

QUESTION 2

(25 MARKS)
[30 MINUTES]

Koronation (Pty) Ltd ('Koronation') is one of South Africa's leading fund management companies for individual and institutional investors. The company's annual financial reporting period ends on 31 December. During 2006, Koronation acquired a 30% equity interest in Allan Green (Pty) Ltd ('Allan Green') for R380 000. At that stage the retained earnings of Allan Green amounted to R300 000. Since the acquisition date, Koronation has exercised significant influence on the financial and operating policy decisions of Allan Green.

ALLAN GREEN (PTY) LTD STATEMENT OF CHANGES IN EQUITY FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2016	
	RETAINED EARNINGS
Balance at 1 January 2016	1 500 430
Total comprehensive income for the year:	
Profit for the year	235 080
Dividend paid (31/12/2016)	(35 510)
Balance at 31 December 2016	1 700 000

EXCERPT FROM THE STATEMENTS OF FINANCIAL POSITION FOR THE REPORTING PERIOD ENDED 31 DECEMBER 2016	
Share capital (R1 par value shares)	900 000
Retained Earnings	1 700 000
Trade Payables	1 560 001
Total equity and liabilities	4 160 001

REQUIRED

- Describe how Koronation (Pty) Ltd would measure the investment in Allan Green (Pty) Ltd in its separate and consolidated financial statements. Your discussion must consider the requirements of IAS27 *Separate Financial Statements*, IFRS10 *Consolidated Financial Statements* and IAS28 *Investment in Associates and Joint Ventures*. **(6)**
- Provide the necessary journal entries to record the investment in Allan Green (Pty) Ltd in the consolidated financial statements of Koronation (Pty) Ltd. **(5)**
- Disclose the investment in Allan Green (Pty) Ltd note as it would appear in the consolidated financial statements of Koronation (Pty) Ltd for the reporting period ended 31 December 2016 in accordance to IFRS12 *Disclosure of Interests in Other Entities*. **(14)**