

ASSIGNMENT # 2

Q-1

On 1 January 2009 PARVEZ acquired 1,800 ordinary shares of SAJID. At that time SAJID retained profits were Rs. 16,000. The statements of financial position of the individual enterprises at 31 December 2009 are as follows:

Statements of financial position as at 31 December 2009	PARVEZ Rs.	SAJID Rs.
<u>Total Assets</u>		
Non-current assets:		
Property Plant & Equipment	120,000	40,000
Cost of Investment in shares of SAJID	40,000	-
	<hr/> 160,000	<hr/> 40,000
<u>Current Assets</u>		
Inventories	20,000	10,000
Receivables	40,000	30,000
Current A/c with SAJID	16,000	-
Cash	4,000	-
	<hr/> 240,000	<hr/> 80,000
<u>Equity and Liabilities</u>		
<u>Capital and Reserves:</u>		
Ordinary shares of Rs. 10.00 each	100,000	24,000
Retained Profits	120,000	20,000
	<hr/> 220,000	<hr/> 44,000
<u>Current Liabilities:</u>		
Accounts payable	20,000	18,000
Current account with PARVEZ	-	12,000
Bank Overdraft	-	6,000
	<hr/> 240,000	<hr/> 80,000

1. On 28th December 20X2 SAJID sent a cheque for Rs. 4,000 to PARVEZ. PERVEZ did not account for this cheque until early January 20X3.
2. The group policy is to measure non-controlling interest at Fair value at the date of acquisition. The fair value OF NCI was Rs. 15,000.
3. The fair value of Property, plant and equipment was Rs. 2,000 more than their carrying value at the date of acquisition and those assets still exist in the statement of financial position of the entity at the year end.
4. Consolidated goodwill is subject to an annual impairment review. The impairment loss attributable to goodwill is Rs. 4,500.

Required: Prepare the PARVEZ group's consolidated statement of financial position at 31 December 2009.

Q-2 The draft statement of financial position at 31 March 2002 of Window Limited and its 80% subsidiary Glass Ltd, acquired on 30 September 2001, are as follows:

	Window Limited Rs 000	Glass Limited Rs 000
Fixed assets		
Intangible assets		
Patents	-	400

Goodwill	-	550
Tangible assets	6,276	1,104
Investments: Shares in Glass Ltd	180	-
	<u>6,456</u>	<u>2,054</u>

Current assets

Stocks	1,854	806
Debtors	1,950	846
Suspense account	256	-
Cash	1,672	264
	<u>5,732</u>	<u>1,916</u>
Creditors: amounts falling due within one year	(3,428)	(1,040)
Net current assets	<u>2,304</u>	<u>876</u>
Total assets less current liabilities	<u>8,760</u>	<u>2,930</u>

Capital and reserves

Called up share capital		
Ordinary Rs 10 shares	4,000	1,400
Revaluation reserve	950	-
Profit and loss account	<u>3,810</u>	<u>1,530</u>
	<u>8,760</u>	<u>2,930</u>

The following points are relevant.

- (i) At acquisition the statement of financial position of Glass Ltd showed net assets with a book value of Rs 2,530,000. Included in this total are freehold land with a book value of Rs.500,000 (market value Rs 1,200,000), patents with a book value of Rs 400,000 (market value Rs 450,000) and goodwill (arising on the acquisition of an unincorporated business some years ago) with a book value of Rs 600,000 (impairment loss of 50,000 has been recognized in the post acquisition period by the acquiree). The fair values of all other assets and liabilities are approximately equal to their book values. The above fair value adjustments have not been incorporated in the separate books of Glass Limited.
- (ii) The directors of Window Limited intend to restructure and reorganize Glass Ltd and wish to provide for future losses and restructuring costs which are forecasted at Rs 116,000.
- (iii) An investment in plant and machinery will be required to bring the remaining production line of Glass Ltd up to date. This will amount to Rs 580,000 in the next 12 months.
- (iv) The consideration comprised cash of Rs 180,000 and 80,000 shares of Window Limited issued at a nominal value of Rs 10 and fair value of Rs 26 each. The shares have not yet been reflected in the books of Window Limited.
- (v) Professional fees to bankers and solicitors in respect of the acquisition amounted to Rs 150,000. In addition the directors of Window Limited estimate that the value of their time spent on working the acquisition amounted to Rs 106,000.
- (vi) Glass Ltd sells part of its output to Window Limited. Included in the stock of Window Limited are goods valued at Rs 300,000 purchased from Glass Ltd at cost plus 25%.
- (vii) Group policy is to measure full goodwill the fair value of NCI at the date of acquisition was Rs. 20 per share.

Required:

- (a) Calculate the value of goodwill if any arising on the acquisition of Glass Ltd.
- (b) Show the Share Capital and Reserves on the consolidated statement of financial position of Window Limited as at March 31 2002.