

## Solutions to JOINT VENTURE

Q-1

PL GROUP

Statement of financial position

AS AT DECEMBER 31, 2009

### Assets

#### Non-current assets

Property, plant and equipment (120+40+3-1)  
Investment in Joint venture (25+5+9-1-0.4)  
Goodwill

PL  
Rs. (millions)

162
37.6
11
<b>210.6</b>

#### Current assets

Stock in trade (20+17-0.4)  
Trade and other receivables (25+5)  
Cash and bank balances (3+1)

36.6
30
4
<b>70.6</b>
<b>281.6</b>

### Equity and Liabilities

#### Equity

Ordinary share capital (Rs. 10 each)  
Retained earnings  
Group equity  
NCI  
Total equity

50
94.2
<b>144.2</b>
7
<b>151.2</b>

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	<b>339</b>	<b>115</b>	(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	<b>49</b>	<b>8</b>	<b>4.2</b>	<b>61.2</b>

Attributable to: -

Group

NCI (8-3)\*.20

60.2

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	--
	100	50

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)
		11

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

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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)
<b>Assets</b>		
<b>Non-current assets</b>		
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
<b>Current assets</b>		
Inventory (41,440+20,480)	61,920	
Accounts receivables (35,150+12,160)	47,310	
Bank	6,660	115,890
		<b>783,827.50</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Ordinary shares of Rs. 10 each	185,000	
Reserves		
Accumulated profits	442,007.50	
	627,007.50	
NCI	29,760	656,767.50
<b>Current liabilities</b>		

Accounts payable (48,100+43,200)  
Taxation (20,720+11,200)  
Overdraft

91,300	
31,920	
3,840	127,060

**783,827.50**

Notes

**W-1 Group structure**

Group

NCI

CPL	JV
%	%
80	50
20	
100	50

**W-2 Cost of control account –CPL**

Cost of investment

Share capital

SRE-pre

Fair value adjustment

Goodwill

	120,000
51,200	
22,400	
16,000	(89,600)
	30,400

**W-4 NCI**

Share capital

SRE – pre

FV gain

SRE – post

12,800
5,600
4,000
7,360
29,760

**W-5 Consolidated retained earnings**

MEL earnings

SRE – post

Share of profit from JV

(15,000x.50)-

((7,000x25/125)x50%)+((1400/4)x1/2)x50%

7,500-700+87.5

405,680	
29,440	
6,887.50	442,007.50

**W-6 CPL retained earnings**

Adjustment for extra depreciation

Group

NCI

Pre	Post
28,000	48,800
--	(12,000)
28,000	36,800
22,400	29,440
5,600	7,360
--	--

Investment in JV

Net assets at date of investment

Share capital

Reserves at date of investment (52,500-15,000)

50% investment at book value

35,000
37,500
72,500
36,250