**Case Study 3 *Word Limit:*** *1,000 words (Single line spacing, 11pnt font, TNR or similar)*

Rose Ltd acquired 50% of the shares in Thorn Ltd. The directors of Rose Ltd have asked your firm for advice on how Rose Ltd could account for their investment in Thorn Ltd under the Australian Accounting Standards.

*Required:*

*Prepare a report for the directors of Rose Ltd which explains the possible ways the investment in Thorn Ltd could be treated by Rose Ltd for accounting purposes. For each possible scenario, you should identify the type of investment, the conditions that need to be satisfied for the particular type of investment and the relevant accounting method for the type of investment.*

*The report should include any assumptions made and is to clearly identify ‘what’ information Rose Ltd would need to make a final determination.*

**NOTE: Presentation for each case:** Whilst you must carefully base your analysis on relevant accounting standards, bear in mind that report/s are to be presented in a professional manner intended to be understood by your clients. The group should give considerable thought and discussion on how to present the information in each case study given the allocation of 8 marks to professional communication. An ‘essay’ format would not be appropriate. The use of tables or diagrams (for example) would be appropriate.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |