

Question 1.1 – Average pass

	A	B	C	D	E	F
1	Penne Ltd					
2	1.1					
3	Statement of Profit or Loss for the year ended 30 June 2018					
4						
5	Revenue	6256800				
6	Cost of Sales	3983900				
7	Gross Profit					
8	Administrative expenses					
9	Operating Expenses	2005500				
10	Profit from Operations					
11	Finance Cost				(6723)	
12	Investment Income					
13	Profit before Tax					
14	Tax				(54700)	
15	Profit after Tax					
16						

17						
18	Statement of Financial Position for the year ended 30 June 2018					
19						
20	Non current Assets					
21	PPE	1150700				
22	Intangibles	200000			200000	
23						
24	Current Assets					
25	Inventory	256800	47500			
26	Trade receivables	586250	(1200)			
27	Cash	10100				
28						
29	Equity					
30	Share Capital	75000				
31	Share premium					
32	Revaluation Surplus	305200				
33						
34						
35	Non current Liabilities					
36	Finance lease liability				53409	
37						
38	Current Liabilities					
39	Trade and other payables	498700	-5000			
40	Tax provision				54700	
41	Finance lease liability				13944	
42						

44			
45	Working - COS Schedule		
46		Cos	Operating expenses
47	Opening inventory		
48	Purchases		
49	Closing inventory		
50	Per TB	3983900	2005500
51	Forex Gain	(5000)	
52	Remove development exp	(240000)	
53	Amortisation	40000	
54	Remove finance lease payments	(19370)	
55	Impairment	48400	
56			
57			
58	Note 3 - Forex		
59	Contracted amount = 100000 eur		
	100000 EUR * £0.95 = £95000		
	100000 EUR * £0.90 = £90000		
	Forex Gain of 95000 - 90000 = 5000		
	Dr Trade Payables		
	Cr SPL Forex Gain		
60	Non monetary items measured at date of transaction - omitted inventory:		
	= 100000 * £0.95 * 1/2 = £47500		
	Dr Inventory (SOFP) 47500		
	Cr Closing Inventory (SPL) 47500		

61					
62	Note 5 - Tax				
	Dr Tax Charge SPL 53500 Cr Tax provision 53500				
	Under provided in the previous year therefore need to debit the tax in the statement of profit or loss 1200				
63	Dr Tax Charge SPL 1200 Cr Trade and other receivables 1200				
	Total tax charge = 53500+1200 = 54700				
64					
65	Note 4 - R&D				
	R&D costs per the question: 315000 Remove Initial investigation work - (59200) Remove Product launch costs - (10800) Remove staff training - (5000)				
	True cost of intangible = 240000				
66	Start amortisation when the product is ready for use and sale which is 1st November 2017.				
	240000 / 4 years useful economic life = 60000 * 8/12 = 40000				
	Carrying life of intangible at the year end = 240000 - 40000 = 200000				
67					
68					
69	Note 2				
	5 Year finance lease should be measured at lower of PVMLP or Fair Value.				
	Same in this example.				
	Cost of the asset = 80000				
70	Amounts due less than one year = 67353 - 53409 = 13944 Amounts greater than one year = 53409				
	Finance cost = 3516+3207 = 6723				
	Need to credit (9685 * 2) from the profit or loss = 19370				

1							
2	Note 2 - continued		1st July		5%	1st January	5%
3		Opg Liability	Cash Payment	Capital	Interest	Cash Payment	Interest
4		80000	(9685)	70315	3516	(9685)	3207
5		67353	(9685)	57668	2883	(9685)	2543
6							Closing liab
							67353
							53409

8	Note 1 - PPE						
9							

Asset is impaired if Carrying amount is greater than the recoverable amount (higher of Fair value less costs to sell or Value in Use)

Cost of the asset was 100000 on 1st July 1015

Revalued to 120000 on 1 July 2016.

Only 1st July 2015 it had a useful life of 5 years. 1 year later it has a useful life of 4 years.

Carrying amount at 30 June 2018:

120000

Depreciation: $120000 / 4 \text{ years} \times 2 \text{ years} = 60000$

Carrying amount at 30 June 2018 = $120000 - 60000 = 60000$

Impairment is therefore:

Carrying amount of the asset at the year end 60000
less 11600 being the recoverable amount

0 The impairment is 48400

Transfers from revaluation reserve to Retained earnings:

Revaluation of the asset now:

cost $120000 / 4 \text{ years} = 30000$

Asset under historical cost:

cost $100000 / 5 \text{ years} = 20000$

10000 would be Debited from the Revaluation Reserve and 10000 Credited to the Retained Earnings.