	(e) Prepare the consol for the year ended 3			manges in eq	uity Oi	me Luuco gro	Jup	
<ul> <li>Ignore the tax implications for Educo relating to the disposal of the 82,5% interest in MaxiLearn.</li> <li>Notes and comparatives are not required.</li> </ul>							2,5%	Marks
	A total column			a magraph Di	.00			
	Present and ro	ung ali amount EDUCO			00.			
	CONSOLIDAT	TED STATEME			I EOUI	ΓV		
		IE YEAR ENDE						
		Retained		Mark to				
		earnings	Ref	market reserve	Ref	FCTR	Ref	
		R'000		R'000		R'000		
	ning balance	3 013 347	W3	_		(12 901)	W1	
	I comprehensive income							
	ne year	1 333 151	10.4	1 851		12 901		
	ofit for the year	1 333 151	W4	_		_		
	ner comprehensive ome			1 851	W7	12 901	W2	
	ing balance	4 346 498		1 851	V V /	12 901	<b>**</b>	
0103	ing balance	1 340 430		1 001	<u> </u>	<del></del>		
Calc	culations					R'000		
	/1 Opening balance FCTR from analysis (11 marks)							
W1	Opening balance FCTR	from analysis	(11 ma	arks)		(12	901)	
W1	Opening balance FCTR	from analysis	(11 ma	arks)		(12	901)	
W1 W2	Current year FCTR inclu	uded in OCI		arks)		,		
	Current year FCTR inclu Translation loss (from and	uded in OCI alysis) (6 marks	)	,		(4	104)	
	Current year FCTR inclu Translation loss (from and FCTR realisation to P/L (from and formal properties)	uded in OCI alysis) (6 marks from analysis) (1	) 12 901	+ 4 104)		(4 17	104) 005	1P
	Current year FCTR inclu Translation loss (from and	uded in OCI alysis) (6 marks from analysis) (1	) 12 901	+ 4 104)		(4 17	104)	1P
W2	Current year FCTR inclu Translation loss (from and FCTR realisation to P/L (to Current year movement in	uded in OCI alysis) (6 marks from analysis) ( n FCTR included	) 12 901	+ 4 104)		(4 17	104) 005	1P
	Current year FCTR inclu Translation loss (from and FCTR realisation to P/L (formation to provide the current year movement in the company of the current year movement in the current year.	uded in OCI alysis) (6 marks from analysis) ( n FCTR included	) 12 901	+ 4 104)		(4 17 <b>12</b>	104) 005 <b>901</b>	
W2	Current year FCTR inclusion loss (from an FCTR realisation to P/L (inclusion to P/L (inclusion)) Current year movement in the Current year movement year movement year movement year movement year movement year movement year.	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings	) 12 901	+ 4 104)		(4 17 12 3 000	104) 005 <b>901</b>	1
W2	Current year FCTR inclusion loss (from an FCTR realisation to P/L (formation of the current year movement in the current year. In the current year of the current year of the current year.	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings	) 12 901	+ 4 104)		3 000 13	104) 005 <b>901</b> 000 347	
W2	Current year FCTR inclusion loss (from an FCTR realisation to P/L (inclusion to P/L (inclusion)) Current year movement in the Current year movement year movement in the Current year movement year movement year movement year movement year.	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings	) 12 901	+ 4 104)		(4 17 12 3 000	104) 005 <b>901</b> 000 347	1
W2	Current year FCTR inclusion loss (from an FCTR realisation to P/L (formation of the current year movement in the current year. In the current year of the current year of the current year.	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings	) 12 901	+ 4 104)		3 000 13	104) 005 <b>901</b> 000 347	1
W2 W3	Current year FCTR inclusion loss (from an FCTR realisation to P/L (inclusion to P/L (inclusion)) Current year movement in the Current year movement year movement in the Current year movement year m	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings	) 12 901	+ 4 104)		3 000 13	104) 005 <b>901</b> 000 347 <b>347</b>	1
W2 W3	Current year FCTR incluation loss (from and FCTR realisation to P/L (to Current year movement in Educo group (given) 100% MaxiLearn (from an Opening balance of retain Profit for the year Educo group (given) Less: Dividends received	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings nalysis) ned earnings	) 12 901 d in O(	+ 4 104)		3 000 13 3 013	104) 005 <b>901</b> 000 347 <b>347</b> 000 720)	1 1P 1 1
W2 W3	Current year FCTR inclu Translation loss (from and FCTR realisation to P/L (included to P/L) Current year movement in its company balance retainst Educo group (given) 100% MaxiLearn (from and Opening balance of retainst Profit for the year Educo group (given) Less: Dividends received 100% MaxiLearn (11 more	uded in OCI alysis) (6 marks) from analysis) (7 n FCTR included ed earnings nalysis) ned earnings  (from analysis) nths) (from analysis)	) 12 901 d in O(	+ 4 104) CI		(4 17 12 3 000 13 3 013 1 350 (12 24	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097	1 1P
W2 W3	Current year FCTR incluments of the composition of	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis) n sale in Educo	) 12 901 d in O( ysis) (W5) (	+ 4 104) CI		(4 17 12 3 000 13 3 013 1 350 (12 24 (42	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900)	1 1P 1 1
W2 W3	Current year FCTR incluments of the composition of	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis) n sale in Educo	) 12 901 d in O( ysis) (W5) (	+ 4 104) CI		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679	1 1P 1 1P 1P
W2 W3	Current year FCTR incluation loss (from and FCTR realisation to P/L (Current year movement in Educo group (given) 100% MaxiLearn (from an Opening balance of retain Profit for the year Educo group (given) Less: Dividends received 100% MaxiLearn (11 mor Less: Profit recognised of Plus: Group profit on sale FCTR realisation (W2)	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis) n sale in Educo	) 12 901 d in O( ysis) (W5) (	+ 4 104) CI		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31 (17	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005)	1 1P 1 1
W2 W3	Current year FCTR incluments of the composition of	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis) n sale in Educo	) 12 901 d in O( ysis) (W5) (	+ 4 104) CI		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005)	1 1P 1 1P 1P
W2 W3	Current year FCTR incluments of the composition of	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis) n sale in Educo e (W6) (5 marks)	) 12 901 d in O( ysis) (W5) (	+ 4 104) CI 3 marks)		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31 (17	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005)	1 1P 1 1P 1P
W2 W3	Current year FCTR incluation loss (from ana FCTR realisation to P/L (formation of the current year movement in the current year (given) and the current year (given) the year (given) the current year (given) the year (given) the current year (given) the year (	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis) n sale in Educo e (W6) (5 marks)	ysis) (W5) (	+ 4 104) CI 3 marks) accounts		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31 (17 1 333	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005) <b>151</b>	1 1P 1P 1P
W2 W3	Current year FCTR incluation loss (from and FCTR realisation to P/L (Current year movement in Educo group (given) 100% MaxiLearn (from an Opening balance of retain Profit for the year Educo group (given) Less: Dividends received 100% MaxiLearn (11 mor Less: Profit recognised of Plus: Group profit on sale FCTR realisation (W2) Profit for the year  Profit recognised on sale Cash proceeds on dispose	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings nalysis) ned earnings  (from analysis) nths) (from analysis) n sale in Educo e (W6) (5 marks)  le in Educo sepsal (BWP160 mil	ysis) (W5) (	+ 4 104) CI 3 marks) accounts		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31 (17 1 333	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005)	1 1P 1 1P 1P
W2 W3	Current year FCTR incluation loss (from analytical FCTR realisation to P/L (formation of P/L) (formation of	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings nalysis) ned earnings  (from analysis) nths) (from analysis) n sale in Educo e (W6) (5 marks)  le in Educo sepsal (BWP160 mil	ysis) (W5) (	+ 4 104) CI 3 marks) accounts		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31 (17 1 333	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005) <b>151</b>	1 1P 1P 1P 1P
W2 W3	Current year FCTR incluation loss (from and FCTR realisation to P/L (Current year movement in Educo group (given) 100% MaxiLearn (from an Opening balance of retain Profit for the year Educo group (given) Less: Dividends received 100% MaxiLearn (11 mor Less: Profit recognised of Plus: Group profit on sale FCTR realisation (W2) Profit for the year  Profit recognised on sale Cash proceeds on dispose	uded in OCI alysis) (6 marks from analysis) (7 n FCTR included ed earnings halysis) hed earnings  (from analysis) hths) (from analysis)	ysis) (W5) (  parate llion x eived	+ 4 104) CI 3 marks) accounts		(4 17 12 3 000 13 3 013 1 350 (12 24 (42 31 (17 1 333	104) 005 <b>901</b> 000 347 <b>347</b> 000 720) 097 900) 679 005) <b>151</b>	1 1P 1 1P 1P

## QUESTION 1 PART II (Educo) PAPER 2

## ITC JANUARY 2018 SUGGESTED SOLUTION

W6 Group profit on sale		
Cash proceeds on disposal (BWP160 million x 1,260)	201 600	1
Fair value of put option consideration received		
(BWP5 million x 1,26)	6 300	1
Less: 82,5% of interest disposed of		
[207 721 (from analysis) x 82,5%]	(171 370)	1P
	36 530	
Re-measurement gain / (loss)	(4 851)	
Fair value of remaining interest (BWP25 million x 1,260)	31 500	1
Carrying amount of remaining interest		
[207 721 (from analysis) x 17,5%]	(36 351)	1P
Group profit on sale	31 679	
Alta mastina		
Alternative	004.000	A
Cash proceeds on disposal (BWP160 million x 1,260)	201 600	1
Fair value of put option consideration received		,
(BWP5 million x 1,26)	6 300	1
Derecognise net asset value including goodwill (from analysis)	(207 721)	2P
Recognise fair value of remaining interest		
(BWP25 million x 1,260)	31 500	1
Group profit on sale	31 679	
W7 Fair value gain on shares		
Fair value on 30 November 2017 (BWP25 million x 1,260)	31 500	1
Fair value on 31 December 2017 (BWP27 million x 1,255)	33 885	1
Fair value increase	2 385	
Capital gains tax (x 22,4%)	(534)	
After tax fair value gain	1 851	

## QUESTION 1 PART II (Educo) PAPER 2

## ITC JANUARY 2018 SUGGESTED SOLUTION

ANALYSIS OF MA	ANALYSIS OF MAXILEARN				
	Total	D-1-	Total		
	BWP'000	Rate	R'000		
At acquisition (1 March 2016)					
Ordinary share capital	40 000				
Retained earnings	60 000			1	
Property revaluation [(55 000 – 30 000) x 78%]	19 500			1	
Value adjustment (55 000 - 30 000)	25 000				
Tax @ 22%	(5 500)				
Intangible asset (10 000 x 78%)	7 800			1	
Value adjustment	10 000				
Tax @ 22%	(2 200)				
	127 300	1,372	174 656	1	
Goodwill	18 473	1,372	25 344		
Investment	145 773	1,372	200 000	1	
Since to 31 December 2016					
Adjusted retained earnings	10 096	1,322	13 347	1	
Retained earnings (72 000 – 60 000)	12 000	.,622		1	
Depreciation – property	.2000			•	
[(55 000 – 40 000) <b>(1)</b> / 10 x 10/12 x 78% <b>(1)</b> ]	(975)			2	
Amortisation – intangible asset	(0.0)				
(10 000 / 7 x 10/12 x 78%) <b>or</b> (7 800 / 7 x 10/12)	(929)			1	
(10 000 / 1 x 10/12 x 10/0) <b>c</b> r (1 000 / 1 x 10/12)	(020)		213 347	•	
FCTR			(12 901)		
31 December 2016	155 869	1,286	200 448	1	
	100000	.,		11	
Current year to 30 November 2017					
Adjusted profit	18 989	1,269	24 097	1	
Profit for the period (23 000 x 11/12)	21 083	.,_55		1	
Depreciation – property					
[(55 000 – 40 000) / 10 x 11/12 x 78%]	(1 073)			1P	
Amortisation – intangible asset	(1010)				
(10 000 / 7 x 11/12 x 78%) <b>or</b> (7 800 / 7 x 11/12)	(1 021)			1P	
Dividends declared	(10 000)	1,272	(12 720)	1	
2.11.401.40 40014104	(10000)	.,2.2	211 825	<u>'</u>	
FCTR			(4 104)		
30 November 2017	164 858	1,260	207 721	1	
CONTROL MOIT	101000	.,200	_01	6	
From analysis					
			Available	17 34	
	Communic	ation skills – p		1	
		ximum Total		31	

Part (f) Briefly discuss how Ruby should recognise, classify and measure the put option for the 17,5% interest in MaxiLearn in the separate financial				
statements of Educo for the year ended 31 December 2017	Marks			
Ignore taxation				
1. The put option is a financial asset since it is an asset that is a contractual right to exchange another financial asset (the investment in shares) with the UK based education	1			
company under conditions that are potentially favourable to Educo (in the money).	1			
2. The put option is currently favourable to Educo and in the money (it has a fair value) as it offers Educo the right to sell the 17,5% interest at a strike price of BWP34 million, which is higher than the current fair value of the 17,5% interest of BWP25 million.	1			
3. Educo must recognise the put option as a financial asset when it becomes a party to the contractual provisions of the put option, i.e. 30 November 2017.	1			
4. The put option is a derivative as defined in IFRS 9 since its value changes in response to the underlying value of the equity, there is no initial net investment as no premium is paid for the option and settlement will be at a future date, which will be one year after the	1			
implementation of the iPad-based learning at MaxiLearn schools.	-			
5. Since the put option is a derivative, it is considered to be held for trading. Therefore, the put option must be classified as fair value through profit or loss.	1			
6. The put option will initially be measured at its fair value of R6,3 million (BWP5 million x 1,260) on 30 November 2017, the corresponding gain recognised in profit/loss.	1 1 1			
7. The put option will subsequently be re-measured to its fair value of R5,02 million (BWP4 million x 1,255) on 31 December 2017, with a fair value loss of R1 280 000 recognised in profit or loss.	1			
8. Since the put option is a derivative measured at fair value through profit or loss, it could be designated as a hedging instrument against the recognised investment in equity instruments. If the qualifying criteria for hedge accounting is met, the put option would be a hedge of the exposure to changes in the fair value of the investment in equity	1			
instruments, therefore a fair value hedge. Since the put option hedges an equity instrument for which Educo has elected to present changes in fair value in other comprehensive income, the gain or loss on the put option will also be recognised in other	1			
comprehensive income.  Available	15			
Communication skills – clarity of expression				
Maximum Total for part (f)				