

## SECTION A

### QUESTION ONE

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

|                                                        | JACK<br>£million | £million     | JONES<br>£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:

- i) 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.
- ii) 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.

For many years Jones has been selling some of its products under the brand name of 'JJ'. At the date of acquisition the directors of Jack valued this brand at £32 million with a remaining life of 8 years. The brand is not included in Jones's balance sheet.

The fair values of all other identifiable assets and liabilities of Jones were equal to their carrying values at the date of acquisition.

- iii) The stock of Jack Ltd at 31 March 2014 includes goods supplied by Jones for £360 million (at selling price from Jack). Jones adds a mark-up of 20% on cost when selling goods to Jack.
- iv) None of the companies have paid any dividends for many years.
- v) The goodwill of Jones has an estimated life of twelve years.
- vi) On 31 March 2014 Jones remitted to Jack a cash payment of £2 million. This was not received by Jack until early April 2014.

### **Required**

Prepare a consolidated balance sheet of the Jack group as at 31 March 2014.

Work to the nearest £million.

**(32 MARKS)**