

QUESTION ONE

Below are the summarised balance sheets for two companies as at 31 March 2015:

	PRIME		SHINE	
	£million	£million	£million	£million
<u>Fixed assets</u>				
Tangible		520		280
Investments – in Shine		268		-
- in other		<u>77</u>		<u>40</u>
		<u>865</u>		<u>320</u>
<u>Current assets</u>				
Stock	142		160	
Debtors	95		88	
Cash at bank	<u>8</u>		<u>22</u>	
	<u>245</u>		<u>270</u>	
Creditors: amounts falling due within 1 year	<u>(200)</u>		<u>(165)</u>	
Net current assets		45		105
Creditors: amounts falling due within more than 1 year				
10% loan notes		<u>(180)</u>		<u>(20)</u>
Net assets		<u>730</u>		<u>405</u>
<u>Capital and reserves</u>				
Equity shares of £1 each		500		145
Share premium	100		nil	
Profit and loss account	<u>130</u>	<u>230</u>	<u>260</u>	<u>260</u>
		<u>730</u>		<u>405</u>

Notes:

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

i) Investment in Shine

On 1 April 2011 Prime acquired 101.5 million shares in Shine for an immediate cash payment of £268 million. Shine's profit and loss account reserve at the date of acquisition was £110 million.

ii) At the date of acquisition of Shine owned a recently built property that was carried at its (depreciated) construction cost of £58 million. The fair value of this property at the date of acquisition was £84 million and it had an estimated remaining life of 13 years.

For many years Shine has been selling some of its products under the brand name of 'PS'. At the date of acquisition the directors of Prime valued this brand at £16 million with a remaining life of 8 years. The brand is not included in Shine's balance sheet.

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

- iii) The stock of Shine at 31 March 2015 includes goods supplied by Prime for £60 million (at selling price from Prime). Prime adds a mark-up of 25% on cost when selling goods to Shine. There are no intra-group debtors or creditors at 31 March 2015.
- iv) None of the companies have paid any dividends for many years.
- v) The goodwill of Shine has an estimated life of eight years.
- vi) On 31 March 2015 Shine remitted to Prime a cash payment of £15 million. This was not received by Shine until early April 2015.

Required

Prepare a consolidated balance sheet of the Prime group as at 31 March 2015.

Show all workings.

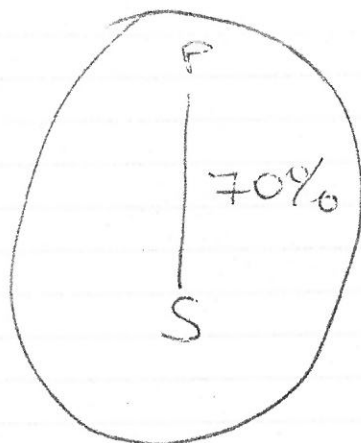
Work to the nearest £million.

32 MARKS

QUESTION ONE

AUG 16
RESU

W1 GROUP STRUCTURE



$$\frac{101.5m}{145m} = \underline{\underline{70\%}}$$

W2 NET ASSETS OF SHINE LTD

(1-4-11) (31-3-15)
AT ACQUISITION AT 18/5 DATE
£m £m

Share capital
P+L Account

145
110

145
260

FAIR VALUE ADJUST:

Property - surplus
- add'l depre
(26m x 4/13)

26
—

26
(8)

Brand - surplus
- amortised
(16m x 4/8)

16
—

16
(8)

297

431

(W3) UNREALISED PROFIT ON STOCK (P → S)

$$UNP = 60m \times \frac{25}{125} = \underline{12m}$$

Dr	ptl acc (group)	12m	
Cr	stock (Ys)		12m

(W4) CASH IN TRANSIT

Dr	BANK	15m	
Cr	INTER-CO DEBTOR		15m

CONSOLIDATION SCHEDULES

1/ GOODWILL

	£m
COST OF INVESTMENT	268
less: share of net assets acquired (70% $\times$ 297m)	(207.9)
Goodwill	<u>60.1</u>
less: amortised to date (4/3)	(30.05)
Intangible Asset	<u><u>30.05</u></u>

2/ MINORITY INTEREST

$$= 30\% \times 431m$$

$$\begin{array}{r} \text{£m} \\ \hline 129.3 \\ \hline \end{array}$$

3 CONSOLIDATED P+L A/C RESERVE

£-

Prime

130

Share:

Share of post-acq. profits
 $70\% \times (260 - 110)$

105

less: unrealised profit on stock (12)

less: group share of add'l degt
+ amortisation (11.2)

($70\% \times 16$)

less: goodwill amortised to date (30.05)

181.75

CONSOLIDATED BALANCE SHEET As 31-3-15

	fm	tm
Tangible Fixed Assets: goodwill		30.05
: Brands		8.0
Tangible Fixed Assets ($520 + 280 + 18$)		818.0
Investments ($77 + 40$)		117.0
		<u>973.05</u>

CURRENT ASSETS:

Stock $(142 + 160 - 12)$	290
Debtors $(95 + 88 - 15)$	168
Cash and Bank $(8 + 22 + 15)$	45
	503

CREDITORS = 1 YEAR (200 + 165) (365)

Net Current Assets 138.0

Total Assets less Current Liabilities 1111.05

CREDITORS > 17 MAR

(200.0)

911.05

Share Capital	500.00
Profit & Loss	100.00
Share premium account	181.75
	781.75

Minority interest	129.3
	911.05