ASSIGNMENT # 3

Q# 1

M/S Haneef Ltd purchased entire share capital of M/S Sajid Power Ltd at the date of its incorporation, several years before. The shares were purchased at par value of Rs. 10 each. The total number of shares issued by Sajid Power Ltd was 100 million. Following is the trial balance of both the companies for the year ended June 30, 2009.

	Haneef Ltd		**Sajid Ltd**	
	Debit Rs. (m)	**Credit Rs. (m)**	**Debit Rs. (m)**	**Credit Rs. (m)**
Sales	--	12,000	--	7,500
Cost of investment in Sajid Ltd	1,000	--	--	--
Cost of sales	6,500	--	4,500	--
Operating expenses	3,500	--	1,500	--
Closing stock	2,300	--	2,000	--
Property, plant and equipment	3,500	--	1,200	--
Accumulated depreciation b/f	--	1,500	--	700
Dividend income from Sajid Ltd	--	1,000	--	--
Ordinary share capital	--	3,000	--	1,000
Retained earnings opening	--	2,500	--	2,000
Creditors	--	500	--	300
Due from Sajid Ltd	1,000	--	--	--
Debtors	2,500	--	1,500	--
Cash and bank balance	200	--	500	--
Due to Haneef Ltd	--	--	--	700
Dividend paid	--	--	1,000	--
	20,500	20,500	12,200	12,200

Further, the following intra group transactions took place.

a) Haneef Ltd sold goods worth Rs. 500 million to Sajid Ltd during the year of which 1/5th are still in the inventory of Sajid Ltd. Haneef Ltd charges 20% margin on all goods it sells to associated companies.

b) The intra group balances are not reconciled because of a cheque in transit of Rs. 200 million sent by Sajid Ltd to Haneef Ltd and Rs. 100 million management fee charged by Haneef Ltd to Sajid Ltd.

c) The depreciation for the year is not charged in the above balances, the group uses 20% depreciation rate for all its property, plant and equipment on reducing balance basis. The depreciation is to be charged in cost of sales.

Required: - Prepare consolidated statement of financial position as on June 30, 2009, statement of comprehensive income and consolidated statement of changes in equity for the year ended June 30, 2009?

Q # 2

M/S Haneef Ltd purchased entire share capital of M/S Sajid Ltd on July 01, 2008 by paying Rs. 12 per share and issued one share for every five shares of Sajid Ltd. The par value per share of Sajid Ltd is Rs. 10. Following is the trial balance of both the companies for the year ended June 30, 2009. The market value of Haneef Ltd shares at the date of acquisition was Rs. 20 each.

	Haneef Ltd		Sajid Ltd	
	Debit Rs. (m)	Credit Rs. (m)	Debit Rs. (m)	Credit Rs. (m)
Sales	--	12,000	--	7,500
Cost of investment in Sajid Ltd	1,200	--	--	--
Cost of sales	6,500	--	4,500	--
Operating expenses	3,500	--	1,500	--
Closing stock	2,300	--	2,000	--
Property, plant and equipment	3,300	--	1,200	--
Accumulated depreciation b/f	--	1,500	--	700
Dividend income from Sajid Ltd	--	500	--	--
Ordinary share capital	--	3,000	--	1,000
Retained earnings opening	--	2,500	--	500
Creditors	--	500	--	1,300
Due from Sajid Ltd	1,000	--	--	--
Debtors	2,000	--	1,500	--
Cash and bank balance	200	--	500	--
Due to Haneef Ltd	--	--	--	700
Dividend paid	--	--	500	--
	20,000	20,000	11,700	11,700

Further, the following intra group transactions took place.

a) Haneef Ltd sold goods worth Rs. 500 million to Sajid Ltd during the year of which 1/5th are still in the inventory of Sajid Ltd. Haneef Ltd charges 20% margin on all goods it sells to associated companies.
b) The intra group balances are not reconciled because of a cheque in transit of Rs. 200 million sent by Sajid Ltd to Haneef Ltd and Rs. 100 million management fee charged by Haneef Ltd to Sajid Ltd.
c) The depreciation for the year is not charged in the above balances, the group uses 20% depreciation rate for all its property, plant and equipment on reducing balance basis. The depreciation is to be charged in cost of sales.

Required: - Prepare consolidated statement of financial position as at June 30, 2009, statement of comprehensive income and consolidated statement of changes in equity for the year ended June 30, 2009?

PAST PAPERS

Q-1

Following is the summarised trial balance of Faisal Limited (FL) and its subsidiaries, Saqib Limited (SL) and Ayaz Industries Limited (AIL) for the year ended December 31, 2007:

	FL	SL	AIL
	Rs. (m)	Rs. (m)	Rs. (m)
Cash and bank balances	4,920	660	2,700

Accounts receivable	6,240	2,460	6,580
Stocks in trade – closing	14,460	4,200	5,680
Investment in subsidiaries – at cost			
SL	9,000		
AIL	10,500		
Other investments	11,100		
Property, plant and equipment	22,500	3,480	5,940
Cost of sales	49,200	18,000	21,000
Operating expenses	3,600	2,100	5,400
Accumulated depreciation	(5,760)	(420)	(1,260)
Ordinary share capital (Rs. 10 each	(30,000)	(12,000)	(6,000)
Retained earnings – opening	(33,780)		(4,800)
Sales	(57,600)	(16,500)	(33,800)
Accounts payable	(2,760)	(1,980)	(1,440)
Gain on sale of fixed assets	(540)		
Dividend income	(1,080)		

Following additional information is also available: -

i) On January 01, 2007, FL acquired 480 million shares of AIL from its major shareholders for Rs. 10,500 million.

ii) SL was incorporated on February 01, 2007. 75% of the shares were acquired by FL at par value on the same date.

iii) The following intercompany sales were made during the year 2007: -

	Sales	**Included in buyer's closing stocks in trade**	**Amount receivable / payable at year end**	**Gross profit % on sales**
	Rs. (m)	**Rs. (m)**	**Rs. (m)**	**Rs. (m)**
FL to AIL	2400	900		20
SL to AIL	1800	600	800	10
AIL to FL	3600	1200		30

FL and its subsidiaries value stock in trade at the lower of cost or net realizable value. While valuing FL's stock in trade, the stock purchased from AIL has been written down by Rs. 100 million.

iv) On July 01, 2007, FL sold certain plants and machines to SL. Detail of the transaction are as follows: -

	Rs. (m)
Sale value	144
Less: cost of plant and machineries	150
Accumulated depreciation	(60)
Net book value	90
Gain on sale of plants	54

The plants and machineries were purchased on January 01, 2005, and were being depreciated on straight line method over a period of five years. SL computed depreciation thereon using the same method based on the remaining useful life.

FL billed Rs. 100 million to each subsidiary for management services provided during the year 2007 and credited it to operating expenses. The invoices were paid on December 15, 2007.

v) Details of cash are as follows:-

	Date of declaration	Date of payment	Dividend %
FL	Nov 25, 2007	Jan 5, 2008	20
AIL	Oct 15, 2007	Nov 20, 2007	10

Required: -

Prepare consolidated balance sheet and profit and loss account of FL and its subsidiaries for the year ended December 31, 2007. Ignore tax and corresponding figures.

Q-2

On January 1, 2002, Khan Limited (KL) acquired 375 million ordinary shares and 40 million preference shares in Gul Limited (GL) whose general reserve and retained earnings on the date of acquisition, stood at Rs. 200 million and Rs. 1,000 million respectively.

The following balances were extracted from the records of KL and its subsidiary on December 31, 2008:

	KL		**GL**	
	Debit Rs. (m)	**Credit Rs. (m)**	**Debit Rs. (m)**	**Credit Rs. (m)**
Ordinary share capital (Rs. 10 each)		6,800		5,000
12% Preference share capital (Rs. 10 each)				1,000
General reserve		1,750		500
Retained earnings		2,000		1,200
Loan from KL at 15% rate of interest				2,000
14% Term Finance Certificates (TFCs) (Rs. 100 each)		2,250		
Accounts payable		445		190
Dividend payable – preference shares				60
Dividend payable – ordinary shares		750		300
Property, plant and equipment - at cost	16,250		25,000	
Property, plant and equipment - acc. depreciation		9,750		17,000
Investment in ordinary shares of GL	5,500			
Investment in preference shares of GL	400			
Loan to GL at 15% rate of interest	2,000			
Investment in KL's TFCs (purchased at par value)			1,500	
Profit before tax, interest and dividend		2,865		1,550
Dividend income		273		
Interest income		300		210
Dividend receivable	249			
Current assets	1,069		1,316	
Interest on TFCs	315			

Interest on loan from KL			300	
Taxation	650		474	
Preference dividend			120	
Ordinary dividend – interim	750		300	
	27,183	27,183	29,010	29,010

Following relevant information is available: -

i) At the date of acquisition the fair value of buildings included in property, plant and equipment of GL was assessed at Rs. 1000 million above its carrying value. All other identifiable assets and liabilities were considered to be fairly valued. GL provided for depreciation on building at 10% on the straight line basis.

ii) GL purchased the TFC in KL on January 01, 2008.

iii) The non controlling interest is measured at their proportionate share of the GL's identifiable net assets.

iv) There is no impairment in the value of goodwill since its acquisition.

v) There are no components of other comprehensive income.

Required: -

Prepare the following in accordance with the requirement of International Financial Reporting Standards: -

(a) Consolidated statement of financial position as at December 31, 2008.

(b) Consolidated statement of comprehensive income for the year ended December 31, 2008.

(c) Consolidated statement of retained earnings for the year ended December 31, 2008.

Note:

Ignore deferred tax and corresponding figures.

Notes to the above statements are not required. However, show workings wherever it is necessary.