

## Workshop Outline and Learning Methodologies

Session	Methodologies	Chapters covered	Relevant Accounting Standards
<b>Workshop 1</b>			
1. Introduction	<ul style="list-style-type: none"> <li>• Presentation</li> <li>• Group discussion</li> </ul>		
2. Property related standards	<ul style="list-style-type: none"> <li>• Case study</li> <li>• Group discussion</li> </ul>	Ch. 4, 5, 6, 10, 17	HKAS 2, 16, 23, 40 HKFRS 5
3. Resolving accounting issues	<ul style="list-style-type: none"> <li>• Case study</li> <li>• Group discussion</li> </ul>	Ch. 11, 23	HKAS 16, 33, 37
4. Wrap up	<ul style="list-style-type: none"> <li>• Presentation</li> <li>• Group discussion</li> </ul>		
<b>Workshop 2</b>			
5. Reboot	<ul style="list-style-type: none"> <li>• Presentation</li> <li>• Group discussion</li> </ul>		
6. Financial instruments	<ul style="list-style-type: none"> <li>• Case study</li> <li>• Group discussion</li> </ul>	Ch. 18	HKAS 32 HKFRS 7, 9
7. Consolidation	<ul style="list-style-type: none"> <li>• Case study</li> <li>• Group discussion</li> </ul>	Ch. 27, 28	HKAS 28 (2011) HKFRS 3 (Revised), 10, 11
8. Leading a team and teamwork	<ul style="list-style-type: none"> <li>• Group discussion</li> </ul>		
9. Conclusion	<ul style="list-style-type: none"> <li>• Presentation</li> <li>• Group discussion</li> </ul>		

It is extremely important that you have studied the relevant accounting standards and chapters of the Learning Pack and completed the pre-workshop materials thoroughly prior to attending the workshops so that you can derive the maximum benefit from them. You should become familiar with the workshop materials as they will be raised for discussion throughout the workshops.

**You are advised to bring the relevant accounting standards to the workshops for reference use.**

# Pre-Workshop Materials

## Workshop 1 Session 3

### Resolving accounting issues

Ollivander Potter Group (OPG) is a magazine publisher that is principally engaged in the sales and free distribution of Chinese language lifestyle magazines in Hong Kong. The group funds its operations through the sale of advertising space and, in 2012, listed its shares on the Growth Enterprise Market in order to raise expansion capital.

The following are extracts from the financial statements of the Group for the year ended 30 September 2015:

#### Extract of statement of profit or loss and other comprehensive income

	HK\$'000	HK\$'000
Profit before tax		165,400
Income taxes		<u>(29,100)</u>
Profit for the year		136,300
<i>Other comprehensive income: amounts that will not be reclassified to profit or loss</i>		
Revaluation surplus		<u>8,000</u>
<b>Total comprehensive income</b>		<u><b>144,300</b></u>

#### Amounts allocated to:

	Owners of the parent	Non- controlling interests
Profit for the year	124,800	11,500
Total comprehensive income	132,800	11,500

#### Extract of statement of financial position

	\$'000
Property, plant and equipment	692,000
Current assets	<u>174,500</u>
<b>Total assets</b>	<u><b>866,500</b></u>
<i>Equity and liabilities</i>	
Share capital (352 million shares (Note 1))	160,000
Retained earnings	292,200
Equity reserve	4,000
"Shares to be issued" reserve (Note 2)	<u>34,500</u>
	490,700
Non-controlling interests	<u>67,800</u>
	<u><b>558,500</b></u>
<i>Long-term liabilities</i>	
12% convertible loan stock	96,595
<i>Current liabilities</i>	
	<u><b>211,405</b></u>
<b>Total equity and liabilities</b>	<u><b>866,500</b></u>

**Notes**

1. On 1 October 2014, there are 320,000,000 shares in issue.
2. The 'shares to be issued' reserve represents amounts subscribed for share capital where that share capital has been committed to but not yet issued (Debit cash, Credit shares to be issued reserve).

The following information is relevant:

1. On 1 April 2015, there was a 1 for 10 rights issue. New shares were issued at HK\$1.70 and the price of a share in OPG immediately before the issue was HK\$2.56.
2. On 1 September 2015, OPG took delivery of a printing machine from an external supplier for HK\$500,000. It was agreed that the amount of HK\$500,000 due would be settled by the issue of 182,000 OPG shares in lieu of cash payment; the shares were issued on 3 October 2015. HK\$500,000 of the "shares to be issued" reserve relates to this transaction.

**Required**

**In respect of the year ended 30 September 2015, calculate the basic earnings per share of OPG.**

## Workshop 2 Session 7

### Case Study (Consolidation)

The Global Holding Company Ltd (Global) manufactures sportswear and equipment, selling this through its own outlets and through a number of other large retailers.

Global has owned 100% of the ordinary shares in a supplier, The Sunny Company (Sunny), for a number of years. At the acquisition date, Sunny had retained earnings amounting to HK\$62.5 million.

On 1 August 2014, Global acquired 75% of the HK\$1 ordinary shares of a footwear retailer, The Asian Company (Asian), at a cost of HK\$112 million in cash. Asian accrued HK\$18 million profits evenly throughout the year ended 30 September 2014.

At 30 September 2014, the statements of financial position of the three companies were as follows:

	<b>Global</b> HK\$'000	<b>Sunny</b> HK\$'000	<b>Asian</b> HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	263,210	97,650	147,650
Intangible assets	80,000	-	-
Investment in Sunny	83,000	-	-
Investment in Asian	112,000	-	-
	<u>538,210</u>	<u>97,650</u>	<u>147,650</u>
<b>Current assets</b>			
Inventories	98,700	26,140	45,210
Trade receivables	27,340	12,700	34,330
Cash	-	3,210	10,870
	<u>126,040</u>	<u>42,050</u>	<u>90,410</u>
	<u>664,250</u>	<u>139,700</u>	<u>238,060</u>
<b>Equity</b>			
HK\$1 ordinary share capital	40,000	10,000	18,000
Retained earnings	384,270	98,390	118,000
	<u>424,270</u>	<u>108,390</u>	<u>136,000</u>
<b>Non-current liabilities</b>			
Deferred tax liability	35,320	8,760	12,860
Bank loan	100,000	-	40,000
	<u>135,320</u>	<u>8,760</u>	<u>52,860</u>
<b>Current liabilities</b>			
Trade payables	37,890	16,740	39,120
Income tax payable	52,130	4,440	4,650
Accrual	13,100	1,370	5,430
Overdraft	1,540	-	-
	<u>104,660</u>	<u>22,550</u>	<u>49,200</u>
	<u>664,250</u>	<u>139,700</u>	<u>238,060</u>

Further information:

- In accordance with HKFRS 3 (Revised), Global chose to measure the non-controlling interest in Asian as a proportion of the fair value of the net assets of the acquiree on the date of acquisition.

2. On the date of acquisition, the fair value of Asian's inventory was HK\$1.6 million in excess of its book value, due to the fact that Global had identified a use for items considered obsolete by Asian. This inventory remains in stock at the reporting date.
3. During the year ended 30 September 2014, Sunny sold goods to Global for HK\$95 million, recording a gross margin of 20% on these sales. At the year end, items costing Global HK\$12 million remained in stock, and a balance of HK\$5.5 million remained unpaid.
4. There has been no impairment of goodwill since the acquisition of either subsidiary.

**Required:**

**Prepare the consolidated statement of financial position for the Global Group at 30 September 2014.**

**You should work to the nearest HK\$'000. Ignore deferred tax arising on consolidation adjustments.**

**Note.** You are expected to prepare the detailed working schedule and journal entries to support your calculations. You should be prepared to share your answers with the workshop group about the rationale of each adjustment made.