

On 31st of October 2015 Bulb Ltd bought 70% of the 50,000 £1 ordinary shares of Wales Ltd for 90,000. The profit and loss accounts of both companies for the year ended 31st December 2015 are as follows:

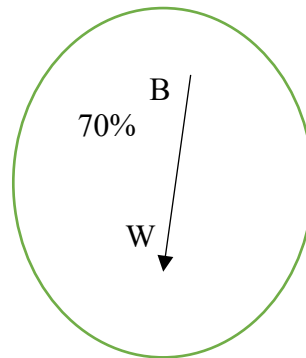
	Bulb	Wales
	£	£
Sales	190,000	210,000
Cost of sales	<u>43,000</u>	<u>130,000</u>
Gross Profit	147,000	80,000
Expenses	<u>39,000</u>	<u>20,000</u>
Profit before tax	108,000	60,000
Taxation	<u>23,200</u>	<u>20,000</u>
Profit after tax	84,800	40,000
Dividends	<u>61,000</u>	<u>nil</u>
Retained profit for year	<u>23,800</u>	<u>40,000</u>

The following information is relevant.

- 1- Goodwill will on consolidation is to be amortised monthly over a period of 3 years. This should be treated as an administrative expense.
- 2- At the data of the acquisition, the fair value of Wales Ltd's tangible fixed assets exceeded their book value £30,000. The deprecation on fixed assets qt 15% on straight line method and it is shown as administrative expenses.
- 3- At the acquisition Bulb sold goods to Wales Ltd for a selling price of £60,000. At the end of the year none of these good still in the stock of Wales.

Requirement:

Prepare the consolidated profit and loss account of the group for the year ended 31st December 2015.



W1 – Bulb-----Wales 70%

W2- Net Assets of Wales Ltd

	31-10-2015	31-12-2015
Share capital	50,000	50,000
P + L Account: (10/12 * 40,000)	33,333.33	40,000
Fair value:		
Tangible fixed assets surplus	30,000	30,000
Less add Depr (30,000*15%*2/12)	-----	(750)
	113,333.33	119,250

W3- Inter Group transfer

Dr. Turnover	60,000	
Cr Cost of sales		60,000

Consolidation schedules:

1-Goodwill;	£
Cost of investment	90,000.00
Less; share of net assets acquired (70*% * 113,333.33)	(79,333.33)
Goodwill	10,666.67
Amortised in the Period (10,666.67*1/3 *2/12)	592.59

2-Minorite interest (P+I)	£
Profit after tax of Wales for 2 months (40,000 * 2/12)	6,666.66
Less: added Depr	(750)

	5,916.66

Minorite Interest (P+I) = 30% * 5,916.66	1,775

Consolidated P+L A/C for Y/E 31-12-15	£
Turnover (190,000 + [210,000* 2/12] - 60,000]	165,000
Cost of sales (43,000 + [130,000 * 2/12] - 60,000]	(4,666.66)

Gross profit	160,333.33
Adman Expenses (39,000 + [20,000 * 2/12] + 750+ 592.59)	(43,675.92)

-	
Operating profit	116,657.4

Profit before tax	116,657.4
Tax (23,200 + [20,000 * 2/12]	(26,533.33)

Profit after tax	90,124
Minority interest	(1,775)

Profit attributable to the group	88,349.00