

Solutions to JOINT VENTURE

Q-1

PL GROUP

Statement of financial position

AS AT DECEMBER 31, 2009

	PL Rs. (millions)
Assets	
Non-current assets	
Property, plant and equipment (120+40+3-1)	162
Investment in Joint venture (25+5+9-1-0.4)	37.6
Goodwill	11
	210.6
Current assets	
Stock in trade (20+17-0.4)	36.6
Trade and other receivables (25+5)	30
Cash and bank balances (3+1)	4
	70.6
	281.6
Equity and Liabilities	
Equity	
Ordinary share capital (Rs. 10 each)	50
Retained earnings	94.2
Group equity	144.2
NCI	7
Total equity	151.2
Long term loans (75+12)	87
Current liabilities (25+18)	43
	281.2

PL GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2009

	PL Rs. (m)	SL Rs. (m)	ADJUSTMENTS Rs. (m)	CONSOLIDATED Rs. (m)
Sales	1267	276	(10)	1,533
Cost of sales	(928)	(161)	6.6	(1,082.4)
Gross profit	339	115	(3.4)	450.6
Selling expenses	(174)	(68)	--	(242)
Administrative expenses	(88)	(30)	--	(118)
Other income	10	--	--	10
Share of profit from Associate(9-1-0.4)			7.6	7.6
Financial charges	(12)	(4)		(16)
Taxation	(26)	(5)		(31)
Net profit	49	8	4.2	61.2

Attributable to: -

Group

60.2

NCI (8-3)*.20

1

61.2

PL GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	Retained earnings	Total	NCI	Total
	Rs. (m)	Rs. (m)	Rs. (m)	Rs. (m)	Rs. (m)
B /f	50	34	84	--	84
S.co acquired				6	6
Total comprehensive income		60.2	60.2	1	61.2
Total	50	94.2	144.2	7	151.2

Workings

W-1 Group structure

	SL	JCEL
	%	%
Group	80	50
NCI	20	--
	<u>100</u>	<u>50</u>
	Rs. (m)	Rs. (m)

W-2 Cost of control account-SL

Investment		35
Share capital	12	
Retained earnings	8	
Fair value adjustment (5*.80)	4	(24)
		<u>11</u>

W-3 Cost of control account-JCEL

Investment	25	
Share capital	25	--

W-4 NCI

Share capital	3	
Retained earnings	2	
Fair value adjustment (5*.20)	1	
Profit and loss account	1	7

W-5 Opening retained earnings

PL	29	
JCEL	5	34

Adjusting entries		
Cost of sales	2	
SL Retained earnings (Pre)		2
Cost of sales	1	
PPE		1
PPE	3	
Fair value gain (SL Pre)		3
Profit or loss account	1	
Investment in JV		1
Sales	10	
Cost of sales		10
Cost sales	0.4	
Stock		0.4
Profit or loss account	0.4	
Investment in JV		0.4

Q-2

Millennium Enterprises Limited Group Consolidated Financial Statements As at March 31, 2006

	Rs. (000)	Rs. (000)
Assets		
Non-current assets		
Property, plant and equipment (416,250+153,600+20,000-12,000-700+87.5)	577,237.50	
Investment in Joint venture (36,250+7,500)	43,750	
Other Investments (160,000+12,800-120,000-36,250)	16,550	637,537.50
Goodwill		30,400
Current assets		
Inventory (41,440+20,480)	61,920	
Accounts receivables (35,150+12,160)	47,310	
Bank	6,660	115,890
		783,827.50
Equity and liabilities		
Equity		
Ordinary shares of Rs. 10 each	185,000	
Reserves		
Accumulated profits	442,007.50	
	627,007.50	
NCI	29,760	656,767.50
Current liabilities		

Accounts payable (48,100+43,200)	91,300	
Taxation (20,720+11,200)	31,920	
Overdraft	3,840	127,060

783,827.50

Notes

W-1 Group structure

	CPL	JV
	%	%
Group	80	50
NCI	20	
	<u>100</u>	<u>50</u>

W-2 Cost of control account –CPL

Cost of investment		120,000
Share capital	51,200	
SRE-pre	22,400	
Fair value adjustment	16,000	(89,600)
Goodwill		<u>30,400</u>

W-4 NCI

Share capital	12,800
SRE – pre	5,600
FV gain	4,000
SRE – post	<u>7,360</u>
	<u>29,760</u>

W-5 Consolidated retained earnings

MEL earnings	405,680	
SRE – post	29,440	
Share of profit from JV (15,000x.50)- ((7,000x25/125)x50%)+((1400/4)x1/2)x50%	6,887.50	442,007.50
7,500-700+87.5		

W-6 CPL retained earnings

	Pre	Post
	28,000	48,800
Adjustment for extra depreciation	--	(12,000)
	<u>28,000</u>	<u>36,800</u>
Group	22,400	29,440
NCI	<u>5,600</u>	<u>7,360</u>
	<u>--</u>	<u>--</u>

Investment in JV

Net assets at date of investment	
Share capital	35,000
Reserves at date of investment (52,500-15,000)	<u>37,500</u>
	<u>72,500</u>
50% investment at book value	<u>36,250</u>