

Q.2

UMAR STEEL PRODUCTS LIMITED
STATEMENT OF CASH FLOWS
For the Year ended June 30, 2009

	Rs. (000)	Rs. (000)
Cash flows from operating activities		
Net Profit before taxation		123,189
Non-cash adjustments		
- Depreciation	39,350	
- Amortization	1,100	
- Income on investments	(108,110)	
- Loss on sale of fixed assets	1,262	
- Financial charges	245,469	
		179,071
Changes in working capital		
Decrease in trade and other payables	(96,970)	
Due to associated undertakings	(5,000)	
Increase in stores and spares	(4,060)	
Increase in stock-in-trade	(25,672)	
Increase in trade debts	(29,430)	
Increase in prepayments and other receivables	(3,962)	
		(165,094)
Interest paid		(249,659)
Taxes paid		(110,262)
Cash flows from operating activities		(222,755)
Cash flows from investing activities		
Fixed capital expenditure	(22,542)	
Disposal of fixed assets	9,400	
Purchase of intangible assets	(2,825)	
Long term investments - net	25,040	
Interest received	110,160	
Cash used in investing activities		119,233

Financial Reporting (Stage-5)

Cash flows from financing activities

Rights issue	8,640	
Dividends paid	(4,080)	
Repayment of redeemable capital	(25,000)	
Repayment of liabilities against assets subject to finance leases (5544-6319-7970)	(8,745)	
Net cash used in financing activities		(29,185)
Net cashflow during the year		(132,707)
Opening balance of cash and cash equivalents		57,761
Closing balance of cash and cash equivalents		(74,946)

Workings**Trade and other payables**

Balance as per statement of financial position
Due to associated undertakings

	2009	2008
	175,980	282,030
Unclaimed dividend	18,200	23,200
	35,200	39,280
	(53,400)	(62,480)
Difference	122,580	219,550
	(96,970)	

Financial Charges

Accrued markup on loans - opening balance

Financial charges	18,340
Accrued markup on loans - closing balance	245,469
Cash paid	(14,150)
	249,659

Taxation

Taxation - net	16,285	10,200
Deferred taxation	(66,422)	(32,900)
	(50,137)	(22,700)
Tax charge for the year 2009	-	(137,699)
	(50,137)	(160,399)
Taxes paid	(110,262)	

Financial Reporting (Stage-5)

Fixed Assets

Closing balance - PPE	430,650
Depreciation	39,350
Disposal of fixed assets	10,562
Opening balance - PPE	<u>(459,120)</u>
Cash paid	<u>22,542</u>

Intangible Assets

Closing balance	4,830
Amortization	1,100
Opening balance	<u>(3,105)</u>
Cash paid	<u>2,825</u>

Long term Investments

Balance as per statement of financial position	14,500	38,540
Current maturity of long term loans	1,500	2,500
	<u>16,000</u>	41,040
Cash received	<u>25,040</u>	

Interest received

Accrued income on investments - opening balance	8,200
Income on investments	<u>108,110</u>
Total due	116,310
Accrued income on investments - closing balance	<u>(6,150)</u>
Cash received	<u>110,160</u>

Redeemable capital

Balance as per statement of financial position	125,222	150,222
Current maturity of long term loans	25,000	25,000
	<u>150,222</u>	175,222
Cash paid	<u>25,000</u>	

Financial Reporting (Stage-5)

Liabilities against assets subject to finance leases

Balance as per statement of financial position

-	7,970
5,544	6,319

Current maturity of long term loans

5,544	14,289
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Cash paid

8,745

Cash and cash equivalents

Cash and bank balances

27,304	24,561
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Investments

18,750	33,200
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Bank borrowings

(121,000)	0
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(74,946)	57,761
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Q.3

A¹ Limited
Consolidated Statement of Financial Position
As at June 30, 2009

	<u>Rs. ^u million</u>
Non-current Assets:	
Property, Plant and Equipment	210
Long term deposit	12
Goodwill (W-2)	165.16
	<u>387.16</u>
Current Assets:	
Trade debtors (40+50+40-2-5)	123
Stock in trade (5+3+2+2-0.4-0.15)	11.45
Advances and other receivable (15+2+3-2-1.5)	16.50
Short - term investment	13
Cash and cash equivalents	15
	<u>178.95</u>
	<u>566.11</u>
Equity attributable to equities holder of the parent:	
Share capital	200
Share premium (50+8.4)	58.4
Retained Earnings (W-3)	80.352
	<u>338.752</u>
Minority Interest (W-1)	40.358
Non-current liabilities:	
Long term loan	35.00
Pension Scheme	0.50
	<u>35.5</u>
Current liabilities:	
Creditors accrued and other liabilities (50+55+32-2-1.5)	133.50
Short - term loan (10+5+3)	18.00
	<u>151.50</u>
	<u>566.11</u>

WORKINGS:**(W-1) Minority Interest**

(Rs.'000)

(A) B Limited

Share capital (0.30 x 50,000)	15,000
Share Premium (0.30 x 12,000)	3,600
Retained Earnings (0.30 x 68,000)	20,400
Investment in C Limited (0.30 x 70,000)	(21,000)
	<u>18,000.0</u>

(B) C Limited

Share capital (0.28 x 50,000)	14,000
Share Premium (0.28 x 5,000)	1,400
Retained Earnings 0.28 x (25,000 - 150)	6,958
	<u>22,358</u>
Minority Interest (18,000 + 22,358)	<u>40,358</u>

Financial Reporting (Stage-5)

(W-2) Goodwill B Limited

(Rs. million)

Cost of Investment

Share of net assets acquired by:

150

Share capital

50

Retained earnings

12

62

Group share (0.70 x 62)

43.4

Goodwill

106.6

C Limited

Cost of Investment

Direct 30%

65

(0.70 x 70)

49

114

Share of net assets acquire represented by:

Share capital

50

Share premium

5

Retained earnings

22

77

Group share (0.72 x 77)

55.44

Goodwill

58.56

Total Goodwill (106.6 + 58.56)

165.16

Share Premium Account:

(Rs. '000)

A Limited

50,000

B Limited: All post-acquisition Rs.12,000 x 0.70

8,400

58,400

(W-3) Retained Earnings

		Rs.		Rs.
Unrealized profit on goods	0.400		A Limited	45.000
Dispatched to B Limited				
Defined benefit pension scheme obligation	5.500		Share of post-acquisition Retained Earnings: -	
Balance c/f	80.352		B Limited:	
			At Balance sheet date	68
			Pre-acquisition	(12)
				56
			Group share (0.70 x 56)	39.200
			C Limited:	
			At balance sheet date	25
			Unrealised profit	(0.15)
			Pre-acquisition	(22)
				2.85
			Group share (0.72 x 2.85)	2.052
				86.252
		86.252		

Q.4 (a)**(i) Classification of investments**

Subsequent to initial recognition, IAS 39 classifies financial assets into four categories as follows:

Financial assets at fair value through profit and loss

Held-to-maturity investments

Loans and receivables

Available for sale financial assets

Shares in Alpha Limited

The investment in Alpha Limited is made with an intention of short-term profit making. Hence these will be classified as 'financial assets at fair value through profit and loss'.

Shares in Beta Limited

The investment in Beta Limited will be classified as 'available for sale' since it does not fit into criteria for either 'financial assets at fair value through profit and loss', 'held-to-maturity investments', or 'loans and receivables'.

Debentures in Gamma Limited

The investment in Gamma Limited was made initially with an intention of short-term profit making. Hence these will be classified as 'financial assets at fair value through profit and loss'. It does not make any difference that the intention of management is now to hold these till maturity. Any investment once classified as 'financial asset at fair value through profit and loss' cannot be reclassified into any other category.

Debentures in Theta Limited

As per the management intention, the investment in Theta Limited was made with a view to hold it till maturity. Since these investments are not quoted in an active market, these will be classified as loans and receivables.

(ii) The investments will be reflected at the following amounts in the statement of financial position as at June 30, 2009

	Rs. 000
Shares in Alpha Limited	576
Shares in Beta Limited	1,911
Debentures in Gamma Limited	9,360
Debentures in Theta Limited	3,194
	15,041

Shares in Alpha Limited

	Rs. 000
Fair market value of investment at the year-end	576
Cost of investment	441
Gain on remeasurement to fair value taken to income statement	135

Shares in Beta Limited

Fair market value of investment at the year-end	1,911
Cost of investment	1,960
Loss on remeasurement to fair value taken to statement of changes in equity	(49)

Debentures in Gamma Limited

	Rs. 000
Fair market value of debentures at the year-end	9,360
Cost of debentures	9,090
Gain on remeasurement to fair value taken to income statement	<u>270</u>

Debentures in Theta Limited

Interest income using effective interest rate	(3,185 x 0.1691 x 6/12)	269
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Q.4 (b)

In the consolidated financial statements property C would have to be classified as an owner-occupied property and treated under IAS 16 (benchmark). This means it would be carried at depreciated historic cost.

Income statement: - year to 30 June

	2008 Rs.	2009 Rs.
Depreciation – property C (Rs. 136,500/50 years)	(2,730)	(2,730)
Investment property surpluses - A	15,000	29,000
- B	8,000	
Investment property deficits - B		(21,000)

Statement of Financial Position: as at June 30,

	2008 Rs.	2009 Rs.
Property, plant and equipment – C	133,770	131,040
Investment properties A and B	179,000	187,000

THE END