

Part (a): Prepare the consolidation journal entries to be processed by the PriceRight Group to account for Pharmcon in its consolidated financial statements for FY2023.			Marks
<ul style="list-style-type: none"> Show any re-measurement gain or loss separately. Ignore taxation. Round all amounts to the nearest rand. 			
	Debit R	Credit R	
31 December 2023			
Cost of sales (p/l)	49 500 000		1
Operating costs (p/l)	30 492 000		1
Income tax expense (p/l)	7 151 100		1
Gain on disposal (p/l) [W1]	85 360 000		1P
Remeasurement gain (p/l) [W2]	9 344 617		1P
Group remeasurement loss (p/l) [W4]	1 838 918		1P
Retained earnings (SoCE) [W3]		14 850 000	1P
Mark-to-market (SoCE) [W3]		17 325 000	1P
Sales (p/l)		99 000 000	1
Mark-to-market (OCI)		19 800 000	1
Group gain on disposal (p/l) [W4]		40 625 860	1P
Non-controlling interest (p/l) [W3]	2 964 225		1P
Non-controlling interest (OCI) [W3]	4 950 000		1P
Non-controlling interest (SoFP)	55 489 225		1P
Non-controlling interest (SoFP) [W3]		47 575 000	
Non-controlling interest (SoFP) [W3]		7 914 225	
<i>Accounting of Pharmcon up to the date of loss of control</i>			
Mark-to-market reserve (SCE) (R17 325 000 + R14 850 000)	32 175 000		2P
Retained earnings (SCE)		32 175 000	1
<i>Reserve realised on sale of subsidiary</i>			

Workings	R	R	
W1. Gain on disposal			
Proceeds		198 000 000	1
Carrying amount of disposed investment (R140 800 000 x 60%/75%)		(112 640 000)	1
		85 640 000	
W2. Remeasurement gain			
Fair value of retained investment		37 504 617	1
Carrying amount of retained investment (R140 800 000 x 15%/75%)		(28 160 000)	1
		9 334 617	

W3. Share in net assets	Total	PriceRight @ 75%	NCI @ 25%	
	R	R	R	
At acquisition (R143 000 000 x 75%) (200 000 shares x 25% x R737)		107 250 000	36 850 000	1
	143 000 000			
Share capital	11 000 000			1
Retained earnings	121 000 000			1
Mark-to-market reserve	11 000 000			1
Since until beginning of current year				
	42 900 000			
Retained earnings (R140 800 000 - R121 000 000)	19 800 000	14 850 000	4 950 000	1
Mark-to-market reserve (R34 100 000 - R11 000 000)	23 100 000	17 325 000	5 775 000	1
	185 900 000	32 175 000	47 575 000	
Current year				
Profit for the year	11 856 900	8 892 675	2 964 225	1
Mark-to-market reserve	19 800 000	14 850 000	4 950 000	1
	217 556 900	55 917 675	55 489 225	
W4. Group gain and group remeasurement loss				
Alternative 1:				
Group gain (excluding the remeasurement loss)				
Proceeds			198 000 000	½
Net assets disposed (excl. goodwill) (R217 556 900 x 60%)			(130 534 140)	1P
Goodwill relinquished (R33 550 000 x 60%/75%)			(26 840 000)	1P
- Consideration transferred		140 800 000		½
- Share in net assets on acquisition date		(107 250 000)		½
		33 550 000		
			40 625 860	
Remeasurement loss				
Fair value of retained investment			37 504 617	½
Carrying amount of retained investment (R140 800 000 x 15%/75%)			(28 160 000)	1
Carrying amount of retained reserves (R55 917 675 x 15%/75%)			(11 183 535)	1P
			(1 838 918)	

Alternative 2:				
Group gain (including the remeasurement loss)				
Proceeds			198 000 000	½
Fair value of retained investment			37 504 617	½
CA of investment on date control is lost			(196 717 675)	
- Total net assets on date control is lost			217 556 900	½ P
- Goodwill			34 650 000	
Consideration transferred	140 800 000			½
NCI on acquisition date	36 850 000			½
Net assets on acquisition date	(143 000 000)			½
	34 650 000			
- NCI derecognised on date control is lost			(55 489 225)	1P
			38 786 942	
Group gain (excluding the remeasurement loss)				
Proceeds			198 000 000	
Carrying amount of investment disposed of (R196 717 675 x 60%/75%)			(157 374 140)	1P
			40 625 860	
Remeasurement (loss) (R38 786 942 - R40 625 860)			(1 838 918)	1P
ALT: Remeasurement (loss)				
Fair value of retained investment			37 504 617	
Carrying amount of retained investment (R196 717 675 x 15%/75%)			(39 343 535)	Or 1P
			(1 838 918)	
ALT: Remeasurement (loss)				
Proceeds			198 000 000	
Net assets disposed (excl. goodwill) (R217 556 900 x 60%)			(130 534 140)	Or ½ P
Goodwill relinquished (R33 550 000 x 60%/75%)			(26 840 000)	Or ½ P
Group gain (including remeasurement loss)			(38 786 942)	
			1 838 918	

Alternative 3:				
Group gain (excluding the remeasurement loss)				
Proceeds			198 000 000	1
Carrying amount of investment disposed of (R140 800 000 x 60%/75%)			(112 640 000)	1
Company profit			85 360 000	
Carrying amount of since reserves disposed of (R55 917 675 x 60%/75%)			(44 734 140)	1P
			40 625 860	
Remeasurement loss				
Fair value of retained investment			37 504 617	1
Carrying amount of retained investment (R140 800 000 x 15%/75%)			(28 160 000)	1
Share in since reserves retained (R55 917 675 x 15%/75%)			(11 183 535)	1P
			(1 838 918)	
			Available	35
			Maximum	35
			<i>Communication skills – presentation</i>	<i>1</i>
			Total for part (a)	36

Analysis of equity of Pharmcon (for completeness)					
	Total	PriceRight (75% - 15%)			NCI (25%)
		At	Since		
			RE	MTM	
	R	R	R	R	R
At acquisition (1/1/2018)					
Ordinary share capital	11 000 000				
Retained earnings	121 000 000				
Mark-to-market reserve	11 000 000				
Total net asset value	143 000 000	107 250 000			35 750 000
Goodwill		33 550 000			1 100 000
Consideration + NCI		140 800 000			36 850 000
Since acquisition to beginning of the year					
Retained earnings [R140 800' – R121 000']	19 800 000		14 850 000		4 950 000
Mark-to-market reserve [R34 100' – R11 000']	23 100 000			17 325 000	5 775 000
Current year					
Profit for the year	11 856 900		8 892 675		2 964 225
Mark-to-market reserve	19 800 000			14 850 000	4 950 000
	217 556 900		23 742 675	32 175 000	55 489 225
Sale of shares					
Consideration		198 000 000			
FV of retained investment		37 504 618			
Less: Carrying amount		(196 717 675)			
Net asset value		217 556 900			
Goodwill		34 650 000			
Non-controlling interest		(55 489 225)			
Group gain		38 786 943			

Analysis of equity of Pharmcon (for completeness)									
Details	Share capital	Retained earnings (RE)	MTM reserve	TOTAL	Non-controlling interest (NCI) 25%	Investment	Goodwill	Since Retained earnings	Since MTM reserve
	R	R	R	R	R	R	R	R	R
At acquisition	11 000 000	121 000 000	11 000 000	143 000 000	36 850 000 [50 000 (200 000x 25%) shares x 737]	140 800 000	34 650 000 P (33 550) NCI (1 100) [(143 000 x 25%) - 36 850]		
Since RE (140 800 – 121 000)		19 800 000		19 800 000	4 950 000			14 850 000	
Since MTM reserve (34 100 - 11 000)			23 100 000	23 100 000	5 775 000				17 325 000
Current year Profit		11 856 900		11 856 900	2 964 225			8 892 675	
Fair value adjustment			19 800 000	19 800 000	4 950 000				14 850 000
				217 556 900	55 489 225	140 800 000	34 650 000	23 742 675	32 175 000
Sold (60/75)						(112 640 000)	(27 720 000)	(18 994 140)	(25 740 000)
						28 160 000		4 748 535	6 435 000

Part (b) On the assumption that FinAll's offer to purchase the non-performing customer accounts is accepted –		Marks
(i) calculate the amount that can be recovered from the sale of non-performing customers; and (ii) briefly explain the reasoning for the recognition of the amounts of the loss allowance in accordance with IFRS 9.		
(i) Calculation		
Allowance calculation:		
1 - 30 days past due = R1 150 000 x 45,5%	R523 250	1
More than 30 days past due = R2 000 000 x 68,3%	R1 366 000	1
	R1 889 250	
Expected amount to be recovered by sale of non-performing customers [(R1 150 000 + R2 000 000) - R1 889 250] x 75%	R945 563	1
Available		3
Maximum		3
(ii) Recognition of credit loss allowance		
1	The trade receivables of PriceRight fall within the scope for impairment provisions of IFRS 9, and the loss allowance must be recognised in accordance with IFRS 9.	1
2	The trade receivables of PriceRight do not contain a significant financing component based on the nature of its contracts.	1
3	Therefore, the simplified approach is mandatory and PriceRight will always measure such credit losses at an amount equal to the lifetime credit losses [IFRS 9 para. 5.5.15(a)(i)].	1
Available		3
Maximum		2
Total for part (b)		5
TOTAL FOR PART I		41