- In respect of the gold options the company has entered into this derivative for speculative purposes. In other words the company is seeking to make a gain on this transaction (though of course it could make a loss as well). √1 It has no existing exposure to the risk of fluctuating gold prices so it cannot be regarded as hedging a risk. This transaction increases the risk profile of the company. It can be argued that it is a simple gamble. In such circumstances the derivative is classified as "Fair value √0.5 through profit and loss". The gain of $23 million that has been incurred has to be immediately recognised in the income statement.

Statement of financial position		$m	
Asset Sugar beet futures	√0.5	50	
Asset Gold options		25	√0.5
Liability Dinar futures (40 – 30)	√0.5	10	

Statement of comprehensive income	$m	$m	
Income statement			
Operating profit			
Gain on gold options (25–2)		23	√0.5
Gain on Dinar Assets	40		
Loss on Dinar forward contracts acting as a hedge	(40)	Nil	√0.5
Other comprehensive income			
Gain on sugar beet derivatives acting as a cash flow hedge		50	√0.5

ACCA marking scheme		*Marks*
(a)	IFRS 9	15
(b)	Explanation of derivatives	10
Total		**25**

ANSWER 4 – REVENUE RECOGNITION

(a) √1 IAS 18 defines revenue as the gross inflow of economic benefits in a period arising in the course of the ordinary activities of an entity when those inflows result in an increase in equity, other than increases relating to contributions from equity participants. Revenue does not include amounts collected on behalf of third parties, such as sales taxes.

√1 Revenue should be measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods should be recognised when:

- √0.5 The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- √0.5 The entity retains neither managerial involvement in, nor effective control over, the goods sold.
- √0.5 The amount of revenue can be measured reliably.