

ACCA F7

Financial Reporting (International)

Tuesday 9 June 2009

5 Flightline is an airline which treats its aircraft as complex non-current assets. The cost and other details of one of its aircraft are:

	\$'000	estimated life
Exterior structure – purchase date 1 April 1995	120,000	20 years
Interior cabin fittings – replaced 1 April 2005	25,000	5 years
Engines (2 at \$9 million each) – replaced 1 April 2005	18,000	36,000 flying hours

No residual values are attributed to any of the component parts.

At 1 April 2008 the aircraft log showed it had flown 10,800 hours since 1 April 2005. In the year ended 31 March 2009, the aircraft flew for 1,200 hours for the six months to 30 September 2008 and a further 1,000 hours in the six months to 31 March 2009.

On 1 October 2008 the aircraft suffered a 'bird strike' accident which damaged one of the engines beyond repair. This was replaced by a new engine with a life of 36,000 hours at cost of \$10.8 million. The other engine was also damaged, but was repaired at a cost of \$3 million; however, its remaining estimated life was shortened to 15,000 hours. The accident also caused cosmetic damage to the exterior of the aircraft which required repainting at a cost of \$2 million. As the aircraft was out of service for some weeks due to the accident, Flightline took the opportunity to upgrade its cabin facilities at a cost of \$4.5 million. This did not increase the estimated remaining life of the cabin fittings, but the improved facilities enabled Flightline to substantially increase the air fares on this aircraft

Required:

Calculate the charges to the income statement in respect of the aircraft for the year ended 31 March 2009 and its carrying amount in the statement of financial position as at that date.

Note: the post accident changes are deemed effective from 1 October 2008.

(10 marks)