

Solutions to IAS 21 Examples

E-1

		Dr. \$	Cr. \$
a)			
March-01	Equipment	200,000	
	Payable		200,000
	(130,000/0.65)		
August -25			
	Payable	200,000	
	Profit or loss account	60,000	
	Bank		260,000
	(130,000/.5)		
b)			
Feb -27	Debtors	68,000	
	Sales		68,000
	(68,000x7)=476,000 K		
Feb -27	Cost of sales	46,000	
	Inventory		46,000
May -25	Bank	71,045	
	Debtors		68,000
	Profit or loss		3,045
	(476,000/6.7)=71,045		
c)			
Sep -02	Debtors	24,000	
	Sales		24,000
	(24,000x2.224)=53,376		
Dec -31	Profit or loss account	277	
	Debtors		277
	(53,376/2.25)=23,723		
Feb -07	Bank	23,147	
	Profit or loss account	576	
	Debtors		23,723
	(53,376/2.306)=23,147		
d)			
May -25	Bank	284,000	
	Loan		284,000
	(426,000/1.5)		
Dec -31	Loan	47,333	
	Profit or loss account		47,333
	(426,000/1.8)=236,667		

E-2

CSOFP

Assets	\$ (m)	\$ (m)
Non-current assets		
Property, plant and equipment	366.52	
Goodwill	8.00	374.52
Current assets		
(355+48.57 – 0.6)		402.97
		<u>777.49</u>

Equity and liabilities

Equity

Ordinary share capital

60.00

Share premium

50.00

Consolidated retained earnings

363.04

Exchange gain

10.22

483.26

NCI

17.95

501.21

Non-current liabilities (30+13.57)

43.57

Current liabilities (205+32.71 – 5)

232.71

777.49

CSOCI

Profit or loss account

Revenue

250.80

Cost of sales

(155)

Gross profit

95.80

Distribution expenses

(38.00)

Operating profit

57.80

Interest income

4.00

Exchange gain

1.52

Interest expenses

(0.80)

Profit before tax

62.52

Tax

(23.6)

Profit after tax

38.92

Attributable to:

Group

37.04

NCI

1.88

38.92

Other comprehensive income

Exchange gain on translation of foreign operation

11.49

Goodwill

1.60

13.09

Attributable to: -

Group

10.22

NCI

2.87

13.09

Total Comprehensive Income Attributable to: -

Group

47.26

NCI

4.75

52.01

CSOCI

B / f

Subsidiary acquisition

Total comprehensive

income

Dividend paid

O.S. Capital	Share premium	CRE	Ex-gain	Total	NCI	Total
60	50	334	--	444	--	444
--	--	--	--	--	13.2	13.2
--	--	37.04	10.22	47.26	4.75	52.01
--	--	(8)	--	(8)	--	(8)
60	50	363.04	10.22	483.26	17.95	501.21

W-1 Goodwill	\$	\$
Cost of investment		48
Share capital	9.6	
Share premium	6.0	
Pre-acquisition	24.0	39.6
Goodwill		8.4
W-2 Exchange gain on goodwill		
Goodwill	8.4x2.5/2.1	10.0
Exchange gain		1.6
W-3 Impairment loss	Krams	
In krams	4.2	
Translated @ closing rate	2.1	2.0
W-3 NCI at date of acquisition		
Share capital	3.2	
Share premium	2.0	
Pre-acquisition profit	8.0	13.2
W-4 Error in bookkeeping by subsidiary company	Krams	Krams
Payable	6x2.5	15
Payment	6x2.2	13.2
Adjustment		1.8
Payable	1.8	
Exchange gain		1.8
W-5 Loan from parent company		
Loan	5x2.5	12.5
Closing value	5x2.1	10.5
Exchange gain		2.00
Adjustment		
Loan	2	
Exchange gain		2
W-6 Transfer from non-current to current		
Non-current liability	10.5	
Current liability		10.5

W-7

Translation of foreign operation

SOFP	Draft	Adjustment	Final Krams	Rate	\$
Assets					
Non-current					
Property, plant and equipment	146		146	2.1	69.52
Current assets	102		102	2.1	48.57
	248		248		118.09
Liabilities					
Non-current liabilities	41	(12.5)	28.5	2.1	13.57
Current liabilities	60	8.7	68.7	2.1	32.71
	101	3.8	97.2		46.28
	147		150.8		71.81
Equity					
Ordinary share capital	32		32	2.5	12.8

Share premium	20		20	2.5	8.0
Retained earnings-pre	80		80	2.5	32.0
Retained earnings-post	15	3.8	18.8	2.5	7.52
Exchange gain	--				11.49
	<u>147</u>	<u>3.8</u>	<u>150.8</u>		<u>71.81</u>
SOCI					
Profit or loss account					
Revenue	142		142	2.5	56.8
Cost of sales	(96)		(96)	2.5	(38.4)
Gross profit	46		46		18.4
Distribution expenses	(20)		(20)	2.5	(8.0)
Operating profit	26		26		10.4
Exchange gain		3.8	3.8	2.5	1.52
Interest expenses	(2)		(2)	2.5	(0.8)
Profit before tax	24		27.8	2.5	11.12
Tax	(9.0)		(9.0)	2.5	(3.6)
Profit after tax	<u>15</u>	<u>3.8</u>	<u>18.8</u>		<u>7.52</u>
W-8 Schedule		Memo	Random	Adj.	Consolidated
Profit or loss account					
Revenue		200	56.8	(6)	250.8
Cost of sales		(120)	(38.4)	3.4	(155)
Gross profit		80	18.4	(2.6)	95.8
Distribution expenses		(30)	(8.0)		(38.0)
Operating profit		50	10.4	(2.6)	57.8
Interest income		4			4
Exchange gain		--	1.52		1.52
Interest expenses		--	(0.8)		(0.8)
Profit before tax		54	11.12	(2.6)	62.52
Tax		(20)	(3.6)		(23.6)
Profit after tax		<u>34</u>	<u>7.52</u>	<u>(2.6)</u>	<u>38.92</u>
NCI					1.88
Profit attributable to group					37.04
Other comprehensive income					
Exchange gain on translation			11.49	--	11.49
Exchange gain on goodwill			1.60	--	1.60
			13.09		13.09
NCI					2.87
Group					10.22

SOLUTION TO CONSOLIDATED STATEMENT OF CASHFLOWS

E-3

ETACH GROUP**STATEMENT OF CASHFLOWS****FOR THE YEAR ENDED _____**

	Rs (000)	Rs. (000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		3,000
Adjustments for: -		
Finance cost	1,000	
Depreciation	1,600	2,600
Operating profit before working capital changes		5,600
(Increase)/decrease in current assets		
Inventory	(425)	
Receivables	(405)	
Increase/(decrease) in current liabilities		
Trade payables	235	(595)
Exchange gain		50
Cash generated from operations		5,055
Taxes paid		(870)
Net cash inflow from operating activities		4,185
CASHFLOWS FROM OPERATING ACTIVITIES		
Property, plant and equipment acquired	(5,325)	(5,325)
Net cash out flows from investing activities		(5,325)
CASHFLOWS FROM FINANCING ACTIVITIES		
Finance cost paid	(1,000)	
Dividend paid	(1,200)	
Long term loans raised	3,000	
Dividend to NCI	(110)	690
		690
Increase/(decrease) in cash and cash equivalent during the year		(450)
Opening balance of cash and cash equivalent		(2,500)
Closing balance of cash and cash equivalent		(2,950)
W-1 Tax	Dr.	Cr.
B /f		850
Profit or loss account		1,000
Exchange loss		20
Cash	870	
C /d	1,000	
	1,870	1,870
W-2 NCI		
B /f		3,050
Profit or loss account		300
Exchange gain		60
Cash	110	
C /d	3,300	
	3,410	3,410
W-3 Exchange gain		
PPE		225

Inventory		75
Receivables		95
Cash		10
Profit for the year		50
Trade payable	65	
Tax payable	20	
Bank over draft	60	
Group	250	
NCI	60	
	<u>455</u>	<u>455</u>
W-4 Property, plant and equipment		
B /f	11,500	
Exchange gain	225	
Cash	5,325	
Depreciation		1,600
C /d	<u>15,450</u>	<u>15,450</u>
W-5 Inventory		
B /f	3,500	
Exchange gain	75	
Increase	425	
	<u>4,000</u>	<u>4,000</u>
W-5 Receivables		
B /f	4,500	
Exchange gain	95	
Increase	405	
	<u>5,000</u>	<u>5,000</u>
W-6 Cash and cash equivalent	Opening	Closing
Cash	500	600
Bank over draft	(3,000)	(3,600)
Exchange gain		(10)
Exchange loss		60
	<u>(2,500)</u>	<u>(2,950)</u>