

**2 Delta is an entity which prepares financial statements to 31 March each year. The functional currency of Delta is the \$. During the year ended 31 March 2013 the following events occurred:**

(a) On 1 April 2012, Delta raised loan finance from European investors. The investors subscribed for 50 million €1 loan notes at par. Delta incurred incremental issue costs of €1 million. Interest of €4 million is payable annually on 31 March, starting on 31 March 2013. The loan is repayable in € on 31 March 2022 at a premium and the effective annual interest rate implicit in the loan is 10%. The appropriate measurement basis for this loan is amortised cost. Relevant exchange rates are as follows:

– 1 April 2012 – €1 = \$1.40.

– 31 March 2013 – €1 = \$1.45.

– Average for year ended 31 March 2013 – €1 = \$1.42. (7 marks)

**Required:**

**Explain and show (where possible by quantifying amounts) how this event would be reported in the financial statements of Delta for the year ended 31 March 2013.**