

SECTION A

QUESTION ONE

The following group financial statements relate to Aspect, a public limited company:

Aspect Group

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	£m
Turnover	82
Cost of sales	<u>(50)</u>
Gross profit	32
Other income	40
Distribution costs	<u>(30)</u>
Administrative expenses	<u>(34)</u>
Group operating profit	8
Interest payable	<u>(6)</u>
Profit on ordinary activities before tax	2
Tax on ordinary activities	<u>(36)</u>
Loss on ordinary activities after tax	<u>(34)</u>
Minority interest	<u>(26)</u>
Loss for the year	<u>(60)</u>

Aspect Group

BALANCE SHEET AS AT 31 DECEMBER 2015

	2015 £m	2014 £m
<i>Fixed assets</i>		
Tangible assets	248	260
Intangible Assets: goodwill	44	60
Intangible Assets: Deferred development costs	<u>50</u>	<u>60</u>
	<u>342</u>	<u>380</u>
<i>Current assets</i>		
Stock	150	90
Debtors	60	64
Bank	<u>578</u>	<u>386</u>
	<u>788</u>	<u>540</u>
<i>Creditors: amounts falling due within one year:</i>		
Creditors	(100)	(120)
Taxation	(25)	(12)
Dividends	<u>(5)</u>	<u>(8)</u>
	<u>(130)</u>	<u>(140)</u>
<i>Net current assets</i>	<u>658</u>	<u>400</u>

Total assets less current liabilities	<u>1000</u>	<u>780</u>
Creditors: amounts falling due after more than one year:		
10% Debentures 2018	<u>(20)</u>	<u>(34)</u>
	<u>980</u>	<u>746</u>
Capital and reserves		
Share capital	720	446
Share premium	30	20
Profit and loss reserve	120	200
Revaluation reserve	<u>30</u>	<u>20</u>
	936	686
Minority interest	80	60
	<u>980</u>	<u>746</u>

1. The following information relates to the financial statements:

- Depreciation charged on tangible fixed assets during the year was £42million.
- A property was revalued by Aspect on 31st December 2015. A tangible fixed asset with a net book value of £56 million was sold during the year. The disposal proceeds were £62m. The gain on disposal is included in administrative expenses.

2. The movement on reserves was as follows:

	Profit and Loss	Revaluation Reserve
	£m	£m
Balance 1 January 2015	200	20
Loss for year	(60)	
Gain on property revaluation		10
Dividends charged for the year	<u>(20)</u>	
Balance 31 December 2015	<u>120</u>	<u>30</u>

- There were no further deferred development costs capitalised during the year.
- On 1st January 2015 Aspect acquired 80% of the issued ordinary shares of Prospect Ltd for a total purchase consideration of £40 million paid in cash. The net assets of Prospect Ltd at the date of acquisition were assessed as having the following fair values:

	£m
Tangible Fixed Assets	42
Stock	16
Debtors	13
Cash	10
Trade Creditors	<u>(31)</u>
	<u>50</u>

5. There was an impairment loss on goodwill during the year of £16 million.

Required:

Prepare a group cash flow statement for the year ended 31 December 2015 in accordance with FRS 102.

(30 marks)

(1)

CASHFLOW STATEMENT FOR Y/E 31-12-15

for

CASHFLOWS FROM OPERATING ACTIVITIES:

Group operating profit	8
Depreciated	42
Profit on sale of fixed asset (62-56)	(6)
Impairment loss on goodwill	16
Impairment loss on development costs	10

Increase in stock, (150-90-16)	(44)
Decrease in creditors (100-120-31)	(51)
Decrease in debtors (60-64-13)	17

Cash generated from operations (8)

Interest paid (6)
Tax paid (w1) (23)

NET CASH FROM OPERATING ACTIVITIES (37)

~~THE~~ CASHFLOWS FROM INVESTING ACTIVITIES

Purchase of tangible fixed assets (w2)	(34)
Cash paid on acquisition of subsidiary (40-10)	(30)
Proceeds from sale of tangible fixed assets	62

NET CASHFLOW FROM INVESTING ACTIVITIES (2)

CASHFLOWS FROM FINANCING ACTIVITIES

Repayment of debentures	(14)
Proceeds from issue of shares (750-466)	284
Dividend paid (w3)	(23)
Dividend paid to minority shareholders	<u>(16)</u>

NET CASHFLOW FROM FINANCING ACTIVITIES 231

INCREASE IN CASH + CASH EQUIVALENTS 192
CASH + CASH EQUIVALENTS AT 1-1-15 386

CASH + CASH EQUIVALENTS AT 31-12-15 578

W1 TAX

Tax creditor b/f
Charge for the year

CASH PAID (BAC FIG)

Tax creditor c/f

£m

12

36

(23) *

25

W2 TANGIBLE FIXED ASSETS

BAC B/F

ADDITIONS (BAC FIG)

Disposals

Depreciation

Revaluation in the year

Acquired with Prospect

BAC c/f

£m

260

34 *

(56)

(42)

10

42

248

W3 ORDINARY DIVIDENDS

BAC B/F

Charged for the year

CASH PAID (BAC FIG)

BAC c/f

£

20

(23) *

5

W4 Minority Interest

BAC B/F

Acquired with Prospect (20% x 50)
Profit + loss a/c

DIVIDEND PAID

BAC C/P

£n

60

10

26

(16) A

80
