

- 3** Epsilon is a listed entity. You are the financial controller of the entity and its consolidated financial statements for the year ended 30 September 2010 are being prepared. Your assistant, who has prepared the first draft of the statements, is unsure about the correct treatment of the transaction given below:

**Transaction (c)**

On 1 October 2003 Epsilon had purchased an equity investment in a listed entity. Epsilon purchased 1 million shares at the then quoted price of \$2 per share. This shareholding does not allow Epsilon to exercise control or significant influence over the listed entity. Epsilon intended to keep the shares for their growth potential rather than treat them as part of a trading portfolio. All the shares were still held by Epsilon on 30 September 2009 and at that date their quoted price was \$3.20 per share.

On 30 June 2010 Epsilon sold 600,000 of the shares for \$3.60 per share. On 30 September 2010 the quoted price of the shares was \$3.50 per share. (8 marks)

**Required:**

**Prepare extracts from the financial statements for the year ended 30 September 2010. Your extracts should be supported by appropriate explanations.**