

DIVIDENDS IN THE CONSOLIDATED BALANCE SHEET

On 1 January 2014, Wells Ltd acquired 24000 of Christie Ltd.'s ordinary shares, paying £56000 cash. The profit and loss account of Jones at that date stood at £30000.

Christie Ltd wishes to propose a dividend of £8000 for the y/e 31st December 2014.

Reproduced below are the balance sheets of the two companies as 31 December 2014.

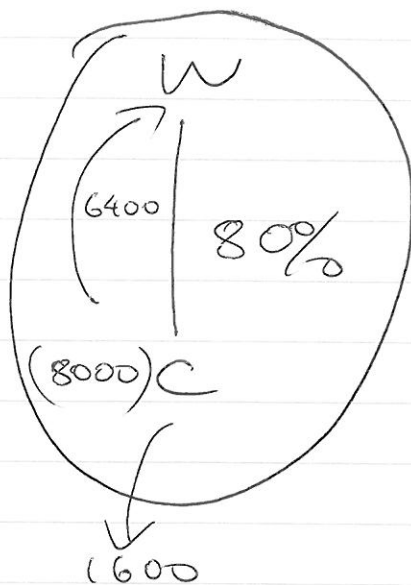
Goodwill on consolidation is amortised over a period of 5 years. A full year's charge is made in the year of acquisition.

	Wells		Christie	
	£000	£000	£000	£000
Fixed assets				
Plant and equipment		289		100
Investment in Christie Ltd		<u>56</u>		<u>100</u>
		345		100
Current assets				
Stocks	150		100	
Debtors	100		68	
Cash at bank	<u>50</u>		<u>168</u>	
	300			
Creditors: amounts falling due within one year				
Trade creditors	<u>100</u>		<u>100</u>	
Net current assets		200		<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>
		370		108
Share capital and reserves				
Ordinary shares of £1 each		90		30
Profit and loss reserve		<u>280</u>		<u>78</u>
		370		<u>108</u>

REQUIREMENT

Prepare the consolidated balance sheet at 31ST December 2014.

(W1) GROUP STRUCTURE



$$\frac{24000}{30000} = 80\%$$

(W2) NET ASSETS OF CHARLSTIE LTD

	AT ACQ ⁿ £	AT FY'S DATE £
Share capital	30000	30000
P+C Account	30000	70000
	<u>60000</u>	<u>100000</u>
		78000 - 8000

CONSOLIDATION SCHEDULE

1/ GOODWILL

Cost of investment	£ 56000
less: share of net assets acquired (80% × 60000)	(48000)
Goodwill	<u>8000</u>
less: amortised to date ($\frac{1}{5} \times 8000$)	(1600)
Intangible Asset	<u><u>6400</u></u>

2/ MINORITY INTEREST

$$= 20\% \times 100000 = \text{£} \underline{\underline{20000}}$$

(W3) CONSOLIDATED P&L A/C RESERVE

£

WELLS (280000 + ^(W1) 6400)

286400

CHRISTIE

Share of post-acquisition profits 32000
 $80\% \times (70000 - \cancel{40000} 30000)$

less: goodwill amortised to date (1600)

316800

CONSOLIDATED BALANCE SHEET AT 31-12-14

€

€

Intangible Assets: goodwill	6400
Tangible Fixed Assets:	
Plant + Equipment (289000 + 100000)	389000
	395400

CURRENT ASSETS

Stock (150000 + 100000)	250000
Debtors (100000 + 68000)	168000
Cash at Bank + In Hand	50000
	468000

CREDITORS < 1 YEAR

Trade creditors (100000 + 100000)	(200000)
Dividends	(1600)

Net Current Assets 266400

Total Assets less Current Liabilities 661800

CREDITORS > 1 YEAR

Long Term Loans (175000 + 60000)	(235000)
	426800

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Share capital
Profit + loss account reserve

£
90000
316800
406800

Minority interest

20000
426800