

On 1 April 2015, Pyle Ltd acquired 21000 of Style Ltd.'s ordinary shares, paying £66000 cash. The profit and loss account of Style at 1st January 2015 stood at £30000.

Reproduced below are the balance sheets of the two companies as 31 December 2015.

	Pyle		Style	
	£000	£000	£000	£000
Fixed assets				
Plant and equipment		279		100
Investment in Style Ltd		<u>66</u>		<u>100</u>
		345		
Current assets				
Stocks	140		90	
Debtors	100		78	
Cash at bank	<u>60</u>			
	<u>300</u>		<u>168</u>	
Creditors: amounts falling due within one year				
Trade creditors	<u>100</u>		<u>100</u>	
Net current assets		<u>200</u>		<u>68</u>
Total Assets less Current Liabilities		545		168
Creditors: amounts falling due after more than one year				
Long Term Loans		<u>175</u>		<u>60</u>
		<u>370</u>		<u>108</u>
Share capital and reserves				
Ordinary shares of £1 each		90		30
Profit and loss reserve		<u>280</u>		<u>78</u>
		<u>370</u>		<u>108</u>

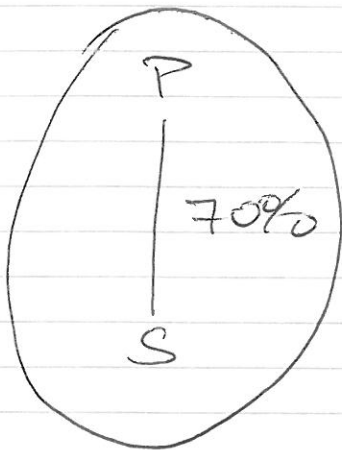
- 1 During the year, Style plc sold goods to Pyle plc for £200000 at a mark up of 10% on cost. A quarter of these goods remain in the stock of Pyle at 31st December 2015
- 2 The balance on the current accounts of the parent and subsidiary was £22,000 on 31st December 2015. There is no cash in transit.
- 3 Goodwill on consolidation is amortised over a period of 8 years. Amortisation of goodwill is calculated monthly in the year of acquisition.

REQUIREMENT

Prepare the consolidated balance sheet at 31ST December 2015.

PYLE + STYLE

(W1) GROUP STRUCTURE



$$\frac{21000}{30000} = \underline{\underline{70\%}}$$

(W2) NET ASSES OF STYLE LTD

	(1-4-15) AT ACQUISITION £	(31-12-15) AT BS DATE £
Share capital	30000	30000
Profit + loss account:		
At 1-1-15	30000	
Profit for 3 months	12000	
At 31-12-15		78000
	<u>72000</u>	<u>108000</u>

W3 UNREALISED PROFIT ON STOCK (S → P)

$$UNP = 200000 \times \frac{10}{110} \times \frac{1}{4} = \underline{\underline{£4545}}$$

Dr p+l acc (group) [70%] 3182
minority interest [30%] 1363

Cr stock (b/s) 4545

W4 INTER-CO ACCOUNTS

Dr trade creditors 22000

Cr trade debtors 22000

CONSOLIDATION SCHEDULES

1/ GOODWILL

£

Cost of investment 66000

less: share of net assets acquired (50400)
(70% x 72000) (W2)

Goodwill 15600

less: amortised to date (1463)
(15600 x 1/18 x 9/12)

Intangible Asset 14137

2/ MINORITY INTEREST

£

$$= 30\% \times 108000 \text{ (W2)}$$

32400

less: UNP on stock (W3)

(1363)

31037

3/ CONSOLIDATED P/L A/C RESERVE

£

PYLF

280000

STYLE:

Share of post-acquisition profits
 $70\% \times (78000 - 42000) \text{ (W2)}$

25200

less: UNP on stock

(3182)

less: goodwill amortised to date (1463)

300555

CONSOLIDATED BALANCE SHEET AT 31-12-15

	£	£
Intangible Fixed Asset : goodwill		14137
Tangible Fixed Assets (279000 + 100000)		379000
		<u>393137</u>

CURRENT ASSETS:

Stocks (140000 + 90000 - 4545)	225455
Debtors (100000 + 78000 - 22000)	156000
Cash at Bank	60000
	<u>441455</u>

CREDITORS < 1 YEAR

Trade creditors (100000 + 100000 - 22000)	(178000)
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Net Current Assets	263455
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Total Assets less Current liabilities	<u>656592</u>
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CREDITORS > 1 YEAR

Long Term Loans (175000 + 60000)	(235000)
	<u>421592</u>

Share capital	90000
P+L Account Reserve	300555
	<u>390555</u>

Minority interest	31037
	<u>421592</u>