

Part (d) Prepare the journal entries to account for the lecture venue building in the financial statements of Imfundo for FY 2021. <ul style="list-style-type: none"> • Provide dates for journal entries. • Exclude journal narrations. • Ignore current and deferred taxation, and capital gains tax. 			Marks
	Dr.	Cr.	
30 November 2021			
Depreciation (P/L) (W1)	267 006		
Accumulated depreciation and impairment: Building (SFP)		267 006	1P
<i>Depreciation before reclassification as held for sale</i>			
ALTERNATIVE 1: Reclassification BEFORE impairment test in terms of IFRS 5	4 951 744		1P
Non-current asset held for sale (SFP) [balancing]			
Accumulated depreciation and impairment: Buildings (SFP) [R781 250 + R1 500 000 + R267 006]	2 548 256		½P
Buildings (cost) (SFP)		7 500 000	1
<i>Transfer of building to non-current assets held for sale</i>			
Impairment loss (P/L) (W2)	701 744		
Non-current asset held for sale (SFP)		701 744	1P
<i>Recognise impairment loss on classification as held for sale in terms of IFRS 5</i>			
ALTERNATIVE 2: Test for impairment in terms of IAS 36 BEFORE reclassification to IFRS 5	701 744		1P
Impairment loss (P/L) (W2)			
Accumulated depreciation and impairment: Buildings (SFP)		701 744	1P
<i>Recognise impairment loss on classification as held for sale in terms of IAS 36</i>			
Non-current asset held for sale (SFP) [balancing]	4 250 000		1P
Accumulated depreciation and impairment: Buildings (SFP) [R781 250 + R1 500 000 + R267 006 + R701 744]	3 250 000		½P
Buildings (cost) (SFP)		7 500 000	1
<i>Transfer of building to non-current assets held for sale</i>			
31 December 2021			
Non-current asset held for sale (SFP) (W3)	225 000		
Reversal of impairment loss / Fair value gain (P/L)		225 000	1P
<i>IFRS 5 Fair value gain at reporting date limited to impairment loss previously raised in terms of IAS 36 and IFRS 5</i>			

Workings		
W1: Depreciation FY2021	R	
Cost price 30 November 2018	7 500 000	½
Accumulated depreciation (R7 500 000 x 25/240)	(781 250)	1
Impairment loss on 31 December 2020	(1 500 000)	1
Carrying amount 31 December 2020	5 218 750	
Depreciation FY2021 (R5 218 750 / 215 x 11)	267 006	1C
W2: Impairment loss on reclassification date		
Carrying amount on 30 November 2021 (R5 218 750 – R267 006)	4 951 744	½C
Fair value less costs to sell (R4 750 000 – R500 000)	4 250 000	1
Impairment loss	701 744	
W3: Re-measurement at reporting date		
Carrying amount 31 December 2021	4 250 000	½C
Fair value less costs to sell (R5 000 000 – R525 000)	4 475 000	1
Reversal of impairment loss	225 000	
<i>Limitation of reversal (R1 500 000 + R701 744) = No limitation</i>	2 201 744	
<i>*Note: Although journal narrations were scoped out within the required, it is still included for completeness purposes of the mark plan.</i>		
	Available	12
	Maximum	12
	Total for part (d)	12

<p>Part (e) Prepare the note for the acquisition of Senza in the consolidated financial statements of Imfundo for FY2021 in terms of IFRS 3 <i>Business Combinations</i> and indicate, as part of the note disclosure, any missing information required for complete disclosure.</p> <ul style="list-style-type: none"> Assume all missing information is material. 	<p>Marks</p>
<p>Notes to the financial statements of Imfundo (Pty) Ltd for the year ended 31 December 2021</p> <p>34. Acquisition of Senza</p>	
<p>Imfundo obtained a controlling interest in Senza (½), a manufacturer and supplier of DIY equipment (½) by acquiring 80% Senza's ordinary share capital (½) on 30 September 2021 (½). With this acquisition, Imfundo expects to diversify its revenue streams (½) [IFRS3.B64(a)-(d)].</p>	<p>2½</p>
<p>The acquisition date values of the assets acquired and the liabilities assumed and consideration transferred, were as follows:</p>	
<p>Recognised amounts of identifiable net assets: [IFRS3.B64(i)]</p>	<p style="text-align: right;">R</p>
<p>Property plant and equipment [R1 250 000 (1½) + R4 600 000 (1½) + R300 000 (1)]</p>	<p style="text-align: right;">6 150 000 4</p>
<p>Intangible assets</p>	<p style="text-align: right;">45 000 1</p>
<p>Inventories</p>	<p style="text-align: right;">760 000 1</p>
<p>Trade and other receivables</p>	<p style="text-align: right;">350 000 1</p>
<p>Cash and cash equivalents</p>	<p style="text-align: right;">300 000 1</p>
<p>Long-term borrowings</p>	<p style="text-align: right;">(1 200 000) 1</p>
<p>Deferred tax (W1)</p>	<p style="text-align: right;">(171 800)</p>
<p>Trade payables</p>	<p style="text-align: right;">(445 000) 1</p>
<p>Provisions</p>	<p style="text-align: right;">(250 000) 1</p>
<p>Total identifiable net assets</p>	<p style="text-align: right;">5 538 200</p>
<p>Non-controlling interest in Senza [R5 538 200 (1) x 20% (1)] ([IFRS3.B64(o)(i)])</p>	<p style="text-align: right;">1 107 640 2C</p>
<p>Gain on bargain purchase</p>	<p style="text-align: right;">163 821</p>
<p>Fair value of consideration transferred</p>	<p style="text-align: right;">4 266 739</p>
<p>Amount settled in cash [IFRS3.B64(f)(i)] (W2)</p>	<p style="text-align: right;">3 271 739</p>
<p>Fair value of equity shares issued [IFRS3.B64(f)(iv)]</p>	<p style="text-align: right;">500 000 1</p>
<p>Fair value of contingent consideration [IFRS3.B64(f)(iii)]</p>	<p style="text-align: right;">495 000 1</p>
<p><i>Negative marks to be awarded for any amounts included that should have been nil (such as the potential contract, database, contingent liability and acquisition related costs).</i></p>	<p style="text-align: right;">-1 (max -3)</p>
<p>Equity interests of acquirer [IFRS3.B64 (f)(iv)]</p>	
<p><i>Additional information required:</i></p>	
<ul style="list-style-type: none"> Number of instruments issued (½) 	<p style="text-align: right;">1</p>
<ul style="list-style-type: none"> Method of measuring the fair value of the instruments (½) 	
<p>Contingent consideration [IFRS3.B64(g)(i)-(iii)]</p>	
<p>The purchase agreement included an additional consideration of R550 000 (fair value of R495 000), payable only if Senza's profits were greater than the growth rates forecast in the valuation model by 5%. (1)</p>	<p style="text-align: right;">1</p>

<p><i>Additional information required:</i></p> <ul style="list-style-type: none"> • <i>Basis for determining the amount of the payments (½)</i> • <i>An estimate of the range of outcomes, or if range cannot be estimated, fact and reasons (½)</i> 	1
<p>Acquired receivables [IFRS3.B64(h)]</p> <p><i>Additional information required:</i></p> <ul style="list-style-type: none"> • <i>Gross contractual amounts receivable (½)</i> • <i>Best estimate of the contractual cash flows not expected to be collected (½)</i> • <i>The disclosure should be provided by major class of receivables (½)</i> 	1½
<p>Non-controlling interest [IFRS3.B64(o)(i)]</p> <p>Non-controlling interest in Senza is measured at the proportionate share of identifiable net assets of Senza [IFRS3.B64(o)(i)]</p>	1
<p>Acquisition-related costs [IFRS3.B64(m)]</p> <p>Acquisition-related costs amounting to R20 000 have been recognised in the consolidated statement of profit or loss and other comprehensive income and included in [the relevant expense line item].</p>	1
<p>Gain on bargain purchase [IFRS3.B64(n)]</p> <p>A gain on bargain purchase of R163 821 was recognised and included [on the face/or the relevant income line item] of the statement of profit or loss and other comprehensive income.</p>	1
<p>The reason for the gain on bargain purchase is due to the purchase price being lower than the fair value of the net identifiable assets and liabilities acquired.</p>	1
<p>ALTERNATIVE: Goodwill [IFRS3.B64(e)]</p> <p>The reason for the goodwill is due to the purchase price being higher than the fair value of the net identifiable assets and liabilities acquired.</p>	1
<p><i>Senza was in the process of entering into a contract to deliver DIY equipment to an overseas buyer that does not qualify for separate recognition on the acquisition date.</i></p>	1
<p><i>Senza owns a database, used in managing its loyalty scheme, which captures information on customer demographics, preferences, relationship histories and past buying patterns. The database cannot be sold or licensed due to regulatory laws and therefore it does not qualify for separate recognition on the acquisition date.</i></p>	1
<p>Contribution to results [IFRS3.64B(q)]</p> <p><i>Additional information required:</i></p> <ul style="list-style-type: none"> • Amounts of revenue and profit or loss of Senza since acquisition date included in the consolidated statement of profit or loss and other comprehensive income. (½) • The revenue and profit or loss of the combined entity for the current reporting period as though the acquisition occurred as the beginning of the reporting period. (½) 	1

Workings:	R	
W1 Deferred tax liability		
Opening balance	(50 000)	1
Land (R350 000 x 22,4%)	(78 400)	1
Factory buildings (R100 000 x 28%)	(28 000)	1
Inventories (R10 000 x 28%)	(2 800)	1
Intangible asset (R45 000 x 28%)	(12 600)	1
	(171 800)	
W2 Amount settled in cash		
Cash – immediate payment	1 750 000	1
Cash – deferred payment (PV: FV = 1 750 000; n = 1; i = 15)	1 521 739	1
	3 271 739	
	Available	34
	Maximum	33
	<i>Communication skills – presentation; layout and structure</i>	<i>2</i>
	Total for part (e)	35
	Total for part II	47