



Corporate Reporting errata sheet 2022

WORKBOOK

Errata and clarifications

Chapter 17, Self-test Question 7 Terent Property plc

Please do not do this question – it is no longer relevant to the syllabus.

QUESTION BANK

Errata and clarifications

Question 21 Tydaway

Above the subheading “Cash flow hedge”, insert the following:

Fair value hedge

At 15 July 20X1:

No entries are required at this date as the firm commitment is unrecognised. The forward contract is potentially recognised, but it has a zero fair value and there is no related cash transaction to record.

However, the existence of the contract and associated risk would be disclosed from this date in accordance with IFRS 7.

At 31 July 20X1:

DEBIT	Forward contract – financial asset	£20,544	
CREDIT	Profit or loss		£20,544

To recognise the increase in the fair value of the hedging instrument (which is the forward contract, being a derivative financial asset) and to recognise the gain on the forward contract in profit or loss.

DEBIT	Profit or loss	£20,545	
CREDIT	Firm commitment		£20,545

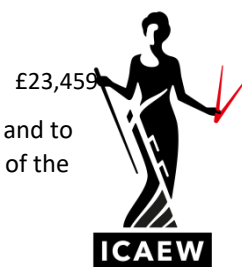
To recognise the increase in fair value of the hedged item liability (ie, the previously unrecognised firm commitment) in relation to changes in forward exchange rates and to recognise a debit entry in profit or loss, which offsets the profit previously recognised in respect of the gain on the derivative financial asset (IFRS 9).

At 15 December 20X1:

DEBIT	Forward contract – financial asset	£23,450	
CREDIT	Profit or loss		£23,450

To recognise the increase in the fair value of the hedging instrument (which is the forward contract, being a derivative financial asset) and to recognise the gain on the forward contract in profit or loss.

DEBIT	Profit or loss	£23,459	
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CREDIT Firm commitment

£23,459

To recognise the increase in the fair value of the hedged item liability (ie, the firm commitment) and to recognise a debit entry in profit or loss, which offsets the profit previously recognised in respect of the gain on the derivative financial asset (IFRS 9 para 6.5.13).

DEBIT Cash £43,994

CREDIT Forward contract

£43,994

To recognise the settlement of the forward contract by receipt of cash from the counterparty.

DEBIT Inventory £354,409

CREDIT Cash

£354,409

Being the settlement of the firm commitment (ie, the purchase of inventory) at the contracted price of \$500,000 at the spot rate on 15 December 20X1 (\$500,000/1.4108).

DEBIT Firm commitment £44,004

CREDIT Inventory

£44,004

To remove the firm commitment from the statement of financial position and adjust the carrying amount of the inventory resulting from the firm commitment.

Question 47 Key4Link

Instructions

Remove points 1 and 2 and re-number points 3 and 4 as 1 and 2. The instructions should begin as follows:

- (1) For each of the matters identified in Carey's file note (Exhibit 2), taking into account the procedures ...

Question 72 Panther Metals

Amend as follows:

Interim audit matter 2: Revenue recognition

Alain was replaced by Julie Lao who joined Panther in July 2020. I discussed the accounting policy for revenue recognition with Julie. She told me that Panther had recently considered a potential contract with a customer on a **bill and hold** basis.

Question 74 Hughes Watson

Solution, calculation of goodwill

Amend as follows:

	\$'000
Non-controlling interest (6,036 × 20%)	1,207
Total consideration	9,599

Net assets

.....

Total FV adjustments	1,280
Deferred tax at 7.5%	<u>(96)</u>
	<u>1,184</u>
Total net assets	<u>6,184</u>
Goodwill	<u>3,415</u>

@ £1 = \$0.8 = £4,268,000



Answer to Practice Question 77 Elephant part 3 marking scheme

Amend as follows:

77.1 Explain why land, buildings and improvement are a key audit risk	6	6
77.2 Identify and explain key audit risk transactions	6	6
77.3 Procedures to address key audit risks	6	6
77.4 (a) Financial reporting issues	8	
(b) Appropriate audit procedures	6	
		<u>12</u>
		<u>30</u>