

Specimen Exam 1

Exam Name: Financial Reporting (E2)

Time Allowed: 3 hours

Pass Mark: 50%

This exam contains 3 sections:

Section A:

15 questions, each worth 2 marks

30 marks in total

Section B:

3 questions, each worth 10 marks

30 marks in total

Section C:

2 questions, each worth 20 marks

40 marks in total

Section A

Question 1

Skypatch Co manufactures organic, non-alcoholic grape juice. At 30 September 20X3, it harvested 4,000 kg of grapes and placed these in cold storage. The cost to grow and harvest the grapes was \$3.00 per kg and the fair value of harvested grapes at 30 September 20X3 was \$5.00 per kg, with expected selling costs of \$0.20 per kg.

Skypatch Co also had 2,000 litres of processed and packaged grape juice in cold storage at 30 September 20X3, with a cost of \$4.00 per litre. The selling price is \$8.00 per litre and expected selling costs are \$0.80 per litre.

Which TWO of the following amounts are included in inventories on Skypatch Co's statement of financial position as at 30 September 20X3, in accordance with IAS 41 *Agriculture* and IAS 2 *Inventories*?

- A Harvested grapes of \$12,000
- B Harvested grapes of \$19,200
- C Packaged grape juice of \$8,000
- D Packaged grape juice of \$14,400

Question 2

Sugiros Co commenced a research and development project during the year ended 31 December 20X3. The objective is to manufacture and sell a new type of alloy. The directors are unsure whether the activities below could qualify as development activities or if they would always be considered as research activities.

Match each of the activities to the appropriate phase, in accordance with IAS 38 *Intangible Assets*.

Activities	Research phase	Development phase
Performing studies of different metals		
Designing a prototype alloy to present to stakeholders		
Testing of the final, preferred alloy		
Formulating different combinations to create possible alternatives		

Question 3

Gostronaut Co recognised a decommissioning provision at 31 December 20X2 and initially measured this, correctly, at its present value of \$3.56m. The provision was correctly accounted for in the year ended 31 December 20X3. There have been no changes in estimates and the relevant rate of interest is 9%.

What amount will be recognised in Gostronaut Co's statement of profit or loss for the year ended 31 December 20X4, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*?

- A Interest expenses of \$320,400
- B Interest expenses of \$349,200
- C Operating expenses of \$320,400
- D Operating expenses of \$349,200

Question 4

Match each of the financial instruments to its appropriate classification, in accordance with IAS 32 *Financial Instruments: Presentation*.

Financial instrument	Equity instrument	Financial asset	Financial liability
Investment in debt instruments			
Loan received from financial institution			
Issued non-redeemable ordinary (equity) shares			

Question 5

Lepican Co has adopted the IFRS® Sustainability Disclosure Standards and will apply these for the year ending 30 April 20X9. One of the directors has sent an email to your team with three statements.

1. “We are required to disclose and describe all possible climate-related risks regardless of whether we think it will impact us – it is very strict”
2. “It asks us to disclose details around governance but we won’t need to as we’re far too large an organisation – we will tell them that directors are charged with governance and this will suffice”
3. “We need to disclose the metric tonnes of ‘CO₂ equivalent’ that Lepican Co has emitted – I will assign responsibility to somebody in the team to collate this information”

Which of the above statements is/are correct, in accordance with IFRS S2 *Climate-related Disclosures*?

- A 1 only
- B 3 only
- C 1 and 2
- D 2 and 3

Question 6

Shels Co has a contract with a customer to maintain the customer's manufacturing machinery. Shels Co has incurred costs to satisfy this performance obligation over time, all of which are recoverable.

Which TWO of the following costs incurred may be recognised within a contract asset for costs to fulfil a contract, in accordance with IFRS 15 *Revenue from Contracts with Customers*?

- A An allocation of depreciation of tools and equipment used to maintain the machinery
- B General and administrative costs allocated from head office
- C Salaries of engineers who maintain the machinery
- D Wasted metal from welding parts onto machinery

Question 7

Exinsky Co purchased its building for \$20.0m on 1 April 20X1. It had a useful life of 50 years from that date and this remains unchanged. At 31 March 20X6, the building was impaired for the first time, by \$3.0m, from its carrying amount of \$18.0m to its recoverable amount of \$15.0m.

At 31 March 20X9, following a second impairment review, the building had a carrying amount of \$14.0m and a recoverable amount of \$17.0m.

Calculate the reversal of the impairment loss at 31 March 20X9, in accordance with IAS 36 *Impairment of Assets* (in \$m, to one decimal place).

\$ m

Question 8

Pyeking Co acquired 100% of the \$5.0m ordinary (equity) share capital of Soun-ton Co on 1 January 20X2. At the date of acquisition, Soun-ton Co had retained earnings of \$4.2m and a revaluation surplus of \$1.3m.

The fair value of Soun-ton Co's net assets was equal to the net total of the carrying amounts; however, the directors of Pyeking Co wish to recognise Soun-ton Co's contingent liabilities at a fair value of \$0.3m.

What is the fair value of Soun-ton Co's net assets at 1 January 20X2, in accordance with IFRS 3 *Business Combinations*?

- A \$8.9m
- B \$10.2m
- C \$10.5m
- D \$10.8m

Question 9

Wellost Co owns its machinery. At 28 February 20X7, the year-end date, the directors of Wellost Co reviewed the useful life and residual value.

The machinery had a cost of \$25.00m on 1 March 20X4 and had an estimated useful life of 20 years at that date. Its estimated residual value was \$0.40m.

The useful life was revised to 10 years from 1 March 20X7, at which point the directors no longer believed there to be any residual value.

What is Wellost Co's depreciation charge for the year ended 28 February 20X8, in accordance with IAS 8 *Basis of Preparation of Financial Statements* and IAS 16 *Property, Plant and Equipment*?

- A \$1.23m
- B \$2.09m
- C \$2.13m
- D \$2.50m

Question 10

Treestalk Co has not yet calculated its deferred tax balance at 31 July 20X8. On this date, the carrying amount of relevant property, plant and equipment was \$28.0m whereas its tax base was \$20.0m.

Treestalk Co generated \$7.0m of losses in the prior year, of which \$5.0m may be carried forward against its probable future taxable profits.

All income taxes are levied by a single taxation authority, at a rate of 40%. Treestalk Co has a legally enforceable right to set off current tax assets against current tax liabilities.

Calculate the deferred tax liability to be presented on Treestalk Co's statement of financial position as at 31 July 20X8, in accordance with IAS 12 *Income Taxes* (in \$m, to one decimal place).

\$ m

Question 11

Weesee Co has a defined contribution post-employment benefit plan for its employees, which is administered by a third-party pension provider.

On the 31 August 20X9, Weesee Co paid employer's contributions for August 20X9 of \$2.0m to the third-party pension provider. Weesee Co also deducts employees' contributions of \$0.5m per month from employees' salaries.

What amount of pension contributions is recognised as additional staff costs to Weesee Co for the month of August 20X9, in accordance with IAS 19 *Employee Benefits*?

- A \$0.5m
- B \$1.5m
- C \$2.0m
- D \$2.5m

Question 12

Ancorp Co entered into a contract during the year ended 30 November 20X6 to lease 50 e-bikes over a 12-month period. The e-bikes are not deemed to be of low value and have a useful life of three years.

The contract commenced on 1 August 20X6, when the first of ten monthly payments of \$3,000 was made. The directors of Ancorp Co wish to apply any recognition exemptions available.

Select whether each of the following items should or should NOT be presented on Ancorp Co's statement of financial position as at 30 November 20X6, in accordance with IFRS 16 *Leases*.

		Should be presented	Should NOT be presented
1.	An accrual of \$2,000		
2.	A prepayment of \$2,000		
3.	A right-of-use asset of \$20,000		
4.	A total lease liability of \$18,000		

Question 13

Serkus Co uses a supplier which has the functional currency of pesos (₱). Serkus Co has a functional currency of dollars (\$). Serkus Co recognised a supplier invoice for ₱100,000 on 8 May 20X7. At 31 May 20X7, the invoice had not been paid.

The spot exchange rates on 8 May 20X7 and 31 May 20X7 were \$1=₱4 and \$1=₱5, respectively.

Calculate the foreign exchange gain for the year ended 31 May 20X7, in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

\$

Question 14

Select whether each of the following items is or is not a key objective of the International Sustainability Standards Board.

		Key objective	NOT a key objective
1.	Develop standards for a global baseline of sustainability disclosures		
2.	Meet the information needs of all stakeholders		
3.	Enable companies to provide comprehensive sustainability information to global capital markets		

Question 15

Wagmoi Co made an investment in equity instruments on 14 January 20X3 and it requires a fair value at 31 March 20X3, its year-end date. The investment represents a 3% shareholding in the non-redeemable ordinary (equity) shares of a listed entity.

Which of the following provides the most reliable fair value to subsequently measure Wagmoi Co's investment in equity instruments at 31 March 20X3, in accordance with IFRS 13 *Fair Value Measurement*?

- A A quoted price in an active market
- B A quoted price for a similar investment in equity instruments in an active market
- C A present value of expected cash flows using an active market interest rate
- D A management estimate based on analysis of an active market

Section B

The following scenario relates to questions 16 to 20.

Makesleep Co is a listed company. Its sole product is an item of application software (app) which generates various soundscapes to aid its customers perform daily activities such as sleeping, reading, studying and exercising.

Financial statements

Makesleep Co	
Statement of profit or loss (draft)	
For the year ended 31 March 20X8	
	\$'000
Revenue	35,800
Cost of sales	(21,500)
Gross profit	14,300
Operating expenses:	
General and administrative expenses	(5,500)
Selling expenses	(3,400)
Research expenditure	(3,000)
Operating profit	2,400
Profit before financing and income taxes	2,400
Interest expenses on borrowings	(900)
Profit before income taxes	1,500
Income tax expense	(500)
PROFIT	1,000

Makesleep Co	
Statement of financial position (draft, extracts)	
As at 31 March 20X8	
	\$'000
EQUITY AND LIABILITIES	
Equity	
Share capital	6,000
Retained earnings	17,300
Other components of equity	2,500
Total equity	25,800
Non-current liabilities	
Loan notes	15,000
Total non-current liabilities	15,000

Additional information

1. Makesleep Co is designing code which generates unique soundscapes. The directors of Makesleep Co's are unsure if the \$3m of expenditure can be capitalised and so have recognised the full amount as research expenditure in the draft financial statements. When complete, the code is expected to have an indefinite useful life.
2. Makesleep Co's operating profit margin has decreased to 6.7% from 8.5% in the year ended 31 March 20X7. The directors know this is due largely to increased research expenditure but also wish to discuss other factors.
3. Makesleep Co made a fully-subscribed, one-for-five rights issue on 1 October 20X7 at a price of \$3.50 per share. The market price of one ordinary share immediately before exercise on 1 October 20X7 was \$8.90.
4. Makesleep Co had issued share options to its directors in the year ended 31 March 20X7. A total of 2 million \$1.00 shares are under option during the year ended 31 March 20X8, with an exercise price of \$5.20 per share. The average market price of one ordinary share during the year is \$8.70.
5. The weighted average number of shares for the year ended 31 March 20X8 is 5.8 million shares (to one decimal place).

Question 16

Which TWO of the following are the results for return on capital employed and interest cover based on the draft financial statements for the year ended 31 March 20X8?

- A 5.9%
- B 9.3%
- C 1.1 times
- D 2.7 times

Question 17

Select whether each of the following ratios would increase, decrease or have no change if the research expenditure were to be capitalised.

		Increase	Decrease	No change
1.	Gross profit margin			
2.	Operating profit margin			
3.	Gearing			

Question 18

Which of the following statements is a factor which may further reduce the operating profit margin for the year ended 31 March 20X8?

- A More revenue has been generated following positive customer feedback
- B Outsourced web support and maintenance from suppliers is now at discounted prices
- C Gains on disposal were recognised when laptops were replaced at 31 March 20X8
- D A bonus scheme was launched in April 20X7 and was accrued for at 31 March 20X8

Question 19

What is the adjustment factor to be applied to weighted average number of shares in the calculation of basic earnings per share for the year ended 31 March 20X8, in accordance with IAS 33 *Earnings per Share*?

- A 0.9
- B 1.1
- C 2.3
- D 2.5

Question 20

Calculate the number of shares which should be used to calculate diluted earnings per share for the year ended 31 March 20X8, in accordance with IAS 33 *Earnings per Share* (in millions of shares, to one decimal place)?

million shares

The following scenario relates to questions 21 to 25.

Bakoj Co has several subsidiaries and the Bakoj Group is preparing its consolidated financial statements for the year ended 31 January 20X4. Bakoj Co has a cost of capital of 8% and the fair value of its shares was \$5.00 at year end.

Kauan Co

Bakoj Co acquired a new subsidiary, Kauan Co, on 31 January 20X4. 80% of Kauan Co's 2 million \$1.00 ordinary (equity) shares were purchased. The consideration consisted of:

1. An immediate cash payment of \$4.8m
2. A deferred cash payment of \$2.6m to be paid on 1 February 20X5
3. An issue of one \$1.00 ordinary (equity) share for every four acquired

Overalba Co

Bakoj Co has significant influence over Overalba Co through its 30% shareholding. The carrying amount of the investment in the Bakoj Group's consolidated statement of financial position as at 31 January 20X3 was \$6.2m.

Overalba Co generated a profit for the year ended 31 January 20X4 of \$3.0m and paid a dividend of \$1.8m at year end. The Bakoj Group will recognise an impairment loss on the investment in Overalba Co of \$0.4m in the Bakoj Group's consolidated statement of profit or loss for the year ended 31 January 20X4.

Pascian Co

On 1 February 20X3, Bakoj Co transferred machinery to a wholly-owned subsidiary, Pascian Co. Bakoj Co received consideration of \$2.5m.

Bakoj Co had purchased the machinery on 1 February 20X1 for \$2.8m and the machinery had a useful life of ten years from that date. There was no residual value and there have been no changes in estimates.

Staticday Co

The directors of Bakoj Co wish to obtain control over Staticday Co, a company with 1 million ordinary (equity) shares and 2 million non-redeemable preference shares. The preference shares do not grant any voting rights.

Mousekey Co

Bakoj Co acquired the entire shareholding of Mousekey Co on 1 March 20X4. The consideration transferred was less than the fair value of Mousekey Co's identifiable net assets.

Question 21

What is the amount of consideration transferred to obtain control of Kauan Co on 31 January 20X4, in accordance with IFRS 3 *Business Combinations*?

- A \$9.2m
- B \$9.4m
- C \$9.7m
- D \$9.9m

Question 22

Calculate the carrying amount of the investment in Overalba Co to be recognised in the Bakoj Group's consolidated statement of financial position as at 31 January 20X4, in accordance with IAS 28 *Investments in Associates and Joint Ventures* (in \$m, to two decimal places).

\$ m

Question 23

Which TWO of the following correctly summarise the intragroup transfer of machinery to Pascian Co in the Bakoj Group's consolidated statement of profit or loss for the year ended 31 January 20X4, in accordance with IFRS 10 *Consolidated Financial Statements*?

- A A depreciation charge of \$250,000 must be recognised
- B A depreciation charge of \$280,000 must be recognised
- C A gain on disposal of \$260,000 must be eliminated
- D A gain on disposal of \$540,000 must be eliminated

Question 24

Which TWO of the following scenarios would most likely give Bakoj Co control over Staticday Co, in accordance with IFRS 10 *Consolidated Financial Statements*?

- A 40% of ordinary shares and a further 20% of preference shares only
- B 60% of ordinary shares but no board representation
- C 40% of ordinary shares and 75% board representation
- D 100% of preference shares only

Question 25

Which of the following is the correct accounting treatment, in relation to Mousekey Co, for the Bakoj Group’s consolidated financial statements for the year ended 31 January 20X5, in accordance with IFRS 3 *Business Combinations*?

- A A gain from a bargain purchase will be directly recognised in retained earnings
- B A gain from a bargain purchase will be directly recognised in profit or loss
- C Goodwill will be initially recognised in non-current assets
- D Goodwill will be initially recognised in current assets

The following scenario relates to questions 26 to 30.

Jambinai Co is preparing its financial statements for the year ended 30 November 20X8.

Property under construction

Jambinai Co began construction of a property for its own use on 1 February 20X8. Construction is incomplete at 30 November 20X8.

The property consists of the building under construction and the land on which it is being built. Construction of the property was halted for all of March due to electrical storms.

To fund construction of the property, a \$10.0m loan was taken out on 1 February 20X8 at an interest rate of 8% per year. \$3.0m of these funds was placed in a deposit account on 1 September 20X8, earning 3% per year. The \$3.0m will be used to fund construction during the year ended 30 November 20X9.

Transfer from investment property

While the property is under construction, the directors of Jambinai Co have moved operations out of the old head office and into an office which was previously held as investment property. Investment property is measured at fair value and property, plant and equipment is measured using the cost model.

The investment property had a fair value of \$8.2m at 1 December 20X7, the date on which Jambinai Co moved its own operations into the investment property. The expected useful life of the property was 40 years from 1 December 20X7. The fair value of the property was \$8.8m at 30 November 20X8.

Right-of-use machinery

On 1 December 20X7, Jambinai Co entered into a contract to lease machinery. The present value of future lease payments on 1 December 20X7 was \$2.5m, excluding the initial lease payment of \$0.3m made on that same date.

The lease term is four years and the machinery has a useful life of five years. At the end of the four-year term, Jambinai Co will receive legal title for the machinery.

Fleet of motor vehicles

Jambinai Co's fleet has a carrying amount of \$0.8m and a tax base of \$0.6m at 1 December 20X7. The tax rate is 35%. Both accounting and tax depreciation amounts are calculated using a 20% diminishing-balance method.

Question 26

Select whether each of the following costs may or may NOT be capitalised, in accordance with IAS 16 *Property, Plant and Equipment*.

		May be capitalised	May NOT be capitalised
1.	Purchase of land on which building is being constructed		
2.	Steel and concrete purchased for foundations		
3.	Wasted lumber which was stored inappropriately		
4.	Health and safety inspection of building site required by law		

Question 27

What amount of borrowing costs must Jambinai Co capitalise for the year ended 30 November 20X8, in accordance with IAS 23 *Borrowing Costs* (to the nearest \$'000)?

- A \$578,000
- B \$600,000
- C \$644,000
- D \$667,000

Question 28

What is the amount which must be recognised for the owner-occupied office in Jambinai Co's financial statements for the year ended 30 November 20X8, in accordance with IAS 40 *Investment Property* and IAS 16 *Property, Plant and Equipment*?

- A A depreciation charge of \$205,000
- B A depreciation charge of \$220,000
- C A fair value gain of \$600,000 in profit or loss
- D A revaluation increase of \$600,000 in other comprehensive income

Question 29

Calculate the carrying amount of the right-of-use machinery to be presented on Jambinai Co's statement of financial position as at 30 November 20X8, in accordance with IFRS 16 *Leases* (in \$m, to two decimal places).

\$ m

Question 30

Which of the following is the deferred tax asset or deferred tax liability recognised in relation to motor vehicles, in accordance with IAS 12 *Income Taxes*?

- A Deferred tax asset of \$56,000
- B Deferred tax asset of \$70,000
- C Deferred tax liability of \$56,000
- D Deferred tax liability of \$70,000

Section C

Question 31

The following scenario relates to two requirements.

Destrou Co is preparing its financial statements for the year ended 31 December 20X3. Only the statement of financial position and the statement of profit or loss and other comprehensive income have been finalised.

Destrou Co		
Statement of financial position		
As at 31 December 20X3		
	20X3	20X2
	\$'000	\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	26,900	22,200
Financial asset	4,200	3,800
Total non-current assets	31,100	26,000
Current assets		
Inventories	2,000	4,000
Trade receivables	2,700	2,600
Cash and cash equivalents	900	200
Total current assets	5,600	6,800
Total assets	36,700	32,800
EQUITY AND LIABILITIES		
Equity		
Share capital	6,000	5,000
Retained earnings	12,700	13,100
Other components of equity	2,000	-
Total equity	20,700	18,100
Non-current liabilities		
8% loan notes 20X8	10,000	10,000
Deferred tax liability	500	-
Total non-current liabilities	10,500	10,000
Current liabilities		
Payables for goods and services and other payables	4,600	3,900
Income taxes payable	900	800
Total current liabilities	5,500	4,700
Total liabilities	16,000	14,700
Total equity and liabilities	36,700	32,800

Destrou Co	
Statement of profit or loss and other comprehensive income	
For the year ended 31 December 20X3	
	\$'000
STATEMENT OF PROFIT OR LOSS	
Revenue	45,900
Cost of sales	(29,000)
Gross profit	16,900
Operating expenses:	
General and administrative expenses	(8,900)
Selling expenses	(2,000)
Operating profit	6,000
Dividends on equity investment	500
Fair value gain on financial asset	400
Profit before financing and income taxes	6,900
Interest expenses on loan notes	(800)
Profit before income taxes	6,100
Income tax expense	(700)
PROFIT	5,400
STATEMENT PRESENTING OTHER COMPREHENSIVE INCOME	
Income and expenses that will not be reclassified to profit or loss:	
Gains on property revaluations	2,500
Income tax relating to income that will not be reclassified to profit or loss	(500)
Other comprehensive income, net of tax	2,000
TOTAL COMPREHENSIVE INCOME	7,400

Additional information

1. Depreciation charges of \$3.0m were incurred during the year ended 31 December 20X3. Equipment with a cost of \$11.0m and a carrying amount of \$9.7m was disposed of during the year ended 31 December 20X3 for cash proceeds of \$10.0m.
2. The financial asset represents an equity investment over which Destrou Co has no control or significant influence. The related cash dividend was received on 31 December 20X3.
3. Other components of equity represents a revaluation surplus on property. Destrou Co does not make transfers from the revaluation surplus to retained earnings in respect of additional depreciation arising from a revaluation.
4. At 1 January 20X3, Destrou Co had 5 million \$1.00 ordinary (equity) shares. A one-for-five issue of bonus shares from retained earnings was made on 31 December 20X3.
5. Effective and nominal interest rates on the loan notes are equal.

6. The deferred tax liability relates to the revaluation increase. All other temporary differences net to zero.

Requirements:

(a) Prepare Destrou Co's statement of cash flows for the year ended 31 December 20X3, applying the INDIRECT method to calculate cash from operating activities before income taxes.

(15 marks)

(b) Prepare Destrou Co's statement of changes in equity as at 31 December 20X3.

(5 marks)

(20 marks)

Question 32

The following scenario relates to three requirements.

Rasemati Co operates in the renewable electricity industry. Three accounting areas need to be addressed to finalise the financial statements for the year ended 31 December 20X5.

Solar panels contract

On 1 December 20X5, Rasemati Co entered into a contract to sell solar panels to a customer for \$500 each. The price per unit will be retrospectively reduced to \$450 if the customer purchases more than 10,000 solar panels by 31 May 20X6.

On 1 December 20X5, Rasemati Co believed it virtually certain that the customer would purchase more than 10,000 solar panels by 31 May 20X6.

During December 20X5, Rasemati Co delivered 4,000 solar panels to the customer. Control over the solar panels transferred on delivery. The customer must pay for these solar panels in February 20X6. Any rebate due from Rasemati Co to the customer will be paid in July 20X6.

Battery and maintenance contract

On 1 January 20X5, Rasemati Co entered into a contract to sell a solar panel battery to a customer. Included within this contract is two years of battery maintenance.

The contract price was \$100,000, which the customer paid on 1 January 20X5. The stand-alone selling price of the solar panel battery is \$90,000. The stand-alone selling price of a two-year battery maintenance contract is \$30,000.

The customer benefits from the battery maintenance services as they are provided by Rasemati Co, over the two-year contract period.

Supplier contract and ethical issue

On 1 January 20X4, Rasemati Co entered into a contract with a supplier, Quarmy Co, to buy 1,900 electrical components each year over a three-year period. The cost of each component is \$250. Rasemati Co uses the electrical components to manufacture a specific model of wind turbine.

Rasemati Co purchased 1,900 electrical components in each of the years ended 31 December 20X4 and 31 December 20X5. These components were used to make wind turbines, all of which were sold at a profit.

At 31 December 20X5, due to the launch of a more technologically advanced model of wind turbine, the directors determined that Rasemati Co had no further use for any of Quarmy Co's electrical components.

If Rasemati Co cancels its contract with Quarmy Co before the end of the three-year period, it must immediately pay a penalty of \$600,000. There is no resale or scrap value for the surplus electrical components.

The directors of Rasemati Co are paid a bonus based on Rasemati Co's reported profits. The finance director, an ACCA member, has proposed that no accounting entries are recognised at 31 December 20X5 in respect of the contract with Quarmy Co.

Requirements:

(a) Apply IFRS 15 *Revenue from Contracts with Customers* to explain, with supporting calculations, the accounting treatment of the solar panels contract for the year ended 31 December 20X5.

(6 marks)

(b) Apply IFRS 15 *Revenue from Contracts with Customers* to explain, with supporting calculations, the accounting treatment of the battery and maintenance contract for the year ended 31 December 20X5.

(7 marks)

(c) For the supplier contract and ethical issue:

(i) Apply IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to explain, with supporting calculations, the accounting treatment of the supplier contract for the year ended 31 December 20X5; and

(5 marks)

(ii) Apply the ACCA Code of Ethics and Conduct to explain the threats to the finance director's compliance with the fundamental principles of ethics for professional accountants.

(2 marks)

(20 marks)