

On 1 October 2000, Hample plc acquired 90% of the equity shares in Sopel Ltd. Sopel Ltd's retained profits at 1st April 2000 were £2,200,000.

BALANCE SHEETS AS AT 31 MARCH 2001

	Hample Ltd		Sopel Ltd	
	£000	£000	£000	£000
Fixed assets				
Intangible – Software		-		1,800
Tangible:				
Property		600		900
Plant and equipment		1,520		1,090
Investments – equity in Sopel Ltd		4,310		-
- others		65		210
		<u>6,495</u>		<u>4,000</u>
Current assets				
Stock	719		560	
Debtors	524		328	
Sopel Ltd current account	75		-	
Cash	20		-	
	<u>1,338</u>		<u>888</u>	
Creditors:				
amounts falling due within 1 year				
Trade creditors	475		472	
Hample plc current account	-		60	
Taxation	228		174	
Bank overdraft	-		27	
Dividend payable	100		-	
	<u>(803)</u>		<u>(733)</u>	
Net current assets		535		155
Creditors:				
amounts falling due after more than 1 year				
Government grants		(230)		(200)
Net assets		<u>6,800</u>		<u>3,955</u>
Share Capital and Reserves:				
Ordinary shares of £1 each		2,000		1,500
Share premium	2,000		500	
Profit and Loss Account	<u>2,800</u>	<u>4,800</u>	<u>1,955</u>	<u>2,455</u>
		<u>6,800</u>		<u>3,955</u>

The following information is relevant:

- i. Included in Sopel Ltd's property at the date of acquisition was a leasehold property recorded at its depreciated historic cost of £400,000. The directors of Hample plc are of the opinion that the fair value of this leasehold at 1 October 2000 is £520,000. At the acquisition date, the lease on this property had four years remaining and hence depreciation is to be provided over this period.
- ii. The stock of Hample plc on 31 March 2001 contains goods at a transfer price of £25,000 that were supplied by Sopel Ltd who had marked them up with a profit of 25% on cost.
- iii. On 31 March 2001 Sopel Ltd remitted to Hample plc a cash payment of £15,000. This was not received by Hample plc until early April.
- iv. Consolidated goodwill is amortised over a five-year life, *calculated monthly*.

Required

Prepare the Consolidated Balance Sheet of Hample plc for the year ended 31 March 2001.

Consolidated Balance Sheet at 31-3-01

	£	£
Intangible Fixed Assets - goodwill	1	479430
- software	1/2	1800000
Tangible Fixed Assets ($600000 + 900000 + 105000$ $+ 1520000 + 1090000$)	2	4215000
Investments ($65000 + 210000$)	1/2	275000
		<u>6769430</u>
Current Assets		
Stock ($719000 + 560000 - 5000$)	1/2	1274000
Debtors ($524000 + 328000$)	1/4	852000
Cash ($20000 + 15000$)	1/2	35000
		<u>2161000</u>
Creditors < 1yr		
Trade creditors ($475000 + 472000$)	1/4	947000
Taxation ($228000 + 174000$)	1/4	402000
Overdraft	1/4	27000
Dividend	1/2	100000
		<u>1476000</u>
Net Current Assets		<u>685000</u>
Total Assets less Current liabilities		7454430
Creditors > 1yr	1/2	(430000)
		<u><u>7024430</u></u>

£

Share Capital
Share Premium
P+ A/c Reserve

1/2

2000000
2000000
2518930
6618930

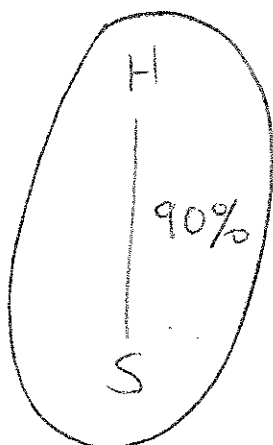
Minority Interest

405500

7024430

WORKINGS

(M)



(W2) Net Assets of S Ltd

	AT ACQ ⁿ £'000		AT B/S DATE £'000
Ordinary share capital	1500	1/2	1500
Share premium	500	1/2	500
Profit and Loss Account			
At 1-4-00	2200		
Loss for 6M	(123)		
At 31-3-01			1955
Fair Value Adjustment			
Property - cost	120	2	120
- add ⁿ dep ⁿ	—	2	(15)
	<u>4197</u>		<u>4060</u>

(W3) Unrealised Profit on Stock

$$\text{Unrealised profit} = \frac{25}{125} \times 25000 = \underline{\underline{£5000}}$$

Dr	pt & l a/c (group)	4500
	minority interest	500

Cr	stock (b/s)	5000
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(W4) Cash in Transit

Dr	Bank	15000
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Cr	Inter-co debtor	15000
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Consolidation Schedules

1. Goodwill

	£
Cost of investment	4310,000
less: share of net assets acquired (90% x 4197)	(3777300)
Goodwill	<u>532700</u>
less: amortised to date (6 months)	(53270)
Intangible Asset	<u><u>479430</u></u>

2. Minority Interest

	£
= 10% x 4060000	406000
less: unrealised profit	(500)
	<u><u>405500</u></u>

3, Consolidated P+L A/C Reserve

£

H plc

1/2 2800000

S plc

share of post-acqⁿ losses
(90% x 122000)

2 (109800)

less: extra depⁿ on fair value surplus
(90% x 15000)

(13500) 1 1/2

less: unrealised profit on stock

(4500) 1 1/2

less: amortisation to date

(53270) 1

2618930

(6)