

TACC605 (Non-award Unit Study) Assignment 2

Term 1 2023

Due date: week 6's Saturday 25th February 23:59 (online Turnitin submission)

Assessment mark: 25 marks

General requirements:

The case study assignment should be prepared by the individual student and submitted in a non-pdf format. Font type should be Times New Roman with a size of 12 and paragraph space 1.5.

Case Study 1 is a 4-member group assignment. Case Study 2 is an individual assignment.

For Case Study 1, only one submission per group is made for Turnitin check. Use the Assignment Cover Sheet to specify the group members' respective identification.

Word limit: 2,500 words

Case Study 1: Valuation premise for measurement of fair value - 10 marks

Apparel Ltd conducts a business that makes women's suits. It operates a factory in an inner suburb of Adelaide. The factory contains a large amount of equipment that is used in the manufacture of women's suits. Apparel Ltd owns both the factory and the land on which the factory stands. The land was acquired in 2010 for \$200 000 and the factory was built in that year at a cost of \$520 000. Both assets are recorded at cost, with the factory having a carrying amount at 30 June 2021 of \$260 000.

In recent years there has been a property boom in Adelaide with residential house prices doubling such that the average price of a house is approximately \$500 000. A recent valuation of the land on which the factory stands as performed by a property valuation group and based on recent sales of land in the area has the land at a value of \$1 000 000. The land is now considered prime residential property given its closeness to the city and, with its superb river views, its suitability for building executive apartments. It would cost \$100 000 to demolish the factory to make way for these apartments to be built. It is estimated that to build a new factory on the current site would cost around \$780 000.

The directors of Apparel Ltd want to measure both the factory and the land at fair value as at 30 June 2021.

Required:

Discuss how you would measure these fair values.

Case Study 2: Analysis of expenses - 15 marks

Entities are required by AASB 101 to present an analysis of expenses using a classification based on either their nature or their function. Which classification should an entity use?