

December 2019 Q3 (b)

(b) (i) For an entity to be a subsidiary, the investor should have Control over it. Control is the power over relevant activities + Exposure to variable returns + Ability to use power to influence those returns. Relevant activities are activities that significantly affect the results of the entity.

Given the fact that capital expenditure above 50mn is infrequent, and that right alone doesn't give the investor power over relevant activities indicates that UEL doesn't have control over BPL any more. This is more of a protective right. Therefore, the disposal calculation will not change.

(b) (ii) In determining control, existing voting rights are considered together with potential voting rights. Potential voting are considered only if they are substantive. In this case since the options are exercisable at the fair value of the shares, there's no discussion relating to whether the options are in-the-money or out-of-money.

Further, as the information required to exercise the options are to be obtained from the party to whom the shares were sold, it cannot be considered as substantive and therefore should be ignored in the control evaluation. Therefore, control will be determined based on existing voting rights of UEL which is only 30% and thus, the decision to account for the disposal and discontinue consolidation doesn't change.



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