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IFRS Foundation: Framework-based IFRS Teaching Material

# Stage 3– Non-financial assets: the Open Safari case study



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## The Open Country Safari Company Case Study

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### Background

Makeit PLC is a company listed on the London Stock Exchange. The company has operated successfully in the manufacturing sector for more than twenty years and for many years has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). Although Makeit presents its financial statements in British Pounds (£), its functional currency is the Euro (€).

In 20X0 Makeit's board of directors decide to expand Makeit's operations into new types of business and into a geographical location in which it currently does not operate—Sub-Saharan Africa. Accordingly, management selects a number of activities in Southern Africa to be carried out as part of a ten-year diversification plan. The company appoints James and Judith Bilkersen to manage its African operations, under the brand name The Open Country Safari Company (Open Safari). The Bilkersens have over fifteen years' experience in the hospitality industry in Africa and they share a passion for conserving wildlife and natural habitats. Makeit intends to operate a safari lodge and other African operations indefinitely.

Open Safari prepares financial statements in compliance with IFRS.

*An IFRS issue for class discussion*

Which currency is Open Safari's presentation currency?

Which currency is Open Safari's functional currency? Note: you will need to read all of the information in this case study to form an opinion on this, which is one of the most difficult issues in this case study.

## Events in 20X0–20X2

On 2 January 20X0, Makeit incorporates a wholly-owned separate legal entity, Open Safari, in the Republic of Africa (Africa) by contributing £10,000,000 to form Open Safari's permanent capital.

On 3 January 20X0, Open Safari obtains an £8,000,000 loan facility from a British bank. The loan is denominated in British pounds (£). The loan agreement obligates the bank to transfer £8,000,000 to Open Safari on 3 January 20X0 and Open Safari to transfer to the bank ten years later £13,031,157 on 2 January 20Y0 (in full and final settlement of the loan). Makeit guarantees all payments to the bank in the event that Open Safari defaults.

### *Acquisition of land*

On 1 February 20X0, Open Safari purchases 1,000 hectares of undeveloped natural land called Freelands, an area of land in central Africa, for \$10,000,000,<sup>1</sup> with the aim of establishing an ecotourism business. The property is not fenced and adjoins a national park on all its boundaries except the western boundary, where Freelands adjoins privately owned undeveloped land that is currently unused. A wide range of indigenous plants and wild animals (including significant numbers of buffalo, crocodile, giraffe, hippopotamus, leopard, lion, zebra and a wide variety of antelope) inhabit Freelands and the surrounding lands. Law in Africa specifies that wild animals are the property of the owner of the land that they occupy. Neither elephant nor rhinoceros frequent Freelands because both species are no longer present in Africa because of heavy poaching during the civil war that plagued the country approximately a decade ago.

### *Design of infrastructure*

The Bilkersens are inspired by the potential of the property to attract international tourists because visitors would be able to view native animals at close range in their natural habitat. Consequently, in February 20X0, the couple contract a leading Italian architect to design a luxury safari lodge. The construction phase is expected to take about three years to complete. The managers plan for the buildings to blend in with their setting and to have minimal impact on the environment. They therefore prefer to use local materials and building techniques, including thatch-grass roofing harvested from Freelands, for the lodge and staff accommodation buildings.

In April 20X0 the plans for the lodge are finalised. They include the construction of a reception area, restaurant, lounge, swimming pool and an office from which to administer the lodge and safari operations. The plans also include a home for the Bilkersens, twenty smaller free-standing homes for the staff and eighteen movable, luxury aluminium-framed canvas safari tents for guests.

When complete, the main lodge building will comprise the external structure (expected economic life 60 years), ducted air-conditioning (30 years), grass roof (20 years), fixtures and fittings (15 years), hard furniture (15 years) and soft furnishings (5 years). However, to maintain

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<sup>1</sup> Dollar (\$) is the currency of the United States of America.

the upmarket image of the lodge, management expect to replace the grass roof, fixtures and fittings, hard furniture and soft furnishings at intervals of 10, 5, 3 and 2 years respectively. Management do not intend to replace the external structure or the ducted air-conditioning before the end of its economic life. Although the grass roof and the fittings will not have reached the end of their expected economic lives at the time of their expected replacement, removing these assets is expected to damage them to a degree that will render them worthless. Management intend to use the natural stone swimming pool for its entire 60-year economic life.

The external structure of the residential buildings (homes) has an expected economic life of 60 years, the grass roof (20 years), furniture (15 years) and soft furnishings (5 years). Management intend to replace only those items at the end of their economic lives, at which point they will be worthless. The costs of disposal are expected to be insignificant.

Because local legislation prohibits the disposal of all but the most biodegradable waste (for example, the grass roofing) on the entity's land, management expects to dispose of the removed fixtures and fittings at the nearest local government recycling plant, which is situated about 200 kilometres from the entity's land. The costs of dismantling, removing and disposing of those assets is likely to be significant. Although the fair value of the removed furniture and soft furnishings is likely to be significant at the date of their disposal, the entity's policy is to sell those fittings to their staff in exchange for a nominal amount of cash. Because the staff come from largely impoverished communities it is highly likely that all of the soft furnishings will be disposed of in this manner. This benefit also provides an incentive for the employees to stay in the employment of the company and to take greater care of the soft furnishings.

Each safari tent has an aluminium frame (expected economic life 30 years), a canvas covering (10 years), fixtures and fittings (8 years), furniture (6 years) and soft furnishings (2 years). The lower economic life of the assets when compared with those in the lodge is mainly attributable to the greater exposure to the elements (for example, sunlight, wind and dust) in the canvas tents. The safari tents are fully transportable and can be removed to another location if required. Open Safari expects to replace its safari tents every 15 years. Although the fair value of the safari tents will probably be significant at the end of their economic lives, Open Safari's 'community support policy' is to donate the used tents to a charity that supports health care and education in nearby rural communities. Open Safari aims to foster good relations with nearby communities from which its employees come.

### *Lodge construction*

On 1 May 20X0, the architect billed Open Safari AFZ2,000,000<sup>2</sup> for design work performed from February to April 20X0. Her time was allocated as follows: 90 per cent on the lodge building, 5 per cent on the home that will be used by the Bilkersens and 5 per cent on the staff housing.

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<sup>2</sup> The Africanian Zollar (AFZ) is the currency of Africana.

On 2 May 20X0, a diesel-powered electricity generator was purchased for \$100,000 and installed at the lodge at a further cost of AFZ20,000. The generator is the only source of electricity at the remote lodge site and there are no plans to extend the national electricity grid to the area in the foreseeable future.

The twenty staff houses and the manager's house are built between May and December 20X0. The Bilkersens manage the construction project. In 20X0 Open Safari is billed the following amounts in respect of the construction of all of the houses:

- (a) building material: AFZ30,000,000 and \$1,000,000;
- (b) building contractors: AFZ20,000,000;
- (c) building equipment: AFZ10,000 and \$20,000;
- (d) casual labour to cut, bundle and bind thatch-grass: AFZ900,000; and
- (e) electrician fees and fittings: AFZ600,000.

The cost incurred to construct the Bilkersens' house (the manager's house) is approximately double that of a regular staff house.

The main lodge building is constructed between January 20X1 and June 20X2 by an independent construction firm in accordance with a €5,000,000 fixed-price contract. Open Safari rents the staff housing to the independent construction contractors to house their employees while the main lodge is constructed. The total rent charged is AFZ4,000,000.

#### *Acquisition of safari tents*

On 30 September 20X2, the eighteen canvas safari tents are purchased from an external supplier for \$1,000,000 and transported to the site for erection (transport costs AFZ1,000,000).

#### *Acquisition of furniture, fittings and furnishings*

In November 20X2 all of the furniture, fittings and furnishings for the main lodge building are fitted and tested and all are ready for use, as intended by management, by 1 December 20X2.

#### *Acquisition of helicopter and hot air balloons*

On 10 December 20X2, Open Safari purchases a helicopter for \$3,000,000 and two hot air balloons for €20,000 each.

The helicopter is to be used to transfer clients between the nearest airport and Freelands (a distance of nearly 100 kilometres) and for operating aerial safaris on Freelands. Open Safari expects the helicopter engine to last five years and the helicopter airframe to last ten years. At the time of purchase, the helicopter had passed the mandatory air safety inspection (a legal condition of the helicopter licence) at a cost of \$100,000. The next safety inspection must be completed before 30 September 20X4.

The hot air balloons are to be used for aerial safaris on Freelands. Open Safari expects the balloons and basket to last for five years and the firing equipment to last for ten years.

### *Acquisition of customer list*

On 20 December 20X2, Open Safari pays €200,000 for a database of names and contacts from an upmarket German-based adventure-tour operator. The Bilkersens expect the customer list will be effective in identifying potential customers for a maximum of five years, after which the database will be too old to be effective. By that time they expect that Open Safari will have established itself as a leading brand in the ecotourism industry and direct mailing will no longer be necessary.

### *Staff training*

In December 20X2, the Bilkersens begin the intensive training of the staff recruited from nearby communities. The staff are trained in all aspects of running an exclusive ecotourism lodge.

Because of the lack of an established network of roads on Freelands, safaris are undertaken in three ways:

- game tracking on foot;
- game viewing by helicopter; and
- game viewing by hot air balloon.

The Bilkersens ensure that the most knowledgeable local game trackers are hired to lead the walking safaris.

*Some IFRS issues for class discussion*

- Is the acquisition of Freelands a business combination?
- Are the wild animals on Freelands assets of Open Safari?
- Are the trained staff assets of Open Safari? (Note: Open Safari has incurred significant staff training costs and some staff possess specialised skills that are essential for Open Safari's operations.)
- Which Standards apply when accounting for the acquisition of Freelands and the assets constructed thereon?
- What is the 'unit of account' for the assets constructed on Freelands?
- What judgements and estimates are made to measure the cost of the property, plant and equipment (PPE)—staff housing, lodge, balloons, helicopter—at initial recognition?
- Would Open Safari depreciate any of its PPE (amortise any of its intangible assets) during 20X0–20X2? If so, when would depreciation of each item of PPE start?
- Other depreciation/amortisation issues (discuss judgements and estimates to be made in respect of each item of PPE even if depreciation of the item will start only in 20X3):
  - How to determine whether components of that item must be depreciated separately?
  - How to determine which depreciation method must be used?
  - How to determine the residual value?
  - How to determine the useful life?
  - What additional judgements and estimates would be made for any class of PPE for which Open Safari follows an accounting policy of revaluing?

## **20X3**

On 31 January 20X3 Open Safari's website goes live, with a development cost of £100,000. The website is Open Safari's main link to its customers. The website provides much information about the lodge and its ecotourism activities and allows customers to book safaris directly.

In February and March 20X3 Open Safari runs an extensive advertising campaign in a range of leading international ecotourism and natural interest publications (\$50,000), promoting its exclusive ecotourism operations in Africana. The Bilkersens also promote the lodge at trade fairs in Germany, France, the Netherlands (€30,000) and the United Kingdom (£10,000) and by mailing the contacts on the purchased customer list. In accordance with their ecotourism development support programme, the Africanian government contributes a grant of AFZ100,000 to meet particular costs associated with the Bilkersens' promotional activity of the lodge at the European trade fairs.



In April 20X3 the lodge opens for business and welcomes its first customers. In 20X3 the lodge incurs a small operating loss. However, the loss is significantly smaller than the loss forecast by Makeit for Open Safari's first year of operations.

*Eradication of lantana*

On 30 October 20X3 Open Safari receives a grant of AFZ200,000 from the Africanian government to partly fund the purchase of the equipment and chemicals necessary for use in the eradication of lantana (an invasive alien plant) from about 15 acres of Open Safari's land. The grant is conditional upon the lantana being substantially eradicated from Open Safari's land by 31 December 20X4. In November and December 20X3 Open Safari spends \$40,000 on chemicals and AFZ200,000 on chemical spraying equipment and machetes for use in its lantana eradication efforts.

*Some IFRS issues for class discussion*

- Is the website an asset of Open Safari?
- Do the expenditures on advertising and promotion activities (for example, attending the trade fair) generate an asset as defined for Open Safari (ignore recognition requirements)?
- Are the unused chemicals, chemical spraying equipment and machetes assets of Open Safari?
- At 31 December 20X3 does Open Safari have a present obligation with regard to the government grants received?
- Is the initial operating loss an asset of Open Safari?
- Which Standards apply when accounting for the elements (for example, assets) identified from the information provided for Open Safari in 20X3?
- Which, if any, of the assets identified in 20X3 does IFRS prohibit Open Safari from recognising as an asset (and why)?
- What is the 'unit of account' for the assets recognised by Open Safari for the first time in 20X3?
- What judgements and estimates are made to measure the cost of the website at initial recognition?
- Which assets would Open Safari depreciate/amortise for the first time in 20X3? When would depreciation/amortisation start?
- Other depreciation/amortisation issues (discuss judgements and estimates to be made in respect of each item of PPE even if depreciation of the item will start only in 20X3):
  - How to determine whether components of that item must be depreciated separately?
  - How to determine which depreciation method must be used?
  - How to determine the residual value?
  - How to determine the useful life?
  - Recognition of government grants?

## **20X4**

By September 20X4, all the lantana has been eradicated from Freelands to the satisfaction of the inspector from Africana's Ministry of Tourism.

The Africanian operations are generating a profit significantly in excess of the Bilkersens' expectations and Makeit's forecast. Consequently, the Bilkersens decide to expand Open Safari's African operations further. The introduction of elephant-back safaris in March 20X4 allows Open Safari to significantly increase the price of its Africanian safaris in response to unexpectedly high demand for that service.

### *Acquisition of WoXy Safari's assets and businesses*

On 2 January 20X4 Open Safari acquires all of the assets and businesses of WoXy Safaris at public auction for ZAR30 million.<sup>3</sup> Open Safari also retained all of WoXy Safari's staff. The founding owner-manager and sole shareholder of WoXy Safaris (Mr Lucky) disposed of WoXy Safaris to fund his retirement. WoXy Safaris operates in the ecotourism and agribusiness sectors on land it owns in South Africa. That land, which is securely fenced, is the sole remaining habitat of the endemic quagga (*Equus quagga quagga*). The quagga is a subspecies of the common zebra (*Equus quagga*) and was, until its rediscovery by Mr Lucky about a decade ago, thought to be extinct.

WoXy Safari's profitable ecotourism business allows tourists to observe the world's only quaggas in their natural habitat in a one-hour elephant-back safari. The elephant-back safaris are marketed under the registered 'WoXy' brand name.

WoXy Safari's profitable agribusinesses comprise a premium badger-friendly honey production business and sustainable exotic pine plantations.

The main reasons for Open Safari acquiring WoXy Safaris is to obtain its herd of quaggas and its ten safari-trained elephant bulls. Following the acquisition, the elephants are immediately relocated to Freelands using a military helicopter provided at no cost to Open Safari by the government of Africania. The relocation assistance is provided in accordance with that government's ecotourism development support programme.

Prior to the auction, the Bilkersens estimate the fair values of WoXy Safari's tangible assets as follows:

	ZAR
Land and all plants (including pine trees) growing on it	20,000,000
Quaggas (herd: 30 mature + 10 immature)	4,000,000
Elephants ('herd': 10 mature bulls)	2,500,000
500 active beehives	500,000
<b>Total tangible assets</b>	<b>27,000,000</b>

Open Safari also continues to operate WoXy Safari's South African agribusinesses.

In February 20X4, Open Safari relaunches the modified South African ecotourism business using the WoXy brand—offering horseback quagga safaris using a herd of 20 horses that it acquired at a cost of ZAR200,000 in a separate acquisition from an independent third party.

<sup>3</sup> Rand is the currency of South Africa (ZAR).

### *Contract to sell timber*

In late 20X4 Open Safari entered into a contract to sell, on 31 December 20X9, a specified significant quantity of sawn pine logs at a fixed price.

#### *Some IFRS issues for class discussion*

- Is the acquisition of WoXy Safari's assets and businesses a business combination?
- Identify the assets acquired by Open Safari at the date of acquisition of WoXy Safaris?
- Assuming that goodwill arises in the accounting for the acquisition of WoXy Safari: is the goodwill an asset of Open Safari?
- Is the trained staff (assembled workforce of WoXy Safaris) an asset of Open Safari?  
**Note:** some staff possess specialised skills that are essential for Open Safari's agribusiness (for example, beekeepers and horticulturalists) and ecotourism business (for example, elephant keepers).
- Are the horses that are acquired in a separate acquisition assets of Open Safari?
- At the end of the reporting period, is the forward contract to sell a specified quantity of timber at a specified fixed price an asset or a liability (as defined in the *Conceptual Framework*) of Open Safari?
- Which Standards apply when accounting for the elements (for example, assets) identified from the information provided for Open Safari in 20X4?
- Which, if any, of the assets identified in 20X4 does IFRS prohibit Open Safari from recognising as an asset (and why)?
- What is the 'unit of account' for the assets recognised by Open Safari for the first time in 20X4?
- What judgements and estimates are made when measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in WoXy Safari (and the associated goodwill) at initial recognition?
- What judgements and estimates would Open Safari make in accounting for the biological assets related to agricultural activity?
- How would Open Safari account for the helicopter provided by the Africanian government to relocate the elephants from South Africa to Freeland?
- Which assets would Open Safari depreciate/amortise for the first time in 20X4? When would depreciation/amortisation start?
- Other depreciation/amortisation issues (discuss judgements and estimates to be made in respect of each item of PPE even if the depreciation of the item will start only in 20X4):
  - How to determine whether components of that item must be depreciated separately?
  - How to determine which depreciation method must be used?
  - How to determine the residual value?
  - How to determine the useful life?

## 20X5 to 20X8

After living in Africana for about five years, the Bilkersens are further inspired by its potential as a showcase for wildlife. On 2 January 20X5, Open Safari acquires a second property (Sealands) in Africana for \$2,000,000. Sealands is a mix of undeveloped grassland and bushveld. Except for the portion of the property that adjoins the Indian Ocean, the perimeter of this property is securely fenced. Despite its being securely fenced, there are no animals of significant value on Sealands at the time of acquisition.

The main purposes of acquiring Sealands are to obtain land on which to breed rare native animals (for example, African wild dog, brown hyena and rhino) for release into the wild on Freelands and to broaden the range of activities that Open Safari can engage in, including:

- breeding Tuberculosis-free (TB-free) African buffalo and a range of antelope, zebra, giraffe and warthog for sale to other parties;
- operating land-based photographic safaris;
- licencing land-based self-drive photographic safaris;
- operating aquatic safaris (snorkelling, diving and whale watching) from the coast bordering Sealands; and
- developing a beach holiday facility and casino.

All these activities take place on, or adjacent to, Sealands. However, before they can be undertaken, Open Safari must first construct a network of roads on Sealands.

### *Road infrastructure development*

The road development plans include the construction of several gravel roads and bridges over the three-year period ending 31 December 20X7 to allow access to the property from the national road that runs past the property's western boundary. The roads and bridges will also make possible photographic safaris on the property. The two main bridges crossing the river will be constructed by an Italian construction company under a €1,000,000 two-year fixed-price construction contract.

Payment to the external contractor for the construction of the bridges in accordance with the contract is made as follows:

- 20X6: €500,000 on 1 June, when construction started;
- €280,000 on 1 December 20X6 for the first bridge (ie €250,000 progress payment plus €30,000 early completion incentive); and
- €210,000 on 30 June 20X8 for the second bridge (ie €250,000 progress payment less €40,000 late completion penalty).

Open Safari decides to self-construct the gravel roads and minor bridges (and thereafter to maintain them). Consequently, on 10 January 20X5, Open Safari obtains, from a local heavy

equipment distributor, the exclusive right to use the following equipment for a ten-year period under a single non-cancellable lease: a grader, a tractor with a front-end loader, a rock crusher, a roller, two tip-up trucks and 1,000 sticks of dynamite. The terms of the lease oblige Open Safari to pay to the distributor \$100,000 per year on 30 December of each year of the lease, starting 30 December 20X5. Upon making the final lease payment, the ownership of the equipment automatically transfers to Open Safari.

If Open Safari had purchased the individual items of heavy equipment for cash on 10 January 20X5 it would have paid the distributor's list prices, as follows:

- grader: \$250,000;
- tractor with a front-end loader: \$200,000;
- rock crusher: \$150,000;
- roller: \$100,000;
- tip-up trucks: \$45,000 each; and
- a box of 1,000 sticks of dynamite: \$10,000. (Note: individual sticks can be purchased for \$20 each. In accordance with Africanian law, dynamite not used within two years of purchase must be destroyed.)

However, Open Safari would have obtained a \$100,000 bulk order discount from the distributor's list prices if it had purchased all of the items together for cash. That bulk discount is reflected in the lease payments amounts agreed with the distributor.

In January 20X5, an independent surveyor designs the road to the management's specifications at a cost of \$30,000. First the road is plotted using stakes put into the ground at 10-metre intervals, then the tractor clears the bush along the route of the road before the grader scrapes the debris and remaining plant matter to reveal and smooth the earth. Next, crushed stone is layered over the graded ground and compacted by the roller to form the surface of the road. The process is very time-consuming and only 10 kilometres of road is completed in 20X5.

Most (980 sticks) of the dynamite is used in 20X5 to blast a track through the only unavoidable rocky outcrop in the entire 200-kilometre planned road construction route. After blasting, the loose stone is excavated by the tractor and delivered to the nearby stone crusher using one of the tip-up trucks. After the stone is crushed, it is delivered by the other tip-up truck to the freshly graded sand road, where it is compacted by the roller. Management expect that the remaining 20 sticks of dynamite will expire unused. If so, it will likely cost \$2,000 to dispose of the unused dynamite in 20X7.

Management initially expected that the stone crusher would need to be replaced only when it had crushed sufficient stone to surface 100 kilometres of road. However, on 30 November 20X5, after crushing enough stone for surfacing only 15 kilometres of road, the crusher burns out and is scrapped at a cost of AFZ200,000 (these are mandatory recycling costs). After consulting with the supplier it is agreed that the loss is not covered by the manufacturer's warranty because the use to which Open Safari put the machine was significantly beyond the terms of use covered by

the warranty. On 1 December 20X5 a bigger and more robust crusher (fit for the purpose to which Open Safari will put it) was purchased for \$210,000 using a one-year interest-free credit facility. The list price of the machine for a cash sale is \$200,000. Management expect that the new crusher will crush enough stone to surface about 200 kilometres of road, at which time it will be scrapped.

Provided day-to-day maintenance is performed, the economic life of the grader is most sensitive to the type and amount of work to which it is put. When used in road construction on undeveloped land in the type of terrain on which Open Safari intends to use it, the tyres and the blade will need replacing about every 5 and 10 kilometres respectively. When maintaining existing roads, the tyres and the blade will need replacing only after about 100 kilometres and 200 kilometres respectively. The economic life of the other equipment is unaffected by whether the road is being developed or maintained.

The roller is the most robust of the heavy machinery. Provided it is well maintained it should easily complete the construction phase of the roads and could be used to maintain the roads for another twenty years or so.

The tractor could be used to construct about 400 kilometres of road, except that it will probably consume about a quarter of its total service capacity by excavating the road through the rocky outcrop. Consequently, management expect that that machine will complete the construction phase of the road and they plan to use it for about another ten years of road maintenance. Because of their metal content, disused tractors are commonly sold for scrap metal.

The construction of the entire road network is completed in October 20X7 (a few months ahead of schedule).

Management expect that the extent of the use of the equipment in maintaining the road after its construction will not vary greatly from one year to the next.

### *Beach holiday resort development*

In 20X5 Open Safari successfully applies for a portion of Sealand's beachfront land to be rezoned for residential development (200 acres) and casino resort development (50 acres).

On 1 February 20X5 the government of Africana grants Open Safari a licence to operate a casino on Sealand for 60 years in accordance with its ecotourism development support programme. The licence is granted free of charge. The grant is conditional on the casino being constructed within five years. Thereafter, the licence is automatically revoked if the casino is dormant for a period of greater than two months in any year of the licence period.

In the same year, Open Safari appoints external contractors to construct, over the next three years, 200 luxury beachfront holiday homes, with each set in one acre of land. The general public can buy a beachfront home either off the plan (on the basis of a limited range of plans and specifications pre-determined by Open Safari) or after the home is constructed.

By 31 December 20X8 all 200 plots are sold and construction of only 10 beachfront homes is outstanding.

In 20X5, before starting construction work on the casino, Open Safari contracts a European casino resort operator to operate the casino for 20 years. The terms of the agreement require Open Safari to construct a fully equipped and fitted casino hotel on Sealands to the specifications stipulated by the casino operator. The construction, fitting and finishing contractor must be chosen by the casino operator in accordance with a \$200 million fixed-price construction contract that will be negotiated by the casino operator. The casino operator will actively manage the project of constructing the casino hotel.

The casino operator is contractually obliged to pay Open Safari:

- €40 million on signing the contract in 20X5;
- €100 million over the construction phase of the casino hotel (when payments are required to be made to the construction contractor); and
- €20 million per year over the twenty years following the completion of construction.

Other than the payments specified above, Open Safari does not share in the revenue and expenses of the casino operation over the 20-year period that it is operated by the international casino operator. The Bilkersens are undecided about how Open Safari will benefit from the casino assets after the agreement with the current operator expires. Options include continuing to contract an external party to operate the casino or Open Safari actively managing the casino operations.

The construction of the casino hotel is completed in December 20X8. The economic life of the casino hotel building is estimated at 60 years with no residual value. The economic life of all equipment and fittings and furniture in the casino hotel is 20 years or less.

#### *Relocating game to Sealands*

In 20X5, in anticipation of operating photographic safaris on Sealands and breeding animals to sell to others, Open Safari pays game capture experts ZAR3,000,000 to capture small numbers of zebra, giraffe, warthog and a wide range of antelope on Freelands and to relocate and release those animals on Sealands. The relocated animals adapt well to their new environment and in the absence of their natural predators their numbers increase steadily in the years following their relocation.

#### *Animal husbandry facilities*

In 20X6 Open Safari constructs breeding dens in smaller, securely fenced enclosures to house wild dogs and brown hyena (cost AFZ270,000). Open Safari also 'rhino proofs' the perimeter fence of Sealands by reinforcing it with a thick steel cable, which is secured one foot above ground level (cost AFZ400,000).



In late 20X6 Open Safari purchases the following animals at a reputable game auction in South Africa. The table also shows the prices paid at auction for animals in 20X7 and 20X8.

<i>(All amounts shown in this table are per animal)</i>	<i>Price paid by Open Safari at auction in 20X6</i> ZAR	<i>Price paid by others at auction in 20X7</i> ZAR	<i>Price paid by others at auction in 20X8</i> ZAR
4 wild dogs	1,500	1,600	1,100
4 brown hyena	1,300	1,800	1,700
5 white rhinoceros	150,000	180,000	200,000
5 black rhinoceros	120,000	130,000	150,000
10 TB-free Cape buffalo	100,000	160,000	140,000

The costs of food, supplies, keepers' wages and veterinarian services that are incurred in caring for the animals is about AFZ1,000,000 per year.

The table below documents the success of Open Safari's captive breeding programme on Sealands:

	<i>Wild dog</i>	<i>Brown hyena</i>	<i>White rhinoceros</i>	<i>Black rhinoceros</i>	<i>Buffalo</i>
Purchased at auction	4	4	5	5	10
Died in relocation	(1)				
<b>31/12/20X6</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>10</b>
Born	5		1		3
Poached				(1)	
<b>31/12/20X7</b>	<b>8</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>13</b>
Born	3	2	2	1	5
<b>31/12/20X8</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>5</b>	<b>18</b>
Born		2	2	1	8
Died					(1)
Released on Freelands	(6)		(4)		
Sold at auction					(5)
<b>31/12/20X9</b>	<b>5</b>	<b>8</b>	<b>6</b>	<b>6</b>	<b>20</b>

### *Bespoke safari vehicles*

On 30 June 20X8 Open Safari purchases three vehicles (cost \$200,000 each) and arranges for the vehicles to be equipped for photographic safaris, including reinforcing the chassis and strengthening the suspension before fitting bespoke seating structures with a canvas roof on the back of the vehicles, painting the vehicle and including the logo of the Open Country Safari

Company. The modifications cost \$15,000 per vehicle. Each vehicle is expected to be used for three years or until it has travelled 200,000 kilometres (whichever is reached first).

### *Operations*

Under the careful and enthusiastic management of the Bilkersens, Open Safari prospers in 20X5 to 20X8. Customers at Freelands come mainly from the Eurozone countries with smaller numbers from Canada, China, Japan, the UK and the USA. An insignificant number of customers come from Africa and South Africa. Payments for the holidays are made at least six weeks in advance of the visit and are billed and received in US dollars only.

#### *Some IFRS issues for class discussion*

- Is the acquisition of Sealands a business combination or the separate acquisition of an asset (or a collection of assets)?
- Identify the assets acquired by Open Safari when acquiring Sealands.
- Are the fish, whales etc in the sea adjacent to Sealands assets of Open Safari?
- What are the main judgements and estimates that Open Safari would make in accounting for the development of the road infrastructure on Sealands?
- What are the main issues in accounting for the casino resort development (pay particular attention to judgements and estimates)?
- What are the main issues in accounting for the residential development (pay particular attention to judgements and estimates)?
- What are the main issues in accounting for the capture and release of the wild animals relocated from Freelands to Sealands in 20X5?
- How would Open Safari account for the rhino-proofing of the perimeter fence at Sealands?
- What are the main issues in accounting for the initial recognition of animals purchased at auction and relocated to Sealands (pay particular attention to judgements and estimates)?
- What are the main issues in accounting for the animals relocated to Sealands after initial recognition (pay particular attention to judgements and estimates)?
- What are the main issues in accounting for the animals bred in Sealands after initial recognition (pay particular attention to judgements and estimates)?
- What judgements and estimates would Open Safari make in accounting for the bespoke safari vehicles?

## 20X9

### *Release of Elephants on Freelands*

In January 20X9, following an elephant culling operation in a country bordering on Africana, the Bilkersens rescued 20 orphaned teenage elephant calves and brought them to Freelands at a total cost to Open Safari of \$400,000. To rehabilitate the young herd on Freelands, the herd was first kept in a specially constructed fenced camp. To provide leadership and discipline to the teenage herd, one of Open Safari's prize elephant bulls was retired from elephant-backed safari work and placed into the camp with the young herd. By March 20X9 the Bilkersens were satisfied that the herd was established and ready for life in the wild. On 1 April 20X9 the teenage herd and their mature leader were released into the wild on Freelands in a grand ceremony sponsored by a cash grant from the Africanian Tourism Development Agency provided specifically for this event. The event attracted much attention from the international news media and led to a serialised weekly documentary about Open Safari's contribution to conservation, which was broadcast in 40 countries throughout 20X9. These events greatly increased the value of the Open Safari brand.

#### *Some IFRS issues for class discussion*

- Is the acquisition of the orphaned elephants a separate acquisition or a business combination?
- Do the orphaned elephants acquired satisfy the definition of an asset of Open Safari?
- Which Standard applies when accounting for the orphaned elephants rescued by Open Safari?
- When released on Freelands, must Open Safari derecognise the released elephants (mature bull and rescued orphans)?
- How would Open Safari present the released elephants in its statement of financial position at 31 December 20X9?
- Does the sponsorship of the release ceremony by the government of Africana satisfy the *definition of income* of Open Safari?
- Do the expenditures on promotion result in an asset of Open Safari (as defined)?
- Which Standards apply when accounting for the grand ceremony sponsored by the Africanian Tourism Development Agency?
- How would Open Safari present the income and expenditure for the grand ceremony sponsored by the Africanian Tourism Development Agency?

### *Safaris commence at Sealands*

On 1 January 20X9, Open Safari takes delivery of two bespoke, luxury motorised yachts for its aquatic safari (snorkelling, diving and whale watching) business. The yachts each cost £3 million. The aquatic safaris immediately prove popular with many of Open Safari's guests, who extend their vacations from Freelands to include aquatic safaris at Sealands or book separate vacations at Sealands.

In 20X9 photographic safaris at Sealands become increasingly popular with the guests of the casino resort and those staying at the 200 homes on Sealands.

*Some IFRS issues for class discussion*

- What judgements and estimates would Open Safari make in accounting for the two bespoke yachts acquired?

*Medical research facility*

The Bilkersens are concerned about the tragic plight of animals with incurable diseases. To attempt to stop the spread of pandemic diseases and to save the lives of infected animals, Open Safari enters into an arrangement with a leading South African university to set up and operate a research facility. Open Safari specifies the sole and unalterable aims of the research facility—find a cure for bovine tuberculosis (bovine TB) and feline acquired immune deficiency syndrome (feline AIDS).

Open Safari donates ZAR3,000,000 to the university to completely fund the construction of a purpose-built laboratory on property located within the university campus. Construction is completed in 20X9. Each year, subject to the Bilkersens' approval of the centre's budget, Open Safari provides ZAR1,000,000 to fund the operations of the research centre that is staffed by the university's foremost researchers. In accordance with the agreement with the university, Open Safari has the exclusive right to patent any cures discovered or developed (or both) at the research institute.

*Some IFRS issues for class discussion*

- From Open Safari's perspective, what is the economic substance of the expenditure on the research centre—a donation to the university or the construction and operation of a research centre?
- Does the research centre (building and equipment) satisfy the *definition of an asset* of Open Safari?
- What are the main judgements and estimates that Open Safari would make when accounting for the PPE of the research centre?
- Is the in-process research of the centre an asset of Open Safari?
- Does IAS 38 *Intangible Assets* prohibit Open Safari from recognising in-process research and development as an asset (and, if so, why)?

*Release of captive-bred animals*

In July 20X9, following an intensive habituation programme, a pack of six wild dogs from the captive breeding programme on Sealands is released into the wild on Freelands.

*Some IFRS issues for class discussion*

- How must Open Safari account for the release of the pack of six wild dogs into the wild on Freelands?

*Other auction activities*

In late 20X9, at a reputable game auction in South Africa, Open Safari successfully bid ZAR630,000 and ZAR450,000 for five white rhinoceros and three black rhinoceros respectively.

The black rhinoceros were purchases for another party (Mr Z). In accordance with the agreement that was entered into before the auction, Mr Z paid Open Safari a premium of ZAR20,000 over the auction price for each animal. Mr Z acquired the animals in this way because he believed that many potential bidders who would probably bid against him for a variety of reasons were unlikely to bid against Open Safari.

Even though Open Safari does not have a purchaser for the white rhinoceros when it acquires them at auction, they are acquired with the intention of finding a buyer for them within a few days of the auction. Immediately after the auction, Open Safari contacts a number of private collectors seeking a buyer. Within a week of the action, the entity sells three of the animals to a private collector in the United States for ZAR400,000 and the remaining two rhinoceros to a State zoo in the Eurozone for ZAR260,000.

*Some IFRS issues for class discussion*

- How must Open Safari account for its successful bid at auction for three **black** rhinoceroses?
- How must Open Safari account for its successful bid at auction for five **white** rhinoceroses?

## 20Y0–20Y4

### *Space tourism*

On 31 December 20Y0 Open Safari acquires a spacecraft to provide recreational space travel. The spacecraft cost €100 million (excluding inspection costs).

The government body that regulates international space travel requires, as a condition of operating the spacecraft, that the spacecraft must pass an inspection (performed by regulatory agents) before starting commercial space travel. Further inspections must be passed at two-year intervals thereafter, irrespective of the number of flights made by the spacecraft. On 31 December 20Y0 the first inspection was performed at a cost to the entity of €20 million.

Although Open Safari is not obliged to do so, it intends to replace the soft furnishings in the spacecraft after 50 flights have been made by the spacecraft. The cost attributable to the soft furnishings is about €100,000. Open Safari does not expect to replace any other components of the spacecraft.

Open Safari intends to use the spacecraft for its entire economic life. The spacecraft is designed with the capacity to make 150 flights into outer space. However, aviation regulations require that the spacecraft must be decommissioned at the earlier of completing 100 flights into outer space or 5 years from the date of its construction.

Although Open Safari expects that it could sell the spacecraft for about €10 million at the end of its economic life, to prevent its competitors from gaining access to the unique technology embodied in the spacecraft, it intends instead to destroy the spacecraft. Management estimate the costs of destroying the spacecraft at about €1 million.

Management expects that income per voyage will decline significantly each year as the novelty of recreational space travel declines. The premium paid by earlier travellers is so significant that total revenue is forecast to halve each year.

Management forecasts that the spacecraft will make 5 voyages in 20Y1, 15 in 20Y2, 20 in 20Y3 and 60 in 20Y4 and will be decommissioned on 31 December 20Y4.

#### *Some IFRS issues for class discussion*

- Is the residual value of the spacecraft nil?
- Must any components of the spacecraft be depreciated separately?
- Which depreciation method(s) must Open Safari use to depreciate the spacecraft?
- What is the useful life of the spacecraft?

## The Open Country Safari Company Case Study

Case study matrix for discussing information about economic phenomena (economic resources, and the effects of transactions and other events and conditions that change those resources) associated with **Freelands** for financial reporting of assets by Open Safari in accordance with IFRS or the *IFRS for SMEs*.

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Untamed land	Business combination or purchase?			IAS 2, 16, 40 or IAS 41?		Land? Land and plants? Land and plant and animals? Land to which animals have access and plants?		Which model provides better information, cost or revaluation?		
Naturally occurring free-growing plants										
Naturally occurring untamed animals			Control?							
Safari elephants			Control?	IAS 16 or 41?		'Herd'? Individual animal?		Which model provides better information, cost or revaluation?	Derecognise bull elephant released with teenage elephant herd? Transfer to another asset class?	
Government funding relocating safari elephants										

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Orphaned elephants				IASs 2, 16 or 41?					Derecognise when released? Transfer to another class?	
Released captive bred wild animals									Derecognise? Transfer to another asset (if so, which)?	
Electricity generator						Lodge				
Building, lodge						infrastructure and equipment, each free standing structure (eg each building), or collections of structures (eg staff housing)	Restoration provision, borrowing costs	Which model—cost or revaluation?		How many classes of PPE?
Swimming pool								How many components of each item to depreciation?		
Buildings, staff houses										
Equipment at main lodge										
Safari tents	Depreciation, donation or both?							Residual value?		
Helicopter								How to account for mandatory inspections?		



	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Hot air balloons								How many components of each item to depreciation?		
Furniture	Staff cost?							Residual value?		
Borrowing costs										
Purchased customer list			Control?		Expected economic benefits?	Individual contacts or collective list?		Depreciation method?	When?	
Website					Measure reliably? Expected economic benefits? Effect of IAS 38's rules for internally generated intangible assets?					
Advertising										
Open Safari brand										
Staff training										
Government funding for event to release orphan elephants										
Free TV coverage—international news and documentary										

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Goodwill					Internally generated? Allocated when WoXy Safari's acquired (for elephant-backed safari business)?					

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Lantana eradication										
Government funding for eradicating lantana			Does IAS 20 or IAS 41 apply? Which would provide users with better information?							
Trade fair and related government funding										
Operating loss 20X3										
Other										

## The Open Country Safari Company Case Study

Case study matrix for discussing information about economic phenomena (economic resources, and the effects of transactions and other events and conditions that change those resources) associated with **Sealands** for financial reporting of assets by Open Safari in accordance with IFRS or the *IFRS for SMEs*.

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Acquisition of:				IAS 2, 16, 40 or 41 (or apportion)? If apportioned, then which Standards apply?			PPE—cost or revaluation? Investment property, cost or fair value?			
- untamed land										
- plants growing thereon										
- fence										
Coral, whales, fish, etc in the sea			Control?							
Reinforcing the fence										
Canine enclosures										
Wild animals:										
- from Freeland and their progeny			Control?	IAS 2, 16 or 41 (to be IAS 41, the transformation of the biological asset must be managed)?			Capture and transport costs?	How to measure fair value in accordance with IFRS 13?		
- purchased at auction and their progeny										
Food, supplies and keepers' wages and veterinarian services										

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Road design cost (ie paid to surveyor)										
Internally constructed roads and 'minor' bridges										
Bridges constructed by independent contractor										
Road and bridge maintenance (subsequent expenditure)										
Leased equipment :										
- grader										
- front-end loader										
- stone crusher										
- 2 tip-up trucks										
- roller										
- dynamite										
Dynamite disposal costs										

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Stakes to 'plot' path of the road										
Purchased rock crusher										
Machine maintenance										
Replacement parts										
Road construction										
- fuel										
- labour										
- overheads										
Road maintenance										
Land use rezoning costs										
Grant of casino licence				IAS 2, 38 or 40?						
Casino hotel:				IAS 2, 16 or 40?						
- building										

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
- equipment										
Construction of holiday homes				IAS 2, 16 or 40?						
Three bespoke safari vehicles								Depreciation method?		
Two bespoke yachts										
Internally generated brand and goodwill										
Other										

## The Open Country Safari Company Case Study

Case study matrix for discussing information about economic phenomena (economic resources, and the effects of transactions and other events and conditions that change those resources) associated with **the medical research facility** for financial reporting of assets by Open Safari in accordance with IFRS or the *IFRS for SMEs*.

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Building	Donation, joint arrangement or constructing PPE (SPE)?									
Operating costs	Donation or research expenditure?									
In-process research				IAS 38	Measure reliably? Expected economic benefits? Effect of IAS 38's rules for internally generated intangible assets?					
Other (eg when to start capitalising development costs?)										



## The Open Country Safari Company Case Study

Case study matrix for discussing information about economic phenomena (economic resources, and the effects of transactions and other events and conditions that change those resources) associated with **WoXy Safari operations** for financial reporting of assets by Open Safari in accordance with IFRS or the *IFRS for SMEs*.

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Land and all plants growing on it	Business combination or separate acquisition?			Land IAS 16, pine plantations IAS 41.		IAS 41 individual trees, acre of plantation or entire plantation?	Which model for PPE—cost or revaluation? How to measure fair value of biological assets in agricultural activity (IAS 41 and IFRS 13).			
Elephant herd				IAS 16 or 41?		Individual animals or herd?				
Quagga herd				IAS 2, 16 or (to be IAS 41 the transformation of the biological asset must be managed)?						
Active beehives			Control bees?	IAS 16 or IAS 41, or hives PPE and bees IAS 41?		Individual bees or swarm or swarm and hive?				

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
WoXy brand								Impaired when elephants transferred to Freelands? Can impairment be reversed?		
Goodwill				IFRS 3 (part apportioned to business on Freelands)?						
Horse herd				IAS 16 or IAS 41?						
Relaunch expenditure			Asset or expense?		Measure reliably? Expected economic benefits? Effect of IAS 38's rules for internally generated intangible assets?					

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Contract to sell timber at future date at fixed price				IAS 39/IFRS 9 or executory contract and IAS 37 only if onerous?						
Other										

## The Open Country Safari Company Case Study

Case study matrix for discussing information about economic phenomena (economic resources, and the effects of transactions and other events and conditions that change those resources) associated with **the animals successfully bid for at auction in 20X9** for financial reporting of assets by Open Safari in accordance with IFRS or the *IFRS for SMEs*.

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
5 white rhinoceros	Principal or agent?	Net amount (profit) or gross amounts—amount paid to auction house and amount received from customer?		IAS 2 or 41?						
3 black rhinoceros	Principal or agent?	Net amount (commission) or gross amounts—amount paid to auction house and amount received from principal?								
Other										

## The Open Country Safari Company Case Study

Case study matrix for discussing information about economic phenomena (economic resources, and the effects of transactions and other events and conditions that change those resources) associated with **the spacecraft acquired in 20Y0** for financial reporting of assets by Open Safari in accordance with IFRS or the *IFRS for SMEs*.

	What is the economic phenomenon?	What information about the economic phenomenon would primary users find useful in making decisions about providing resources to the entity?	Which element—eg asset?	If asset, which Standard applies, ie classification?	Are the asset recognition criteria satisfied?	What is the unit of account?	Which currency is the functional currency? How should the asset be measured at initial recognition?	How to measure the asset after initial recognition? If accounting policy choice, which model provides users with better information (and why)?	Must the asset be derecognised (if so, when)?	How should the asset be presented and disclosed in the entity's financial statements?
Spacecraft	Depreciation—how does Open Safari consume the service potential of its spacecraft asset?							Components? Depreciation method(s)? Useful life? Residual value?		