

CONSOLIDATED BALANCE SHEET --- TUTORIAL EXAMPLE

James Ltd acquired 12000 shares in Dean Ltd on 1st January 2014 for £30000 . The balance sheets of the two companies at 31st December 2014 are as follows:

	James Ltd £'000	Dean Ltd £'000
Tangible Fixed Assets	40	8
Investment : 12000 shares in Dean Ltd	<u>30</u>	<u>-</u>
	70	8
Current Assets		
Stock	30	8
Trade Debtors	25	17
Inter Company Account with Dean Ltd	12	-
Cash at Bank and in Hand	<u>8</u>	<u>10</u>
	<u>75</u>	<u>35</u>
Creditors : Amounts falling due within 1 year		
Trade Creditors	65	9
Inter Company Account with James Ltd	<u>-</u>	<u>9</u>
	<u>65</u>	<u>18</u>
Net Current Assets	10	17
	<u>80</u>	<u>25</u>
Share Capital	50	15
Profit and Loss Account	<u>30</u>	<u>10</u>
	<u>80</u>	<u>25</u>

The following information is relevant :

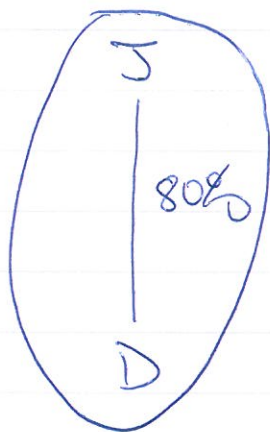
- (1) Shortly before the year end Dean Ltd sent James Ltd a cheque for £3000 . At the year end , James Ltd had not yet received this amount
- (2) It is group accounting policy to amortise goodwill over a period of 7 years
- (3) Dean Ltd has made a profit of £5000 for the year ended 31ST December 2014.

REQUIREMENT :

Prepare the consolidated balance sheet of James Ltd at 31st December 2014 .

WORKINGS

(W1) GROUP STRUCTURE



(W2) NET ASSETS OF DEAN LTD

	AT ACQW £1000	AT 31.5 DATE £1000
Share capital	15	15
P+L A/c	5	10
	<u>20</u>	<u>25</u>

(W3) CASH IN TRANSIT

Dr	CASH AT BANK	3
Cr	INTER-CO DEBIT	3

CONSOLIDATION SCHEDULES

(1) GOODWILL

	4'000
Cost of investment	30
less: share of net assets acquired (80% x 20000)	(16)
Goodwill	14
less: amortised to date ($\frac{1}{7}$)	(2)
Intangible Asset	<u>12</u>

(2) MINORITY INTEREST

	4'000
= 20% x 25000	<u>5</u>

(3) Consolidated P+L A/c Reserve

£1000

5

30

D:
share of post-acqⁿ profits 4
(80% x [10 - 5])

less: goodwill amortised to date (21

32

Consolidated Balance Sheet at 3-12-14

	£'000	£'000
Intangible Fixed Assets		12
Tangible Fixed Assets (40+8)		48
		<u>60</u>
Current Assets		
Stock (30+8)	38	
Trade Debtors (25+17)	42	
Cash at Bank and in Hand (8+10+3)	<u>21</u>	
	101	
Creditors < 1 yr		
Trade Creditors (65+9)	(74)	
Net Current Assets		27
		<u>87</u>
Share Capital		50
P+L A/c		<u>32</u>
		82
Minority Interest		5
		<u>87</u>