

LOAN

	LOAN	Rate	\$
	1.1.X0	250	250
8%	31.12.X0	250	227.27
	Xchg Gain		22.72
	Credited to I/S		

cost 3690

Profit on disposal 1630

INVESTMENT

	1.1.X0	600	2.2	272.7
	31.12.X0	600	2.25	266.6
	Xchg loss			6.12
∴ Net gain to I/S				16.59

- 3 Locan Co acquired a property in Auckland for 600,000 NZ\$ as an investment on 1 January 20X0. The investment was partly financed by a loan of 250,000 euros. The loan did not meet the IAS 39 criteria to be classed as a hedge.

Rates of exchange were as follows:

	US\$1:NZ\$	US\$1:€
1.1.20X0	2.20	1.0
31.12.20X0	2.25	1.1

Locan uses the fair value model for valuing its properties. The property was valued by a professionally qualified valuer on 31/12/X0 at the same value of 600,000 NZ\$.

How would the gain/(loss) on exchange on the above items be recognised in the financial statements of Locan Co for the year to 31 December 20X0?

- A US\$22,727 gain in income statement
- B US\$6,060 loss in reserves and US\$22,727 gain in the income statement
- C US\$16,667 gain in reserves
- D US\$16,667 gain in the income statement

(2 marks)

- 4 Yogi Co has held an 80% investment in Bear Co for many years. On 31 December 20X0 it disposed of all of its investment. Details of the acquisition and disposal are as follows:

Cost of investment	\$'000
Fair value of Bear Co's net assets at acquisition (reflected in Bear Co's books)	3,690
Sale proceeds on 31 December 20X0	4,500
Two-thirds of the goodwill had been written-off for impairment losses by the date of disposal.	9,940

The summarised balance sheet of Bear Co on 31 December 20X0 showed the following:

Net assets	\$'000
Share capital	10,350
Retained earnings	3,000
	7,350
	<u>10,350</u>

What is the profit or loss on disposal of the shares in Bear Co that will be included in the consolidated income statement of Yogi Co for the year ended 31 December 20X9?

(Ignore tax and make all calculations to the nearest thousand dollars)

- A (\$410,000)
- B \$1,570,000
- C \$1,660,000
- D \$1,630,000

(2 marks)