(a) (i)	Khalis Dairy Ltd. Statement of Comprehensive Income for the year ended June 30, 2017				
			Rs. '000'		
	Fair value of milk produced (47,450 x 70)	3,321,500			
	Less: Costs to sell	(474,500)	2,847,000		
	Gains arising from changes in fair value less cost to sell of dairy livestock (27,000 + 45,000)		72,000		

295,000		0.
699,000		0.
84,000		0.
1,083,000	(2,161,000)	0.
	758,000	0.
	(202,620)	0.
	555,380	
	699,000 84,000	699,000 84,000 1,083,000 (2,161,000) 758,000 (202,620)

Inventories					
Balance b/f	177,000	Consumed	295,000	1.0	
Purchase	325,000	Balance c/f	207,000	1.0	
	502,000		502,000		

(ii)

Khalis Dairy Ltd. **Reconciliation of Carrying Amounts of Dairy Livestock** as at June 30, 2017

	Rs. '000'	
Opening balance – As at July 01, 2016	1,149,000	0.5
Add: Livestock purchased:	41,000	0.5
Gains arising from changes in fair value less costs to sell due to physical change Gains arising from changes in fair value less costs to sell due to	27,000	0.5
price changes	45,000	0.5
Less: Livestock sold	(200,000)	0.5
Closing balance- As at June 30, 2017	1,062,000	0.5

(b) •

- Since, Starlight Company Ltd. will not be able to transfer the sports goods manufacturing 5.0 unit until the backlog of the orders is completed. This establishes that the unit is not available for immediate sale in its present condition.
 - The facility cannot be classified as 'held for sale' as on June 30, 2017.
 - It should be treated in the same way as other items of property, plant and equipment.
 - It should continue to be depreciated and should not be separately disclosed. ٠

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2,919,000

Rs. '000'

(c) Actual Present Value of the Promised Retirement Benefits:

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The present value of the expected payments by a retirement benefit plan may be calculated and reported using current salary levels or projected salary levels up to the time of retirement of employees.

The reasons given for adopting a current salary approached include:

- The actuarial present value of promised retirement benefits, being the sum of the amounts presently attributable to each employee in the plan, can be calculated more objectively than with projected salary levels because it involves fewer assumptions.
- Increases in benefits attributable to a salary increase become an obligation of the plan at the time of the salary increase and
- The amount of the actuarial present value of promised retirement benefits using current salary levels is generally more closely related the amount payable in the event of termination or discontinuance of the plan.

Question No. 2

(a) Calculation of Remuneration Expenses and Equity and Liability:

			Rupees	
	Expenses	Equity	Liability	
June 30, 2015 [500 x 9 x 100 x 1/3]	150,000	150,000	_	
June 30, 2016 [(500 x 9 x 100 x 2/3) – 150,000]	150,000	150,000	_	
Reclassify equity to liabilities:				
[500 x 9 x 90 x 2/3]	_	(270,000)	270,000	
June 30, 2017				
Remuneration expense for year				
[(500 x 9 x 100 x 3/3) – 300,000]	150,000	15,000	135,000	
Adjusted liability to closing fair value				
[(270,000 + 135,000) – 500 x 9 x 85]	(22,500)	_	(22,500)	
Total	427,500	45,000	382,500	

(b) Effect of Transaction on Profit or Loss:

Year Ended June 30, 2017:

The revenue and the receivable for the sale of Dhs 20,000 should be translated at the sport rate on April 15, 2017 and calculated as PKR 550,000. 0.5

The capital expenditure of US\$110,000 should be translated at the spot rate on May 01, 2017 at the spot rate of US\$103.75 and recorded as: 0.5

		PKR
	Debit	Credit
Plant and machinery	11,412,500	
Account payable		11,412,500

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The receipt on May 15, 2017 relating to receivable is translated at the rate PKR 28.50 prevailing at that date. This amount will be recorded as:

	P	KR	
	Debit Credit	t	
Cash	570,000	1	.0
Exchange gain	20,0	000 1	.0
Accounts receivable	550,0	000 1	.0

Hence an exchange gain is recognized in profit or loss.

The non-current asset is not re-translated at the year end, but the outstanding payable (a monetary item) must be re-stated to the year end exchange rate of PKR 102.75. This gives a year end payable balance of PKR 11,302,500 (PKR 110,000 x 102.75). This has decreased from the initial PKR 11,412,500, therefore, an exchange gain of PKR 110,000 (11,412,500 – 11,302,500) will be recognized in profit or loss.

Year Ended June 30, 2018:

When the payable is settled after the year end at the spot rate of PKR 103.50 it results in a payment of PKR 11,385,000. There is an exchange loss of PKR 82,500(11,385,000 – 11,302,500) compared with the carrying value at the end of June 30, 2017.

Question No. 3

(a) Exploration and Evaluation Assets for Impairment:

One or more of the following facts and circumstances indicate that an entity should test exploration and evaluation assets for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to
 proceed, the carrying amount of the exploration and evaluation asset is unlikely to be
 recovered in full from successful development or by sale.

(b) (i) Modification is Substantial or Not:

	Rupees
Carrying amount of loan	10,000,000
Present value (PV) of revised cash flow at original effective rate (8.5%) (12,000,000 x 0.6650)	(7,980,000)
	2,020,000
Percentage of original carrying amount (2,020,000 ÷ 10,000,000) x 100	20.20%

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(ii) Account for Substantial Modification:

If the new terms are identified as a substantial modification, the original loan is extinguished and a new financial liability is recognised in its place with any gain or loss recognized in the statement of profit or loss.

The new liability is recognised at its fair value in accordance with the normal rules of recognition of financial instruments. This is found by discounting the revised future payments at the market rate of interest that applies to such cash flows.

	Rupees	
Extinguishment of original loan	10,000,000	1.0
Recognition of new loan* (Rs.12,000,000 x 0.6209)	7,450,800	1.5
Gain on the modification	2,549,200	1.0
*Fair value of new loan on initial recognition @ 10%		0.5

Fair value of new loan on initial recognition @ 10%

- (c) An entity is permitted to apply the requirements of this IFRS 14 in its first IFRS financial 6.0 statements if and only if it:
 - Conducts rate-regulated activities.
 - Recognised amounts that qualify as regulatory deferral account balances in its financial statements in accordance with its previous GAAP.

Rate Regulation:

A framework for establishing the prices that can be charged to customers for goods or services and that framework is subject to oversight and/or approval by a rate regulator.

Rate Regulator:

An authorised body that is empowered by statute or regulation to establish the rate or a range of rates that bind an entity. The rate regulator may be a third-party body or a related party of the entity, including the entity's own governing board, if that body is required by statute or regulation to set rates both in the interest of the customers and to ensure the overall financial viability of the entity.

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Question No. 4

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Master Group Consolidated Statement of Profit or Loss and Comprehensive Income for the year ended June 30, 2017

Revenue [900 + 260 + (156 + 2) - 20] 1,218.00 1.0 Cost of sales [-695 - 145 - (80/2)+20] (860.00) 1.0 Gross profit [205 + 115 + (76 + 2)] 358.00 358.00 Other income [47 + 16 + (6 + 2) - 10.25 + 42] (W-1 & 2) 97.75 1.0 Administrative costs [-34 - 20 - (26 + 2)] (67.00) 0.5 Other expenses [-78 - 43 - (18 + 2)] (130.00) 0.5 Impairment of goodwill (W-1) (3.00) 0.5 Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit 248.27 1 1 Finance income [14 + 11 + (18 + 2)] 34.00 0.5 5 Profit for the year 257.27 1 0 0 0.5 Income tax expense [-43 - 20 - (12 + 2)] (69.00) 0.5 0.5 0 0.5 Other comprehensive income: 1 1 1 1 0 0.5 0 0.5 Total tems which will not be reclassified to profit or loss 6.50 0.5 0 0.5 0 0.5 Total tems which will no		Rs. in million	
Gross profit [205 + 115 + (76 + 2)] 358.00 Other income [47 + 16 + (6 + 2) - 10.25 + 42] (W-1 & 2) 97.75 1.0 Administrative costs [-34 - 20 - (26 + 2)] (67.00) 0.5 Other expenses [-78 - 43 - (18 + 2)] (130.00) 0.5 Impairment of goodwill (W-1) (3.00) 0.5 Share of profit from associates (W-2) 3.40 0.5 Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit 248.27 7.72 7.72 Finance costs [-11 - 14 - (10 + 2) + 5] (25.00) 0.5 7.72 Profit before tax 257.27 7.72 7.57 Income tax expense [-43 - 20 - (12 + 2)] (69.00) 0.5 7.57 Other comprehensive income: 188.27 0.5 0.5 Items which will not be reclassified to profit or loss 6.50 0.5 Changes in revaluation surplus [12 - 4 (W-4)] 8.00 0.5 Total items which will not be reclassified to profit or loss 0.50 0.50 Total comprehensive income for the year 1.50 <td>Revenue [900 + 260 + (156 ÷ 2) – 20]</td> <td>1,218.00</td> <td>1.0</td>	Revenue [900 + 260 + (156 ÷ 2) – 20]	1,218.00	1.0
Other income [47 + 16 + (6 + 2) - 10.25 + 42] (W-1 & 2) 97.75 1.0 Administrative costs [-34 - 20 - (26 ÷ 2)] (67.00) 0.5 Other expenses [-78 - 43 - (18 ÷ 2)] (130.00) 0.5 Impairment of goodwill (W-1) (3.00) 0.5 Share of profit from associates (W-2) 3.40 0.5 Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit 248.27 5 Finance costs [-11 - 14 - (10 ÷ 2) + 5] (25.00) 0.5 Profit before tax 257.27 0.5 Income tax expense [-43 - 20 - (12 ÷ 2)] (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income: 11 1.50 Items which will not be reclassified to profit or loss 6.50 0.5 Re-measurements - Defined benefit plan (W-3) (1.50) 0.5 Total items which will not be reclassified to profit or loss 6.50 0.5 Items which may be reclassified subsequently to profit or loss 0.50 0.5 Other comprehensive income for the year 1.50 0.5	Cost of sales [–695 – 145 – (80/2)+20]	(860.00)	1.0
Administrative costs $[-34 - 20 - (26 + 2)]$ (67.00) 0.5 Other expenses $[-78 - 43 - (18 + 2)]$ (130.00) 0.5 Impairment of goodwill (W-1) (3.00) 0.5 Share of profit from associates (W-2) 3.40 0.5 Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit (25.00) 0.5 Finance costs $[-11 - 14 - (10 + 2) + 5]$ (25.00) 0.5 Finance income $[14 + 11 + (18 + 2)]$ 34.00 0.5 Profit before tax 257.27 1 Income tax expense $[-43 - 20 - (12 + 2)]$ (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income: 1 1 Items which will not be reclassified to profit or loss 6.50 0.5 Total items which will not be reclassified to profit or loss 6.50 0.5 Items which will not be reclassified subsequently to profit or loss 6.50 0.5 Items which will not be reclassified to profit or loss 6.50 0.5 Items which will not be reclassified to profit or loss 0.50 <	Gross profit [205 + 115 + (76 ÷ 2)]	358.00	
Other expenses $[-78 - 43 - (18 + 2)]$ (130.00) 0.5 Impairment of goodwill (W-1) (3.00) 0.5 Share of profit from associates (W-2) 3.40 0.5 Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit 248.27 Finance costs $[-11 - 14 - (10 + 2) + 5]$ (25.00) 0.5 Finance income [14 + 11 + (18 + 2)] 34.00 0.5 Profit before tax 257.27 1 Income tax expense $[-43 - 20 - (12 + 2)]$ (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income: 1 1 Items which will not be reclassified to profit or loss 6.50 0.5 Changes in revaluation surplus $[12 - 4$ (W-4)] 8.00 0.5 Re-measurements – Defined benefit plan (W-3) (1.50) 0.5 Total items which will not be reclassified to profit or loss 6.50 0 Items which may be reclassified subsequently to profit or loss 0.5 0.5 Other comprehensive income for the year 1.50 0.5 Other compre	Other income [47 + 16 + (6 ÷ 2) – 10.25 + 42] (W-1 & 2)	97.75	1.0
Impairment of goodwill (W-1)(3.00)0.5Share of profit from associates (W-2)3.400.5Service cost (W-3)(7.32)0.5Property, plant and equipment (PPE) expenses (W-4)(3.56)0.5Operating profit248.27Finance costs $[-11 - 14 - (10 ÷ 2) + 5]$ (25.00)0.5Finance income $[14 + 11 + (18 + 2)]$ 34.000.5Profit before tax257.27Income tax expense $[-43 - 20 - (12 + 2)]$ (69.00)0.5Profit for the year(88.27)0.5Other comprehensive income:188.270.5Items which will not be reclassified to profit or loss6.500.5Changes in revaluation surplus $[12 - 4$ (W-4)]8.000.5Re-measurements - Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.50Lesses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year150Total comprehensive income for the year174.020.5Non-controlling interest (NCI) (W-5)14.250.5Non-controlling interest (NCI) (W-5)14.250.5Non-controlling interest (NCI) (W-5)12.250.5	Administrative costs [-34 - 20 - (26 ÷ 2)]	(67.00)	0.5
Share of profit from associates (W-2) 3.40 0.5 Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit 248.27 (25.00) 0.5 Finance costs $[-11 - 14 - (10 ÷ 2) + 5]$ (25.00) 0.5 Finance income $[14 + 11 + (18 ÷ 2)]$ 34.00 0.5 Profit before tax 257.27 (69.00) 0.5 Income tax expense $[-43 - 20 - (12 ÷ 2)]$ (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income: (1.50) 0.5 Items which will not be reclassified to profit or loss (1.50) 0.5 Changes in revaluation surplus $[12 - 4$ (W-4)] 8.00 0.5 Re-measurements - Defined benefit plan (W-3) (1.50) 0.5 Items which will not be reclassified to profit or loss 0.5 Losses on forward contract to buy foreign exchange (5.00) 0.5 Other comprehensive income for the year 1.50 0.5 Other soft the parent 174.02 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 Nor (W-5) 12.25 0.5	Other expenses [–78 – 43 – (18 ÷ 2)]	(130.00)	0.5
Service cost (W-3) (7.32) 0.5 Property, plant and equipment (PPE) expenses (W-4) (3.56) 0.5 Operating profit 248.27 248.27 Finance costs [-11 - 14 - (10 + 2) + 5] (25.00) 0.5 Finance income [14 + 11 + (18 + 2)] 34.00 0.5 Profit before tax 257.27 1 Income tax expense [-43 - 20 - (12 + 2)] (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income: 1 1 Items which will not be reclassified to profit or loss 6.50 0.5 Changes in revaluation surplus [12 - 4 (W-4)] 8.00 0.5 Re-measurements - Defined benefit plan (W-3) (1.50) 0.5 Total items which will not be reclassified to profit or loss 6.50 1 Losses on forward contract to buy foreign exchange (5.00) 0.5 Other comprehensive income for the year 1.50 0.5 Total comprehensive income for the year 1.50 0.5 Owners of the parent 174.02 0.5 Non-controlling interest (NCl) (W-5) 14.25 0.5 Owners of the pa	Impairment of goodwill (W-1)	(3.00)	0.5
Property, plant and equipment (PPE) expenses (W-4)(3.56)0.5Operating profit 248.27 248.27Finance costs [-11 - 14 - (10 + 2) + 5](25.00)0.5Finance income [14 + 11 + (18 + 2)] 34.00 0.5Profit before tax 257.27 1Income tax expense [-43 - 20 - (12 + 2)](69.00)0.5Profit for the year188.270.5Other comprehensive income:11Items which will not be reclassified to profit or loss6.50Changes in revaluation surplus $[12 - 4$ (W-4)]8.000.5Re-measurements - Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.50Items which may be reclassified subsequently to profit or loss0.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.50Total comprehensive income for the year1.50Owners of the parent174.020.5Non-controlling interest (NCI) (W-5)14.250.5Nores of the parent177.520.5NCI (W-5)12.250.5	Share of profit from associates (W-2)	3.40	0.5
Operating profit 248.27 Finance costs $[-11 - 14 - (10 ÷ 2) + 5]$ (25.00) 0.5 Finance income $[14 + 11 + (18 ÷ 2)]$ 34.00 0.5 Profit before tax 257.27 Income tax expense $[-43 - 20 - (12 ÷ 2)]$ (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income:Items which will not be reclassified to profit or loss 6.50 Changes in revaluation surplus $[12 - 4$ (W-4)] 8.00 0.5 Re-measurements - Defined benefit plan (W-3) (1.50) 0.5 Total items which will not be reclassified to profit or loss 6.50 Items which may be reclassified subsequently to profit or loss 0.5 Losses on forward contract to buy foreign exchange (5.00) 0.5 Other comprehensive income for the year 1.50 0.5 Total comprehensive income for the year 1.50 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 NCI (W-5) 12.25 0.5	Service cost (W-3)	(7.32)	0.5
Finance costs $[-11 - 14 - (10 \div 2) \div 5]$ (25.00) 0.5 Finance income $[14 + 11 + (18 \div 2)]$ 34.00 0.5 Profit before tax 257.27 (69.00) 0.5 Income tax expense $[-43 - 20 - (12 \div 2)]$ (69.00) 0.5 Profit for the year 188.27 0.5 Other comprehensive income: 188.27 0.5 Items which will not be reclassified to profit or loss Changes in revaluation surplus $[12 - 4$ (W-4)] 8.00 0.5 Re-measurements – Defined benefit plan (W-3) (1.50) 0.5 0.5 Items which will not be reclassified to profit or loss 6.50 1 Losses on forward contract to buy foreign exchange (5.00) 0.5 Other comprehensive income for the year 1.50 0.5 Other comprehensive income for the year 1.50 0.5 Total comprehensive income for the year 174.02 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 Nor-controlling interest (NCI) (W-5) 14.25 0.5 NCI (W-5) 12.25 0.5	Property, plant and equipment (PPE) expenses (W-4)	(3.56)	0.5
Finance income $[14 + 11 + (18 + 2)]$ 34.00 0.5 Profit before tax 257.27 Income tax expense $[-43 - 20 - (12 \div 2)]$ (69.00) 0.5 Profit for the year188.27 0.5 Other comprehensive income:188.27 0.5 Items which will not be reclassified to profit or lossChanges in revaluation surplus $[12 - 4 (W-4)]$ 8.00 0.5 Re-measurements - Defined benefit plan (W-3)(1.50) 0.5 Total items which will not be reclassified to profit or loss 6.50 Items which may be reclassified subsequently to profit or loss 0.5 Losses on forward contract to buy foreign exchange(5.00) 0.5 Other comprehensive income for the year 1.50 0.5 Total comprehensive income for the year 174.02 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 Nor sof the parent 177.52 0.5 NCI (W-5) 12.25 0.5	Operating profit	248.27	
Profit before tax 257.27 Income tax expense $[-43 - 20 - (12 + 2)]$ (69.00)0.5Profit for the year188.270.5Other comprehensive income:188.270.5Items which will not be reclassified to profit or loss6.500.5Changes in revaluation surplus $[12 - 4 (W-4)]$ 8.000.5Re-measurements - Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.50Items which may be reclassified subsequently to profit or loss0.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.50Total comprehensive income for the year174.020.5Non-controlling interest (NCI) (W-5)14.250.5Total comprehensive income attributable to:177.520.5Owners of the parent177.520.5NCI (W-5)12.250.5	Finance costs [-11 - 14 - (10 ÷ 2) + 5]	(25.00)	0.5
Income tax expense $[-43 - 20 - (12 \div 2)]$ (69.00)0.5Profit for the year188.270.5Other comprehensive income:188.270.5Items which will not be reclassified to profit or loss8.000.5Re-measurements - Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.500.5Items which may be reclassified subsequently to profit or loss0.50.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.500.5Total comprehensive income for the year174.020.5Non-controlling interest (NCI) (W-5)14.250.5Owners of the parent177.520.5NCI (W-5)12.250.5	Finance income [14 + 11 + (18 ÷ 2)]	34.00	0.5
Profit for the year188.270.5Other comprehensive income: Items which will not be reclassified to profit or loss Changes in revaluation surplus [12 – 4 (W-4)]8.000.5Re-measurements – Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.500.5Items which may be reclassified subsequently to profit or loss0.50.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.500.5Total comprehensive income for the year189.770.5Profit/ loss attributable to: Owners of the parent174.020.5Non-controlling interest (NCI) (W-5)14.250.5NCI (W-5)12.250.5	Profit before tax	257.27	
Other comprehensive income: Items which will not be reclassified to profit or loss Changes in revaluation surplus [12 – 4 (W-4)]8.000.5Re-measurements – Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.50Items which may be reclassified subsequently to profit or loss0.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.500.5Total comprehensive income for the year189.770.5Profit/ loss attributable to: Owners of the parent174.020.5Non-controlling interest (NCI) (W-5)14.250.5Total comprehensive income attributable to: Owners of the parent177.520.5NCI (W-5)12.250.5	Income tax expense [-43 - 20 - (12 ÷ 2)]	(69.00)	0.5
Items which will not be reclassified to profit or loss Changes in revaluation surplus [12 – 4 (W-4)]8.000.5Re-measurements – Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.500.5Items which may be reclassified subsequently to profit or loss0.50.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.500.5Total comprehensive income for the year189.770.5Profit/ loss attributable to:174.020.5Owners of the parent174.020.5Non-controlling interest (NCI) (W-5)14.250.5Owners of the parent177.520.5NCI (W-5)12.250.5	Profit for the year	188.27	0.5
Changes in revaluation surplus [12 - 4 (W-4)] 8.00 0.5 Re-measurements - Defined benefit plan (W-3) (1.50) 0.5 Total items which will not be reclassified to profit or loss 6.50 6.50 Items which may be reclassified subsequently to profit or loss 6.50 0.5 Losses on forward contract to buy foreign exchange (5.00) 0.5 Other comprehensive income for the year 1.50 0.5 Total comprehensive income for the year 189.77 0.5 Profit/ loss attributable to: 0wners of the parent 174.02 0.5 Owners of the parent 174.02 0.5 188.27 Total comprehensive income attributable to: 0wners of the parent 177.52 0.5 NCI (W-5) 12.25 0.5	Other comprehensive income:		
Re-measurements - Defined benefit plan (W-3)(1.50)0.5Total items which will not be reclassified to profit or loss6.506.50Items which may be reclassified subsequently to profit or loss6.500.5Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.500.5Total comprehensive income for the year189.770.5Profit/ loss attributable to:00014.250.5Owners of the parent174.020.5188.27Total comprehensive income attributable to:177.520.50.5Owners of the parent177.520.50.5NCI (W-5)12.250.50.5	Items which will not be reclassified to profit or loss		
Total items which will not be reclassified to profit or loss6.50Items which may be reclassified subsequently to profit or loss0.5Losses on forward contract to buy foreign exchange(5.00)Other comprehensive income for the year1.50Total comprehensive income for the year189.77Profit/ loss attributable to:0.5Owners of the parent174.02Non-controlling interest (NCI) (W-5)14.25Total comprehensive income attributable to:0.5Owners of the parent177.52NCI (W-5)12.250.50.5	Changes in revaluation surplus [12 – 4 (W-4)]	8.00	0.5
Items which may be reclassified subsequently to profit or lossLosses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.501.50Total comprehensive income for the year189.770.5Profit/ loss attributable to:00.5Owners of the parent174.020.5Non-controlling interest (NCI) (W-5)14.250.5Total comprehensive income attributable to:0177.52Owners of the parent177.520.5NCI (W-5)12.250.5	Re-measurements – Defined benefit plan (W-3)	(1.50)	0.5
Losses on forward contract to buy foreign exchange(5.00)0.5Other comprehensive income for the year1.501.50Total comprehensive income for the year189.770.5Profit/ loss attributable to:000000000000000000000000000000000	Total items which will not be reclassified to profit or loss	6.50	
Other comprehensive income for the year1.50Total comprehensive income for the year189.77Profit/ loss attributable to:0.5Owners of the parent174.02Non-controlling interest (NCI) (W-5)14.25Total comprehensive income attributable to:0.5Owners of the parent177.52Owners of the parent177.52Owners of the parent177.52Owners of the parent10.5Owners of the parent10.5Owners of the parent0.5NCI (W-5)12.25O.50.5	Items which may be reclassified subsequently to profit or loss		
Total comprehensive income for the year189.770.5Profit/ loss attributable to:000000000000000000000000000000000	Losses on forward contract to buy foreign exchange	(5.00)	0.5
Profit/ loss attributable to:174.020.5Owners of the parent174.020.5Non-controlling interest (NCI) (W-5)14.250.5Total comprehensive income attributable to:Owners of the parent177.520.5NCI (W-5)12.250.5	Other comprehensive income for the year	1.50	
Owners of the parent 174.02 0.5 Non-controlling interest (NCI) (W-5) 14.25 0.5 188.27 188.27 0.5 Total comprehensive income attributable to: 177.52 0.5 Owners of the parent 177.52 0.5 NCI (W-5) 12.25 0.5	Total comprehensive income for the year	189.77	0.5
Non-controlling interest (NCI) (W-5) 14.25 0.5 188.27 188.27 1 Total comprehensive income attributable to: 1 1 Owners of the parent 177.52 0.5 NCI (W-5) 12.25 0.5	Profit/ loss attributable to:		
188.27Total comprehensive income attributable to:Owners of the parentNCI (W-5)12.250.5	Owners of the parent	174.02	0.5
Total comprehensive income attributable to:177.520.5Owners of the parent12.250.5	Non-controlling interest (NCI) (W-5)	14.25	0.5
Owners of the parent 177.52 0.5 NCI (W-5) 12.25 0.5		188.27	
NCI (W-5) 12.25 0.5	Total comprehensive income attributable to:		
	Owners of the parent	177.52	0.5
189.77	NCI (W-5)	12.25	0.5
		189.77	

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	,	Rs. in million	
W-1:	Goodwill:		
	Wazeer Limited:		
	Fair value (FV) of consideration for 80% interest	135.00	
	FV of NCI	75.00 210.00	0.5
	FV of identifiable net assets acquired	(190.00)	
	Goodwill	20.00	0.5
	Impairment (@ 15%)	(3.00)	0.5
	Balance as at year end June 30, 2017	17.00	0.5
	Safeer Limited:		
	FV of consideration for 75% interest	116.00	
	FV of NCI	47.00 163.00	0.5
	FV of identifiable net assets acquired	<u>(145.00)</u>	
	Goodwill as at year end June 30, 2017	18.00	0.5
W-2 :	Gain on investment:		
	Wazeer Limited:		
	Gain on investment in Wazeer Limited. (158 – 150)	8.00	
	Gain on sale of holding in Wazeer Limited [30 – (10% ÷ 80% x 158)]	10.25	0.5
	Safeer Limited:		
	Fair Value of consideration for 55% interest	90.00	0.5
	Fair Value of remaining interest to be recognized as	64.00	0.5
	an associate	64.00	0.5
	Value of NCI	56.00	0.5
	Less: Assets derecognized:	210.00	
	Less: Net assets	(150.00)	
	Goodwill	(18.00)	0.5
		42.00	0.5
	Gain on disposal The share of the profits of the associate would be	42.00	0.5
	20% of a half year's profit ($34 \div 2 \times 20\%$)	3.40	0.5
W-3:	Defined Benefit Plan:		
	Pension cost to be recognized		
	Current service cost	5.00	0.5
	Net interest cost [8% x 4 (net obligation)]	0.32	0.5
	Past service cost	2.00	0.5
	Net pension cost recognized in profit or loss	7.32	
	Re-measurement loss in other comprehensive income	1.50	0.5
	Net cost recognized in total comprehensive income	8.82	0.5

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SUGGESTED SOLUTIONS/ ANSWERS - SPRING 2017 EXAMINATIONS

CORPORATE FINANCIAL REPORTING [P4] [OPEN BOOK ASSESSMENT] – PROFESSIONAL LEVEL

			Marks
	Rs. ir	n million	
W-4: Property, Plant and Equipment (PPE):			
Carrying amount – As at July 01, 2016		22.00	0.5
Depreciation for the year (22 ÷ 9)		(2.44)	0.5
Carrying amount – As at 30 June, 2017		19.56	
Fall in value charged to revaluation surplus [22 – (20 –			
(20 ÷ 10 years)		(4.00)	0.5
Fall in value charged to profit or loss		(3.56)	0.5
Carrying amount after revaluation – As at June 30, 2017		12.00	
W-5: NCI:			
In profit for the year:			
Wazeer Limited [20% x (45 + 5)]	10.00		0.5
Safeer Limited [25% of 34 ÷ 2]	4.25	14.25	0.5
In total comprehensive income:			
Wazeer Limited [20% x (45 – 5)]	8.00		0.5
Safeer Limited [25% of 34 ÷ 2]	4.25	12.25	0.5

Question No. 5

					Rupees	
	Fire	Marine	Motor	Miscellaneous	Total	
Unearned premium reserves	137,558.94	64,269.71	175,197.13	3,033.75	380,059.53	1.25 (0.25 ea
Less: Prepaid reinsurance					- / /	
premium	27,511.79	11,247.20	16,018.02	97.08	54,874.09	1.25 (0.25 ea
Net unearned premium	110,047.15	53,022.51	159,179.11	2,936.67	325,185.44	1.25 (0.25 ea
Less: Claim Settlerr	nent Cost:					
Net claim Net commission	116,925.10	28,921.37	192,716.84	1,213.50	339,776.81	1.25 (0.25 ea
(commission expense) (W-1)	2,686.41	1,928.25	2,517.61	980.55	8,112.82	1.25 (0.25 ea
Management expense	41,267.68	19,280.91	52,559.14	910.13	114,017.86	1.25 (0.25 ea
	160,879.19	50,130.53	247,793.59	3,104.18	461,907.49	
Premium surplus/						
(deficit)	(50,832.04)	2,891.98	(88,614.48)	(167.51)	(136,722.05)	1.25 (0.25 ea
Opening reserves	18,452.63	-	43,253.22	2,535.20	64,241.05	1.25 (0.25 ea
Excess reversal/ (provision) charged during						
the period	(32,379.41)	-	(45,361.26)	2,367.70	(75,372.98)	1.25 (0.25 ea

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Marks

W-1: Net Commission Expense/ Income:

	•				Rupees	
	Fire	Marine	Motor	Miscellaneous	Total	
Deferred commission expense	20,541.13	12,184.84	13,546.27	1,965.85	48,238.09	1.25 (0.25 each)
Unearned commission income	(17,854.72)	(10,256.59)	(11,028.66)	(985.30)	(40,125.27)	1.25 (0.25 each)
Net commission expense/ (income)	2,686.41	1,928.25	2,517.61	980.55	8,112.82	1.25 (0.25 each)

THE END

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