

SOLUTIONS TO COMPREHENSIVE QUESTIONS

Q-1

	\$000	\$000
Non-current assets		
Intangible assets (5,000-5,000)		
Tangible assets (41,000+30,000+20,000+3,000)	94,000	
Goodwill	7,226	101,226
Current assets		
Inventories (8,000+6,000+4,000-100+150-25-200+300)	18,125	
Receivables (7,000+5,250+3,500-180-150)	15,420	
Cash (2,000+500+300)	2,800	
	<u>36,345</u>	
		<u>137,571</u>
Capital and reserves		
Issued capital (\$1 shares) (20,000+6,000)	26,000	
Share premium account (15,000+12,000)	27,000	
Accumulated profits	29,925	82,925
NCI		4,500
		<u>87,425</u>
Long-term loans (20,000+8,826)	28,826	
Deferred tax liability	2,500	31,326
Current liabilities		
Trade payables (5,200+4,000+2,700-180+150-150)	11,720	
Income tax (3,200+2,300+1,600)	7,100	
Provision (1,000-1,000)		18,820
		<u>137,571</u>

Workings

W-1	\$ (000)	\$ (000)
Cost of control account - River		
Cost of investment	17,000	
Share capital		17,000
Goodwill		-
	<u>17,000</u>	<u>17,000</u>

W-2

Cost of control account - Stream		
Cost of investment	18,000	
(9,000*2/3)*3		
Share capital (12,000*.75)		9,000
Share premium (1,500*.75)		1,125
Stream retained earnings-pre		1,331
Goodwill		6,544
	<u>18,000</u>	<u>18,000</u>

W-3	
Non-controlling interest (NCI)	
Share capital	3,000
Share premium	375
Stream retained earnings-pre	443
Goodwill	682
	<u>4,500</u>

W-4	
Consolidated retained earnings	
Sea's retained earnings	11,600
River retained earnings-post	18,325
	<u>29,925</u>

W-5	
River retained earnings-post	18,450
URP on closing stock	100
URP on Stock in transit	25
Consolidated retained earnings	18,325
	<u>18,450</u>
	<u>18,450</u>

W-6	
Stream retained earnings-pre	5,948
Intangible assets written off	5,000
Fair value gain property	2,000
Fair value gain plant	1,000
Obsolete inventory	200
Fair value gain on inventory	300
Fair value loss on loan	774
Provision written back	1,000
Deferred tax liability	2,500
Cost of control (1,774*.75)	1,331
NCI (1,774 * .25)	443
	<u>10,248</u>
	<u>10,248</u>

W-7	
Zero coupon loan note	8,052
Fair value loss	774
Present value	<u>8,826</u>

W-8	
NCI Goodwill	
Fair value of NCI	4,500

Share capital	3,000
Share premium	375
Stream retained earnings-pre	443
Goodwill	682
	<u>4,500</u>
	<u>4,500</u>

Q-2

	\$000	\$000
Assets:		
Non-current assets		
Property, plant and equipment (45,000+25,000+18,000+8,000+5,750)	101,750	
Franchise right (2,000+300)	2,300	
Goodwill	1,932	
Financial assets (21,000-15,000-5,000-1,000)	-	105,982
Current assets:		
Inventories (18,000+12,000+10,000+1,600-250+600)	41,950	
Trade and other receivables (15,000+10,000+9,000-1,350+200-1,200+500-500)	31,650	
Financial assets	1,000	74,600
Total assets		<u>180,582</u>
Equity and liabilities		
Capital and reserves:		
Issued ordinary share capital (\$ 1 share)(25,000+6,000)	31,000	
Share premium account (10,000+18,000)	28,000	
Other reserves (4,000+1,000)	5,000	
Accumulated profits	26,750	90,750
NCI		7,017
		<u>97,767</u>
Non-current liabilities		
Interest bearing borrowing (20,000+4,000+315)	24,315	
10% \$ 1 Preference share capital (10,000-5,000)	5,000	
Deferred tax (2,000+1,000+1,500+3,000)	7,500	36,815
Current liabilities		
Trade payable (10,000+6,500+6,000+600-1,200)	21,900	
Tax payable (2,000+1,500+1,000)	4,500	
Dividend payable (1,000 -500)	500	
Bank overdraft (5,000+4,000+3,000)	12,000	
Contingent consideration payable	6,500	
Provision (1,200-800+200)	600	46,000
Total equity and liabilities		<u>180,582</u>

Workings

	\$ (000)	\$ (000)
W-1		
Cost of control account – Zippy		
Cost of investment	15,000	
Share capital		15,000
Goodwill		-
	<u>15,000</u>	<u>15,000</u>
W-2		
Cost of control account- Bungle		
Cost of investment (8,000*3/4)*4	24,000	
Contingent consideration payable	6,500	
Unfavorable franchise right		500
Share capital (10,000x80%)		8,000
Share premium (4000x80%)		3,200
Other reserves		1,040
Stream retained earnings-pre		15,828
Goodwill		1,932
	<u>30,500</u>	<u>30,500</u>
W-3		
Non-controlling interest (NCI)		
Share capital		2,000
Share premium		800
Stream retained earnings-pre		3,957
Other reserves		260
		<u>7,017</u>
W-4		
Consolidated retained earnings	26,750	
George retained earnings		20,000
URP on closing stock (1,500*20/120)	250	
Dividend receivable		500
Unfavorable franchise right	500	
Zippy retained earnings-post		7,000
	<u>27,500</u>	<u>27,500</u>
W-6		
Bunge retained earnings-pre		8,000
Franchise right		300
Fair value gain land and building		8,000
Fair value gain plant [22,000- (22,000x3/8)]-8000		5,750
Trade receivables	1,350	
Fair value gain on inventory (500-400+1,500)		1,600
Fair value loss on loan	315	
Provision written back		800
Deferred tax liability	3,000	
Cost of control (19,785*.80)	15,828	
NCI (19,785 * .20)	3,957	
	<u>24,450</u>	<u>24,450</u>
W-7		
Other reserves		1,300
Cost of control account 80%		1,040

Non-controlling interest 20% 260

W-7

Interest bearing loan	4,000
Fair value loss	315
Present value	<u>4,315</u>

Q-3

Consolidated Statement of Financial Position as at December 31, 2009

	Rs. (000)	Rs. (000)
Assets		
Non-current assets		
Property, plant and equipment (15,632+500-250)	15,882	
Goodwill (937+220)	1,157	17,039
Current assets		
Inventory	8,702	
Trade receivables (6438-120+80+60-140)	6,318	
Cash	331	15,351
		<u>32,390</u>
Equity and liabilities		
Equity		
Ordinary share capital	8,000	
Share premium	2,500	
Consolidated retained earnings	9,631	20,131
NCI		1,118
Long term loans		400
Current liabilities		
Accounts payable (9,967+20-120)	9,867	
Accrued interest (100-60)	40	
Dividend payable (934-80-20)	834	10,741
		32,390
W-1 Goodwill Group		
Cost of investment	3,560	
Contingent consideration	497	4,057
Fair value gain	400	
Ordinary share capital	800	
Share premium	320	
Pre-acquisition retained earnings	1,600	(3,120)
Goodwill		<u>937</u>
W-2 Non-controlling interest		
Fair value gain	100	
Share capital	200	
Share premium	80	
Pre-acquisition retained earnings	400	
Dividend	20	
Post acquisition retained earnings	98	
Goodwill	220	1118

W-3 Consolidated retained earnings		
Parent co.	8,802	
Contingent consideration	497	
Dividend	80	
Interest	60	
Post acquisition share from subsidiary company	392	9831
Acquisition expenses		(200)
		<u>9,631</u>
W-4 Goodwill NCI		
Fair value of NCI		1,000
Share of net assets at the date of acquisition		(780)
Goodwill		<u>220</u>

Q-4

Statement of financial position as at December 31, 2009	Rs.	Rs.
Non-current assets		
Property, plant and equipment (150,000+15,000-2,000)	163,000	
Intangible assets (30,000-15,000)	15,000	
Goodwill	--	178,000
Net Current assets (80,000-1,000)		<u>79,000</u>
		<u>257,000</u>
Equity		
Ordinary share capital	120,000	
Consolidated revaluation reserve	8,000	
Consolidated retained earnings	101,400	229,400
Non controlling interest		<u>27,600</u>
		<u>257,000</u>
W-1 Goodwill		
Cost of investment		100,000
Share of net assets		<u>(88,000)</u>
		<u>12,000</u>
W-2 Non controlling interest		
Share of net assets		27,600
Goodwill (8,000-8,000)		<u>--</u>
		<u>35,600</u>
W-3 Consolidated retained earnings		
Parent company	100,000	
Share of post acquisition profits of subsidiary	14,400	
Impairment loss on goodwill	(12,000)	
Extra depreciation	(1,000)	101,400