-controlling interest	20
	<hr/>
	55
Identifiable net assets	(45)
Deferred tax (45 – 40) x 30%	1.5
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Goodwill	11.5

Therefore goodwill is impaired by \$68m plus \$11.5m minus \$48m i.e. \$31.5m

(ii) Purchase of subsidiary

The purchase of the subsidiary is adjusted for in the statement of cash flows by eliminating the assets acquired, as they were not included in the opening balances. The effect of the purchase is as follows:

	Dr (\$m)	Cr (\$m)
PPE	15	
Intangible assets	18	
Trade receivables	5	
Cash	7	
Goodwill	11.5	
AFS investments		4
Retained earnings (increase in fair value of AFS)		1
Share capital		15
Cash		15
NCI		20
Deferred tax		1.5
	<u>56.5</u>	<u>56.5</u>

(iii) Associate

	\$m
Opening balance at 1 December 2009	Nil
Profit for period	6
Cost of acquisition (cash)	<u>48</u>
Closing balance at 30 November 2010	<u>54</u>

(iv) Taxation

	\$m	\$m
Opening tax balances at 1 December 2009:		
Deferred tax	41	
Current tax	<u>30</u>	
		71
Deferred tax on acquisition		1.5
Charge for year (11 +1)		12
Less closing tax balances at 30 November 2010:		
Deferred tax	35	
Current tax	<u>33</u>	
		<u>(68)</u>
Cash paid		<u>16.5</u>

The tax charge on the AFS financial asset gain (\$1m) is adjusted on the tax charge for the year.

(v) Non-controlling Interest

	\$m
Opening balance at 1 December 2009	36
On acquisition	20
Current year amount	10
Dividend paid	(13)
Rights issue (5 x 40%)	<u>2</u>
Closing balance at 30 November 2010	<u>55</u>

The receipt from the rights issue is a cash inflow into the group and should be shown as a financing activity. Therefore the dividend paid will be \$13 million and the cash from the rights issues will be \$2 million.

(vi) PPE		
Opening balance at 1 December 2009	254	
Revaluation loss	(7)	
Plant in exchange transaction	4	
Sale of land	(10)	
Depreciation	(27)	
On acquisition of Tigret	15	
Current year additions (cash)	98	
Closing balance at 30 November 2010	<u>327</u>	
The profit on the sale of the land is \$15m plus \$4 million minus carrying value \$10 million i.e. \$9 million		
(vii) Defined benefit scheme		
Opening balance at 1 December 2009		22
Current service costs	10	
Past service costs (\$6m/3)	2	
Expected return on assets	(8)	
Charge to income statement		4
Actuarial losses		6
Contributions paid		(7)
Closing balance at 30 November 2010		<u>25</u>
(viii) Investment property		
Opening balance at 1 December 2009	6	
Acquisition	1	
Disposal	(0.5)	
Gain	1.5	
Closing balance at 30 November 2010	<u>8</u>	
(ix) Intangible assets		
Opening balance at 1 December 2009	72	
Acquisitions (8 + 4)	12	
Tigret	18	
Amortisation	(17)	
Closing balance at 30 November 2010	<u>85</u>	
(x) Available for sale financial assets		
Opening balance at 1 December 2009	90	
Acquisitions (cash)	5	
Tigret	(4)	
Gain (including tax)	3	
Closing balance at 30 November 2010	<u>94</u>	
(xi) Share capital		
Opening balance at 1 December 2009	275	
Acquisition of Tigret	15	
Closing balance at 30 November 2010	<u>290</u>	

- (b) (i) The vast majority of companies use the indirect method for the preparation of statements of cash flow. Most companies justify this on the grounds that the direct method is too costly. The direct method presents separate categories of cash inflows and outflows whereas the indirect method is essentially a reconciliation of the net income reported in the statement of financial position with the cash flow from operations. The adjustments include non-cash items in the statement of comprehensive income plus operating cash flows that were not included in profit or loss. The direct method shows net cash from operations made up from individual operating cash flows. Users often prefer the direct method because it shows the major categories of cash flows. The complicated adjustments required by the indirect method are difficult to understand and provide entities with more leeway for manipulation of cash flows. The adjustments made to reconcile net profit before tax to cash from operations are confusing to users. In many cases these cannot be reconciled to observed changes in the statement of financial position. Thus users will only be able to understand the size of the difference between net profit before tax and cash from operations. The direct method allows for reporting operating cash flows by understandable categories as they can see the amount of cash collected from customers, cash paid to suppliers,

cash paid to employees and cash paid for other operating expenses. Users can gain a better understanding of the major trends in cash flows and can compare these cash flows with those of the entity's competitors.

An issue for users is the abuse of the classifications of specific cash flows. Misclassification can occur amongst the sections of the statement. Cash outflows that should have been reported in the operating section may be classified as investing cash outflows with the result that companies enhance operating cash flows. The complexity of the adjustments to net profit before tax can lead to manipulation of cash flow reporting. Information about cash flows should help users to understand the operations of the entity, evaluate its financing activities, assess its liquidity or solvency or interpret earnings information. A problem for users is the fact that entities can choose the method used and there is not enough guidance on the classification of cash flows in the operating, investing and financing sections of the indirect method used in IAS 7.

- (ii) The directors wish to manipulate the statement of cash flows in order to enhance their income. As stated above, the indirect method lends itself more easily to the manipulation of cash flows because of the complexity of the adjustments to net profit before tax and the directors are trying to make use of the lack of accounting knowledge of many users of accounts who are not sophisticated in their knowledge of cash flow accounting.

Corporate reporting involves the development and disclosure of information, which the entity knows is going to be used. The information has to be truthful and neutral. The nature of the responsibility of the directors requires a high level of ethical behaviour. Shareholders, potential shareholders, and other users of the financial statements rely heavily on the financial statements of a company as they can use this information to make an informed decision about investment. They rely on the directors to present a true and fair view of the company. Unethical behaviour is difficult to control or define. The directors must consider how to best apply accounting standards even when faced with issues that could cause them to lose income. The directors should not pursue self-interest or fail to maintain objectivity and independence, and must act with appropriate professional judgement. Therefore the proceeds of the loan should be reported as cash flows from financial activities.

- 2 (a) The arrangement is not within the scope of IFRS 2 'Share-based payment' because the contract may be settled net and has not been entered into in order to satisfy Margie's expected purchase, sale or usage requirements. Margie has not purchased the wheat but has entered into a financial contract to pay or receive a cash amount. The arrangement should be dealt with in accordance with IAS 39 'Financial Instruments: Recognition and measurement'.

Contracts to buy or sell non-financial items are within the scope of IAS 39 if they can be settled net in cash or another financial asset and are not entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale, or usage requirements. Contracts to buy or sell non-financial items are inside the scope if net settlement occurs. The following situations constitute net settlement:

- (a) the terms of the contract permit either counterparty to settle net;
- (b) there is a past practice of net settling similar contracts;
- (c) there is a past practice, for similar contracts, of taking delivery of the underlying and selling it within a short period after delivery to generate a profit from short-term fluctuations in price, or from a dealer's margin; or
- (d) the non-financial item is readily convertible to cash.

The contract will be accounted for as a derivative and should be valued at fair value (asset or liability at fair value). Initially the contract should be valued at nil as under the terms of a commercial contract the value of 2,500 shares should equate to the value of 350 tonnes of wheat. At each period end the contract would be revalued and it would be expected that differences will arise between the values of wheat and Margie shares as their respective market values will be dependent on a number of differing factors. The net difference should be taken to profit or loss.

As Margie has no intention of taking delivery of the wheat this does not appear to be a hedging contract as no firm commitment exists to purchase neither is this a highly probable forecast transaction.

- (b) Share-based payment awards exchanged for awards held by the acquiree's employees are measured in accordance with IFRS 2 'Share-based payment'. If the acquirer is obliged to replace the awards, some or all of the fair value of the replacement awards must be included in the consideration. The amount not included in the consideration will be recognised as a compensation expense. If the acquirer is not obliged to exchange the acquiree's awards, the acquirer does not adjust the consideration even if the acquirer does replace the awards. A portion of the fair value of the award granted by Margie is accounted for under IFRS 3 and a portion under IFRS 2, even though no post-combination services are required. The amount included in the cost of the business combination is the fair value of Antalya's award at the acquisition date (\$20 million). Any additional amount, which in this case is \$2 million, is accounted for as a post-combination expense under IFRS 2. This amount is recognised immediately as a post-combination expense because no post-combination services are required.
- (c) The shares issued to the employees were issued in their capacity as shareholders and not in exchange for their services. The employees were not required to complete a period of service in exchange for the shares. Thus the transaction is outside the scope of IFRS 2.

As regards the purchase of the building, Grief did not act in its capacity as a shareholder as Margie approached the company with the proposal to buy the building. Grief was a supplier of a building and as such the transaction comes under IFRS 2. The building is valued at fair value with equity being credited with the same amount.

- (d) Where the vesting period is linked to a market performance condition, an entity should estimate the expected vesting period. If the actual vesting period is shorter than estimated, the charge should be accelerated in the period that the entity delivers the cash or equity instruments to the counterparty. When the vesting period is longer, the expense is recognised over the originally estimated vesting period. The effect of a vesting condition may be to change the length of the vesting period. In this case, paragraph 15 of IFRS 2 'Share based payment' requires the entity to presume that the services to be rendered by the employees as consideration for the equity instruments granted will be received in the future, over the expected vesting period. Hence, the entity will have to estimate the length of the expected vesting period at grant date, based on the most likely outcome of the performance condition. If the performance condition is a market condition, the estimate of the length of the expected vesting period must be consistent with the assumptions used in estimating the fair value of the share options granted and is not subsequently revised.

Margie expects the market condition to be met in 2011 and thus anticipates that it will charge \$1 million per annum until that date (100 x 4,000 x \$10 divided by 4 years). As the market condition has been met in the year to 30 November 2010, the expense charged in the year would be \$2 million (\$4 million – \$2 million already charged) as the remaining expense should be accelerated and charged in the year.

- 3 (a) IAS 37 paragraph 14, states that an entity must recognise a provision if, and only if:

- (i) a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event),
- (ii) payment to settle the obligation is probable ('more likely than not'), and
- (iii) the amount can be estimated reliably.

An obligating event is an event that creates a legal or constructive obligation and, therefore, results in an enterprise having no realistic alternative but to settle the obligation [IAS 37.10].

At the date of the financial statements, there was no current obligation for Greenie. In particular, no action had been brought in connection with the accident. It was not yet probable that an outflow of resources would be required to settle the obligation. Thus no provision is required.

Greenie may need to disclose a contingent liability. IAS 37 defines a contingent liability as:

- (a) a possible obligation that has arisen from past events and whose existence will be confirmed by the occurrence or not of uncertain future events; or
- (b) a present obligation that has arisen from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources will occur to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

IAS 37 requires that entities should not recognise contingent liabilities but should disclose them, unless the possibility of an outflow of economic resources is remote. It appears that Greenie should disclose a contingent liability. The fact that the real nature and extent of the damages, including whether they qualify for compensation and details of any compensation payments remained to be established all indicated the level of uncertainty attaching to the case. The degree of uncertainty is not such that the possibility of an outflow of resource could be considered remote. Had this been the case, no disclosure under IAS 37 would have been required.

Thus the conditions for establishing a liability are not fulfilled. However, a contingent liability should be disclosed as required by IAS 37.

The possible recovery of these costs from the insurer give rise to consideration of whether a contingent asset should be disclosed. Given the status of the expert report, any information as to whether judicial involvement is likely will not be available until 2011. Thus this contingent asset is more possible than probable. As such no disclosure of the contingent asset should be included.

- (b) Greenie appears to have significant influence over Manair, and therefore, it should be accounted for as an associate. According to paragraph 2 of IAS 28 'Investments in Associates', significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over the policies. Where an investor holds 20% or more of the voting power of the investee, it is presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated (IAS 28, paragraph 6).

In certain cases, whether significant influence exists should also be assessed when an investor holds less than 20% especially where it appears that the substance of the arrangement indicates significant influence. Greenie holds 19.9% of the voting shares and it appears as though there has been an attempt to avoid accounting for Manair as an associate. The fact that one investor holds a majority share of the voting power can indicate that other investors do not have significant influence. A substantial or majority ownership by an investor does not, however, necessarily preclude other investors from having significant influence (IAS 28 paragraph 6). IAS 28 paragraph 7 states that the existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (i) representation on the board of directors or equivalent governing body of the investee;
- (ii) participation in the policy-making process;
- (iii) material transactions between the investor and the investee;

- (iv) interchange of managerial personnel; or
- (v) provision of essential technical information.

The shareholders' agreement allows Greenie to participate in some decisions. It needs to be determined whether these include financial and operating policy decisions of Manair, although this is very likely. The representation on the board of directors combined with the additional rights Greenie had under the shareholders' agreement, give Greenie the power to participate in some policy decisions. Additionally, Greenie had sent a team of management experts to give business advice to the board of Manair.

In addition, there is evidence of material transactions between the investor and the investee and indications that Greenie provided Manair with maintenance and technical services. Both these facts are examples of how significant influence might be evidenced.

Based on an assessment of all the facts, it appears that Greenie has significant influence over Manair and that Manair should be considered an associate and accounted for using the equity method of accounting.

Finally as it is likely that Manair is an associated undertaking of Greenie the transactions themselves would be deemed related party transactions. Greenie would need to disclose within its own financial statements the relationship, an outline of the transactions including their total value, outstanding balances including any debts deemed irrecoverable or doubtful (IAS 24 para 17).

- (c) The franchise right should be recognised using the principles in IFRS 2 'Share based payment'. The asset should be recognised at the fair value of the rights acquired and the existence of exchange transactions and prices for similar franchise rights means that a fair value can be established. The franchise right should therefore be recorded at \$2.3 million. If the fair value had not been reliably measurable then the franchise right would have been recorded at the fair value of the equity instruments issued i.e. \$2.5 million.

Normally irredeemable preference shares would be classified as equity. The contractual obligation to pay the fixed cash dividend creates a liability component and the right to participate in ordinary dividends creates an equity component. If Greenie were to comply with IAS 32 'Financial instruments: Presentation', it would require the preference shares to be treated as compound financial instruments with both an equity and liability component. The value of the equity component is the residual amount after deducting the separately determined liability component from the fair value of the instrument as a whole.

Under IAS 32, it would seem that substantially all of the carrying value of Greenie's preference shares would be allocated to the liability component because of the dividend elements and the fixed net cash dividend would be treated as a finance cost.

IAS 1 'Presentation of financial statements' requires departure from a requirement of a standard only in the extremely rare circumstances where management conclude that compliance would be so misleading that it would conflict with the objective of financial statements set out in the Framework. Greenie's argument that the presentation of the preference shares in accordance with IAS 32 would be misleading, is not acceptable. The fact that it would not reflect the nature of the instruments as having characteristics of permanent capital providing participation in future profits is not a valid argument. IAS 1 requires additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable a user to understand the impact of particular transactions or conditions on financial position and financial performance. A fair presentation would be achieved by complying with IAS 32 and providing additional disclosures to explain the characteristics of the preference shares.

- 4 (a) (i) There were several approaches, which could have been taken in developing standards for SMEs. One course of action would have been for GAAP for SMEs to be developed on a national basis, with IFRS focusing on accounting for listed company activities. The main issue would have been that the practices developed for SMEs may not have been consistent and may have lacked comparability across national boundaries. Additionally, if a SME had wished to list its shares on a capital market, the transition to IFRS would have been more difficult.

Another approach would have been to detail the exemptions given to smaller entities in the mainstream IFRS. In this case, an appendix would have been included within the standard detailing the exemptions given to smaller enterprises.

A third approach would have been to introduce a separate set of standards comprising all the issues addressed in IFRS, which are relevant to SMEs.

However, the IFRS for SMEs is a self-contained set of accounting principles that are based on full IFRSs, which have been simplified so that they are suitable for SMEs. The Standard is organised by topic with the intention that the standard would be helpful to preparers and users of SME financial statements. The IFRS for SMEs and full IFRSs are separate and distinct frameworks. Entities that are eligible to apply the IFRS for SMEs, and that choose to do so, must apply that Standard in full and cannot choose the most suitable accounting policy from full IFRS or IFRS for SMEs.

However, the IFRS for SMEs is naturally a modified version of the full standards, and not an independently developed set of standards. It is based on recognised concepts and principles which should allow easier transition to full IFRS if the SME decides to become a public listed entity.

**(ii)** In deciding on the modifications to make to IFRS, the needs of the users have been taken into account, as well as the costs and other burdens imposed upon SMEs by IFRS. Relaxation of some of the measurement and recognition criteria in IFRS have been made in order to achieve the reduction in these costs and burdens. Some disclosure requirements in full IFRS are intended to meet the needs of listed entities, or to assist users in making forecasts of the future. Users of financial statements of SMEs often do not need such detailed information. Small companies have different strategies, with survival and stability rather than profit maximisation being their goals. The stewardship function is often absent in small companies thus there are a number of accounting practices and disclosures which may not provide relevant information for the users of SME financial statements. As a result the standard does not address the following topics:

- (i) earnings per share;
- (ii) interim financial reporting;
- (iii) segment reporting;
- (iv) insurance (because entities that issue insurance contracts are not eligible to use the standard); and
- (v) assets held for sale.

In addition there are certain accounting treatments, which are not allowable under the standard. Examples of these disallowable treatments are the revaluation model for property, plant and equipment and intangible assets, and proportionate consolidation for investments in jointly controlled entities. Generally there are simpler and more cost effective methods of accounting available to SMEs than those accounting practices, which have been disallowed. Additionally the Standard eliminates the 'available-for-sale' and 'held-to maturity' classifications of IAS 39, 'Financial Instruments: Recognition and measurement'. All financial instruments are measured at amortised cost using the effective interest method except that investments in non-convertible and non-puttable ordinary and preference shares that are publicly traded or whose fair value can otherwise be measured reliably are measured at fair value through profit or loss. All amortised cost instruments must be tested for impairment. At the same time the Standard simplifies the hedge accounting and de-recognition requirements. However, SMEs can choose to apply IAS 39 in full if they so wish.

Additionally the IFRS for SMEs makes numerous simplifications to the recognition, measurement and disclosure requirements in full IFRSs. Examples of these simplifications are:

- (i) goodwill and other indefinite-life intangibles are amortised over their useful lives, but if useful life cannot be reliably estimated, then the useful life is presumed to be 10 years
- (ii) a simplified calculation is allowed if measurement of defined benefit pension plan obligations (under the projected unit credit method) involves undue cost or effort
- (iii) the cost model is permitted for investments in associates and joint ventures.

As a result of the above, SMEs do not have to comply with over 90% of the volume of accounting requirements applicable to listed companies. If an entity opts to use the IFRS for SMEs, it must follow the standard in its entirety and it cannot cherry pick between the requirements of the IFRS for SMEs and those of full IFRSs.

There is no universally agreed definition of a SME and a single definition cannot capture all the dimensions of a SME, or cannot be expected to reflect the differences between firms, sectors, or countries at different levels of development. Most definitions based on size use measures such as number of employees, net asset total, or annual turnover. However, none of these measures apply well across national borders. The IFRS for SMEs is intended for use by entities that have no public accountability (i.e. its debt or equity instruments are not publicly traded).

The decision regarding which entities should use the IFRS for SMEs remains with national regulatory authorities and standard-setters. These bodies often specify more detailed eligibility criteria.

**(b) (i)** Defined benefit scheme

The IFRS states that an entity is required to recognise all actuarial gains and losses in the period in which they occur. The entity shall:

- (a) recognise all actuarial gains and losses in profit or loss, or
- (b) recognise all actuarial gains and losses in other comprehensive income as an accounting policy election. The entity shall apply its chosen accounting policy consistently to all of its defined benefit plans and all of its actuarial gains and losses. Actuarial gains and losses recognised in other comprehensive income shall be presented in the statement of comprehensive income.

Thus the corridor approach should not be used but rather the unrecognised losses of \$0.21 million should be recognised in profit or loss or other comprehensive income.

**(ii)** Business combination

The IFRS states that the acquirer shall, at the acquisition date:

- (a) recognise goodwill acquired in a business combination as an asset, and
- (b) initially measure that goodwill at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

After initial recognition, the acquirer shall measure goodwill acquired in a business combination at cost less accumulated amortisation and accumulated impairment losses. If an entity is unable to make a reliable estimate of the useful life of goodwill, the life is presumed to be ten years. There is no choice of accounting method for non controlling interests and therefore the partial goodwill method would be used.

Goodwill will be \$5.7 million less 90% of \$6 million i.e. \$0.3 million. This will then be amortised over ten years at a value of \$30,000 per annum.

**(iii) Research and development expenditure**

The IFRS states that an entity shall recognise expenditure incurred internally on an intangible item, including all expenditure for both research and development activities, as an expense when it is incurred unless it forms part of the cost of another asset that meets the recognition criteria in this IFRS. Thus the expenditure of \$1.5 million on research and development should all be written off to profit or loss.

		<i>Marks</i>
<b>1</b>	<b>(a)</b> Net profit before tax	1
	Retirement benefit expense	2
	Depreciation on PPE	1
	Depreciation on investment property	1
	Amortisation of intangible assets	1
	Profit on sale of land	1
	Profit on investment property	1
	Associates profit	1
	Impairment of goodwill	4
	Profit on AFS investments	1
	Finance costs	1
	Decrease in trade receivables	1
	Decrease in inventories	1
	Increase in trade payables	1
	Cash paid to retirement benefit scheme	1
	Finance costs paid	1
	Income taxes paid	2
	Purchase of associate	1
	Purchase of PPE	2
	Purchase of subsidiary	1
	Additions – investment property	1
	Proceeds from sale of land	1
	Intangible assets	1
	Purchases of AFS investments	1
	Repayment of long-term borrowings	1
	Rights issue NCI	1
	Non-controlling interest dividend	1
	Dividends paid	1
	Net increase in cash and cash equivalents	1
		<u>35</u>
	<b>(b) (i)</b> Subjective	7
	<b>(ii)</b> Subjective	6
	Professional	2
		<u><b>50</b></u>
<b>2</b>	<b>(a)</b> Discussion IAS 39	5
	Conclusion	2
	<b>(b)</b> Discussion of IFRS 3/IFRS2	4
	Calculation	2
	<b>(c)</b> Discussion	4
	<b>(d)</b> Discussion	4
	Calculation	2
	Professional	2
		<u><b>25</b></u>

	<b>Marks</b>
<b>3 (a)</b> Provision discussion	3
Contingent liability discussion	3
<b>(b)</b> Significant influence discussion and application	10
<b>(c)</b> Intangible assets	3
Preference shares	4
Professional	2
	<u><b>25</b></u>
<b>4 (a) (i)/(ii)</b> Subjective assessment including professional	16
<b>(b) (i)</b> Defined benefit scheme	3
<b>(ii)</b> Business combination	4
<b>(iii)</b> Research and development expenditure	2
	<u><b>25</b></u>