

SECTION A

QUESTION ONE

Below are the summarised balance sheets for two companies as at 31 March 2014:

	JACK		JONES	
	£million	£million	£million	£million
<u>Fixed assets</u>				
Tangible		260		120
Investments – in Jones		125		-
- in other		35		15
		<u>420</u>		<u>135</u>
<u>Current assets</u>				
Stock	40		68	
Debtors	32		32	
Cash at bank	4		15	
	<u>76</u>		<u>155</u>	
Creditors: amounts falling due within 1 year	<u>(52)</u>		<u>(47)</u>	
Net current assets		24		68
Creditors: amounts falling due within more than 1 year				
10% loan notes		<u>(134)</u>		<u>(53)</u>
Net assets		<u>310</u>		<u>150</u>
<u>Capital and reserves</u>				
Equity shares of £1 each		200		100
Share premium	20		10	
Profit and loss account	<u>90</u>	<u>110</u>	<u>40</u>	<u>50</u>
		<u>310</u>		<u>150</u>

Notes:

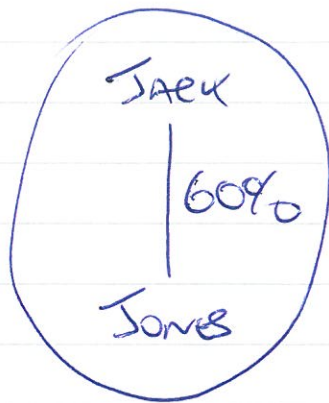
Jack is a public listed company that acquired the following investments:

- Investment in Jones
On 1 April 2012 Jack acquired 60 million shares in Jones for an immediate cash payment of £125 million. Jones's profit and loss account reserve at the date of acquisition was £26 million.
- At the date of acquisition, Jones owned a recently built property that was carried at its (depreciated) construction cost of £32 million. The fair value of this property at the date of acquisition was £52 million and it had an estimated remaining life of 10 years.

QUESTION 1

JUNE 2014

(W1) GROUP STRUCTURE



$$\frac{60m}{100m} = \underline{\underline{60\%}} \quad \text{"2}$$

(W2) NET ASSETS OF JONES LTD

	At Acq £000		At SYS DATE £000
Share capital	100	1/2	100
Share premium	10	2	10
PTC Account	26	2	40
FAIR VALUE ADJS:			
• Property - surplus	20	2	20
- add'l depr	-		(4)
• Brand - surplus	32	2	32
- add'l amort	-		(8)
	<u>188</u>		<u>190</u>

(W3) UNREALISED PROFIT ON STOCK (SONS → JACK)

$$VNP = 360 \text{ m} \times \frac{20}{100} = \underline{\underline{60 \text{ m}}}$$

2

Dr PHL A/C (GROUP) 36 m
 M. I 24 m

3

CR STOCK 60

(W4) CASH IN TRANSIT

Dr BANK 2 m

CR Inter-Co Debit 2 m

CONSOLIDATION SCHEDULES

1/ Goodwill

£m

Cost of Investment

125

less:

Share of net assets acquired
(60% x 188m)

(112.8)

Goodwill

12.2

less:

amortised to date (2/12)

(2)

INTANGIBLE ASSET

10.2

2/ MINORITY INTEREST

£m

= 40% x 190m

~~76~~ 2 ~~76~~ 76

less: VNP on stock

(24)

~~52~~ 52

3. CONSOLIDATED P+L A/C RESERVE

£m

SACK

90 ¹/₂

JONES:

share of post-acqⁿ profits
 $60\% \times (40m - 26m)$

8.4 ¹/₂

less: UNP on stock

(36)

less: goodwill amortised to date

(2)

less: group share of addⁿ depⁿ
+ amortⁿ ($60\% \times \frac{12}{12}$)

(~~11.6~~) ¹/₂
7.2

53.2 ~~101.4~~

CONSOLIDATED BALANCE SHEET AT 31-3-14

	£m	£m
Intangible Fixed Assets: goodwill	11/2	10.2
Brand	1	24.0
Tangible Fixed Assets (260+120+160)	1	396.0
Investments (35+15)	1	50.0
		<u>480.2</u>
CURRENT ASSETS		
Stock (40+68-60)	48	11/2
Debtors (32+32-2)	62	11/2
Cash (4+15+2)	21	11/2
	<u>131</u>	
Creditors < 1 year (52+47)	<u>(99)</u>	11/2
Net Current Assets		<u>32</u>
Total Assets less Current liabilities		512.2
Creditors > 1 year : 10% loan note	11/2	(187.0)
		<u><u>325.2</u></u>
Share capital		
Share premium	1	200
RETAINED Earnings Reserve	1	20
		<u>53.2</u>
		273.2
Minority Interest		<u>52.0</u>
		<u><u>325.2</u></u>