

SECTION A – Candidates must answer ALL questions in this section

All calculations should be prepared in accordance with IFRS / IAS.

QUESTION 1

[TOTAL MARKS: 45]

Acre Plc, an agribusiness company based in Ireland, consists of three companies: Acre Plc (hereinafter 'Acre'), Field Ltd ('Field') and Gear Ltd ('Gear'). The draft Statements of Financial Position and Statements of Profit or Loss and Other Comprehensive Income for each of the companies for the year ended 31 December 2016 are provided below.

Statements of Financial Position as at 31 December 2016

	Acre	Field	Gear
	€'000	\$'000	€'000
ASSETS			
<i>Non-current assets</i>			
Property, plant & equipment	14,000	9,000	4,980
Investments	6,300	-	-
	<hr/> 20,300	<hr/> 9,000	<hr/> 4,980
<i>Current assets</i>			
Inventory	4,570	4,520	3,200
Trade receivables	5,860	2,870	2,640
Cash & cash equivalents	3,490	950	2,250
	<hr/> 13,920	<hr/> 8,340	<hr/> 8,090
Total assets	<hr/> 34,220	<hr/> 17,340	<hr/> 13,070
EQUITY & LIABILITIES			
<i>Equity</i>			
Equity share capital	6,500	1,500	2,000
Share Premium	600	0	0
Retained earnings	16,290	9,070	3,360
	<hr/> 23,390	<hr/> 10,570	<hr/> 5,360
<i>Long term liabilities</i>			
Long term borrowings	3,500	3,450	3,500
<i>Current liabilities</i>			
Trade payables	4,730	2,430	3,970
Taxation	2,600	890	240
	<hr/> 7,330	<hr/> 3,320	<hr/> 4,210
Total equity and liabilities	<hr/> 34,220	<hr/> 17,340	<hr/> 13,070

**Statements of Profit or Loss & Other Comprehensive Income for year ended
31 December 2016**

	Acre €'000	Field \$'000	Gear €'000
Revenue	39,540	22,950	14,540
Cost of sales	(26,890)	(17,450)	(10,540)
Gross profit	12,650	5,500	4,000
Other income	800	-	-
Distribution costs	(3,640)	(1,600)	(1,150)
Administration expenses	(4,140)	(1,450)	(2,150)
Finance costs	(490)	(110)	(190)
Profit before tax	5,180	2,340	510
Income tax expense	(1,980)	(780)	-
Profit after tax	3,200	1,560	510

Additional information:

1. Acre acquired 80% of the ordinary share capital of Field on 1 April 2016. The purchase consideration was made up of two elements; (i) a cash payment on completion of €4 million; and (ii) the issue of 1 million €1 ordinary shares in Acre at €3.50 per share. Acre also incurred transaction costs totalling €300,000 as part of the deal. The cash payment and transaction costs have been accounted for as an investment in Acre's financial statements for the year ended 31 December 2016.
2. Acre measures the non-controlling interest in Field on the basis of its proportionate interest in the identifiable net assets.
3. At the date of acquisition Field's land had a fair value of \$1.2 million in excess of book value. The book value of all other net assets was equal to their fair value.
4. A review of goodwill arising on the acquisition of Field found that goodwill was impaired by €260,000 on 31 December 2016. This has not been accounted for in the above financial statements.
5. Acre acquired a 40% shareholding in Gear on 1 January 2015 when the balance of the retained earnings account for Gear was €3.1 million. Acre appointed a Director to the Board of Gear and takes an active role in the management of the company. The only adjustment made to the financial statements of Acre at that time was:

DR Investments	€2,000,000	
CR Bank		€2,000,000

6. Acre paid a dividend per share of €0.30 on 1 December 2016. This has not been accounted for in the financial statements provided above.

7. During the year ended 31 December 2016, Gear sold goods to Acre at an invoice value of €2 million. Gear charges a mark-up of 25% of these goods and half of them remain in Acre's inventory at year end.
8. At year end, Acre's trade payables balance includes an amount of €1.5 million owed to Gear while Gear's trade receivables include a corresponding amount owed from Acre.
9. The functional currency of Acre and Gear is Euro (€) while the functional currency of Field is US Dollar (\$). The relevant exchange rates are as follows;

1 January 2016	\$1.10/€
1 April 2016	\$1.20/€
Average 1 April 2016 - 31 December 2016	\$1.25/€
31 December 2016	\$1.30/€

Requirements:

(a)

Prepare the following for the Acre Group for the year ended 31 December 2016:

- Consolidated Statement of Profit or Loss and Other Comprehensive Income;
- Consolidated Statement of Financial Position; and
- Consolidated Statement of Changes in Equity.

40 marks

(b)

Discuss the key characteristics of each type of joint arrangement and how each should be accounted for as per the relevant IAS/IFRS.

5 marks

(Total: 45 marks)