Calendar has a reporting date of 31 December 20X7. It prepares its financial statements in accordance with International Financial Reporting Standards. Calendar develops biotech products for pharmaceutical companies. These pharmaceutical companies then manufacture and sell the products. Calendar receives stage payments during product development and a share of royalties when the final product is sold to consumers. A new accountant has recently joined Calendar's finance department and has raised a number of queries.

(a) (i) During 20X6 Calendar acquired a development project through a business combination and recognised it as an intangible asset. The commercial director decided that the return made from the completion of this specific development project would be sub—optimal. As such, in October 20X7, the project was sold to a competitor. The gain arising on derecognition of the intangible asset was presented as revenue in the financial statements for the year ended 31 December 20X7 on the grounds that development of new products is one of Calendar's ordinary activities. Calendar has made two similar sales of development projects in the past, but none since 20X0.

The accountant requires advice about whether the accounting treatment of this sale is correct. (6 marks)

Required:

Advise the accountant on the matters set out above with reference to International Financial Reporting Standards.

Note: The split of the mark allocation is shown against each of the two issues above.