

Part (a) Present the information relating to Maastricht in the statement of profit or loss and other comprehensive income of the Group for FY2022.			Marks
<ul style="list-style-type: none"> • Ignore the tax consequences that the Group would incur on the disposal of Maastricht. • Ignore the attribution of amounts to the equity holders of the parent and the non-controlling interests. • Ignore note disclosures. • Ignore comparatives. • Round amounts to the nearest ZAR. 			
South African Multinational Paper Ltd Statement of profit or loss and other comprehensive income for the year ended 31 December 2022			
	Calc.	Amount	
		ZAR	
Discontinued operation			
Profit for the period from discontinued operations		1 441 518	
Other comprehensive income			
Foreign currency translation reserve on discontinued operations – current year	1	(5 644 691)	½ C
Foreign currency translation reserve reclassified on disposal of foreign operation	1	(6 770 903)	½ C
Discontinued operations analysis			
Revenue (275 000 x 16,495) (1) 3 months (1)		4 536 125	2
Expenses (325 750 + 133 750) (1) x 16,495		(7 579 453)	1
Loss before income tax		(3 043 328)	
Income tax expense (31 000 (1) x 16,495)		(511 345)	1
Loss after tax expense		(3 554 673)	
Loss on sale of subsidiary after income tax	3 & 4	(1 998 312)	1C
Foreign currency translation reserve transferred to profit or loss on discontinued operation	1	6 770 903	1C
Other income – foreign exchange gain	5	87 973	
Finance income	5	135 627	
Gain from discontinued operation		1 441 518	
Calculations			
		Amount	
Calculation 1 – FCTR			
Share capital		€ 100 000	0.5
Retained earnings		€ 250 000	1
Fair value adjustment		€ 200 000	1
		€ 550 000	
At acquisition equity (€ 550 000 x 10.37) x 60% (1)		R 3 422 100	1
Consideration paid (376 616 x 10.37)		R 3 905 508	1
Goodwill € 46 616		R 483 408	
Rate		10.37	0.5

Since acquisition retained earnings (<i>given</i>)		R 28 101 228	1
Land revaluation (450 000 – 250 000) (1) x 8.838 (1)		R 2 209 500	2C
Since acquisition - FCTR on goodwill (483 408 / 10.37 (1) = 46 616 x (18.138 – 10.37) (1)	C	R 362 113	2P
Since acquisition - FCTR on NAV (excluding goodwill (NAV @ 18.138(1) – (NAV at various rates (1))	A	R 16 386 454	2P
Current year - Profit (862 000 / 12 x 3) (1) x 16.495 (1)		R 3 554 673	2P
Current year - FCTR on goodwill (46 616 x (16.193 – 18.138) (1)	D	(R 90 668)	1C
Current year - FCTR on NAV (excluding goodwill (NAV @ 16.193 (1) – (NAV at various rates (1))	B	(R 5 554 024)	2P
FCTR reclassified to P/L (A + B) (1) x 60% (1) + C (1) + D (1)		R 6 770 903	4C
Calculation 3 – Proceeds on disposal			
Payment on 31 March 2022 (<i>given</i>)		€ 926 327	1
PV of payment due 31 March 2022 (PV = ? (1) N = 1; FV = 611 921; I = 1,82%) (1) = EUR600 983		€ 600 983	2P
Total		€1 527 310	
Rate		16.193	1
Total consideration received		R 24 731 731	
Calculation 4 – Group loss on disposal of subsidiary on 31 March 2022			
Proceeds		R 24 731 731	1C
Less net assets derecognised (analysis)		(R 43 291 986)	1C
Plus NCI derecognised (43 291 986 x 40%)		R 17 316 794	1C
Less Goodwill derecognised (46 616 x 16.193)		(R 754 853)	1C
Loss		(R 1 998 312)	
Calculation 5 – Deferred payment			
Balance on 31 March 2022 (600 983 x 16.193		R 9 731 718	1C
Interest at average rate (EUR600 983 x 1,82% x 9/12 (1) = EUR8 203 x 16,533 (1))		R135 627	2C
Balance		R9 867 345	
Forex gain		87 973	
Balance at closing rate (600 983 + 8 203) (1) x 16.342 (1)		R9 955 318	2P
		Available	41
		Maximum	34
		Communication skills – presentation	1
		Total for part (a)	35

SUGGESTED SOLUTION

Analysis of equity for Maastricht				
	Total	Rate	Total	Maastricht (60%)
	EUR		ZAR	
At acquisition				
Share capital	100 000		1 037 000	
Retained earnings	250 000		2 592 500	
Fair value adjustment	200 000		2 074 000	
	550 000	10,37	5 703 500	3 422 100
Goodwill				483 408
Consideration				3 905 508
Since acquisition to the beginning of the current year	2 089 000		28 101 228	
Land revaluation (450 000 – 200 000) (1)	250 000	8,838	2 209 500	
	2 339 000		30 310 728	18 186 437
Total	2 889 000		36 014 228	21 608 537
FCTR			16 386 454	9 831 872
Total		18,138	52 400 682	31 440 409
Current year (862 000/12 x 3) or (275 000 – 325 750 – 133 750 – 31 000) (1)	(215 500)	16,495	(3 554 673)	(2 132 804)
Total	2 673 500		48 846 010	29 307 606
FCTR			(5 554 024)	(3 332 414)
		16,193	43 291 986	25 975 191

Part (b) Prepare the journal entries that account for information provided in respect of Eastcreek in the financial records of SAMP for FY2022.			Marks
<ul style="list-style-type: none"> • Ignore all forms of tax. • Ignore dates of journal entries. • Ignore closing entries. • Round amounts to the nearest ZAR. 			
	Dr	Cr	
Depreciation (P/L)	1 694 333		2P
Accumulated depreciation – factory building (SFP) (ZAR9 700 000/30)		323 333	
Accumulated depreciation – Fourdrinier machine (SFP) (Calc 1)		1 040 000	
Accumulated depreciation – Paper coating machine (SFP) (3 310 000/10)		331 000	
<i>Recognition of depreciation for the period</i>			
Revaluation loss (P/L)	300 000		1P
Land (SFP)		300 000	
Impairment (P/L) (calc 2 & 3)	3 753 667		2P
Land (SFP)		200 000	
Accumulated impairment – factory building (SFP) (1 061 488+ 1224 660)		2 286 148	
Accumulated impairment – Fourdrinier machine (SFP)		790 000	
Accumulated impairment – paper coating machine (SFP) (221 718 + 255 801)		477 519	
<i>Impairment of CGU</i>			
Calculations for Eastcreek			
Calculation 1 – Depreciation of Factory	Amount		
	ZAR		
R9 700 000/30	323 333		1
<i>Alternative</i>			
$5\,604\,000 / (360 - 140) \times 12$	305 672		
Calculation 2 – Depreciation of Fourdrinier machine			
Original cost of machine	7 000 000		
Less cost of replaced mesh belt	(800 000)		1
Less cost of replaced calendar rolle	(2 200 000)		1
Total	4 000 000		
Depreciation – Fourdrinier machine (4 000 000/20) or		200 000	1

(5 630 – 800 – 1 980)/171 x 12		
Depreciation – mesh belt (800 000/2)	400 000	1
Depreciation – calendar rollers (2 200 000/5)	440 000	1
Total	1 040 000	
Land Devaluation		
8 000 000 – 7 700 000	300 000	1
Calculation 2 – Impairment of cash generating unit		
Land	7 700 000	1C
Factory building (5 604 000 – 323 333) or (5 604 000 – 305 672)	5 280 667 / 5 298 328	½C
Fourdrinier machine (5 630 000 – 1 040 000)	4 590 000	½C
Paper coating machine (1 434 000 – 331 000)	1 103 000	½C
Inventory (given)	1 580 000	
Total carrying amount (including land and inventory)	20 253 667	½
Recoverable amount (higher of FVLCTS and VIU at current use) (principle of choosing the correct amount)	16 500 000	1
Impairment	3 753 667	1C
Calculation 3 – Allocation of impairment		
Impairment	3 753 667	
None allocated to inventory as outside the scope of IAS36.		½
Allocated to assets within CGU within the scope of IAS 36 (20 253 667 - 1 580 000 = 18 673 667)		
Land $3\,753\,667 \times 7\,700\,000 / 18\,673\,667 = R1\,547\,807$ (1) <i>However, land impairment is limited as fair value less costs of disposal of the land is R7 500 000, being the fair value of R7 700 000 (highest and best use) – cost of disposal of R200 000</i> Impairment = R7 700 000 – R7 500 000 (1)	200 000	2
Factory building $3\,753\,667 \times (5\,280\,667 / 18\,673\,667)$	1 061 488	1
Fourdrinier machine $3\,753\,667 \times (4\,590\,000 / 18\,673\,667) = R922\,654$ (1) However, impairment limited as fair value less cost of disposal of this machine is 3 800 000 Impairment = R4 590 000 – R3 800 000 (1)	790 000	2
Paper coating machine $3\,753\,667 \times (1\,103\,000 / 18\,673\,667)$ (1) <i>Limit does not apply as the fair value cost of disposal of this machine is 400 000</i>	221 718	1
Impairment of 1 480 461 reallocated to factory building (CA = 4 219 179) and paper coating machine (CA = 881 282)		

<i>Comment: marks awarded for the principle of re-allocating of impairment loss</i>		
Factory building 1 480 461 x (4 219 179 / (4 219 179 + 881 282)) (1)	1 224 660	1
Paper coating machine 1 480 461 x 881 282 / (4 219 179 + 881 282) (1)	255 801	1
	Available	25.5
	Maximum	22
	Communication skills – presentation	1
	Total for part (b)	23
	TOTAL FOR PART I	58