Part (e)	Prepare the consolidated statement of changes in equity of the Educo group for the year ended 31 December 2017 • Ignore the tax implications for Educo relating to the disposal of the 82,5% interest in MaxiLearn. • Notes and comparatives are not required. • A total column is not required. • Present and round all amounts to the nearest R'000.	**Marks**

EDUCO GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Retained earnings	Ref	Mark to market reserve	Ref	FCTR	Ref
	R'000		**R'000**		**R'000**	
Opening balance	3 013 347	**W3**	–		(12 901)	**W1**
Total comprehensive income for the year	1 333 151		1 851		12 901	
Profit for the year	1 333 151	**W4**	–		–	
Other comprehensive income	–		1 851	**W7**	12 901	**W2**
Closing balance	4 346 498		1 851		–	

Calculations		**R'000**	
W1	**Opening balance FCTR from analysis** (11 marks)	**(12 901)**	
W2	**Current year FCTR included in OCI**		
	Translation loss (from analysis) (6 marks)	(4 104)	
	FCTR realisation to P/L (from analysis) (12 901 + 4 104)	17 005	1P
	Current year movement in FCTR included in OCI	**12 901**	
W3	**Opening balance retained earnings**		
	Educo group (given)	3 000 000	1
	100% MaxiLearn (from analysis)	13 347	1P
	Opening balance of retained earnings	**3 013 347**	
W4	**Profit for the year**		
	Educo group (given)	1 350 000	1
	Less: Dividends received (from analysis)	(12 720)	1P
	100% MaxiLearn (11 months) (from analysis)	24 097	1P
	Less: Profit recognised on sale in Educo (W5) (3 marks)	(42 900)	
	Plus: Group profit on sale (W6) (5 marks)	31 679	
	FCTR realisation (W2)	(17 005)	1P
	Profit for the year	**1 333 151**	
W5	**Profit recognised on sale in Educo separate accounts**		
	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
	Cost of investment sold (R200 million x 82,5%)	(165 000)	1P
	Gain on disposal	**42 900**	

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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**	
	Alternative		*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**	

ANALYSIS OF MAXILEARN				Marks
	Total **BWP'000**	**Rate**	**Total** **R'000**	
At acquisition (1 March 2016)				
Ordinary share capital	40 000			1
Retained earnings	60 000			
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			1
Depreciation – property				
[(55 000 – 40 000) **(1)** / 10 x 10/12 x 78% **(1)**]	(975)			2
Amortisation – intangible asset				
(10 000 / 7 x 10/12 x 78%) **or** (7 800 / 7 x 10/12)	(929)			1
			213 347	
FCTR			**(12 901)**	
31 December 2016	155 869	1,286	200 448	1
				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			1
Depreciation – property				
[(55 000 – 40 000) / 10 x 11/12 x 78%]	(1 073)			1P
Amortisation – intangible asset				
(10 000 / 7 x 11/12 x 78%) **or** (7 800 / 7 x 11/12)	(1 021)			1P
Dividends declared	(10 000)	1,272	(12 720)	1
			211 825	
FCTR			**(4 104)**	
30 November 2017	164 858	1,260	207 721	1
				6
			From analysis	17
			Available	34
			Communication skills – presentation	1
			Maximum Total for part (e)	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 • **Ignore taxation**	Marks
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 company under conditions that are potentially favourable to Educo (in the money).	1 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 implementation of the iPad-based learning at MaxiLearn schools.	1 1
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 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 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 comprehensive income.	1 1 1
	Available	**15**
	Communication skills – clarity of expression	*1*
	Maximum Total for part (f)	**9**