Marks

Q.2 **Coffee Group**

Consolidated Statement of Financial Position
As at December 31, 2012

	(Rs.'000)	Marks
Non Current Assets		
Property Plant and Equipment (40,000+9,000+1,000)	50,000.00	0.5+0.5
Goodwill	1,325.00	
	51,325.00	
Inventory (8,000+1,500)	9,500.00	0.5
Debtors (2,000+300)	2,300.00	0.5
Cash and Bank (1,500+200)	1,700.00	0.5
	13,500	
	64,825.00	
Equity		
Share Capital	10,000.00	0.5
Consolidated Reserve	38,647.50	0.5
Other reserves	920.00	0.5
	49,567.50	
Non Controlling Interest	3,457.50	0.5
Liabilities (10,000+1,800)	11,800.00	0.5
	64,825.00	

Group Structure
Coffee Co

01/01/2012	25%
30/09/2012	45%
	70%
NCI	30%
	100%

Goodwill

			Marks
Consideration Transferred		5,006,250	
Non Controlling Interest (300,000 x 11.125)		3,337,500	1.0
FV of P's Previously held equity interest (250,000 x 11.125)		2,781,250	1.0
Fair Value of Identifiable Assets			
Share Capital	1,000,000		
Reserves	7,800,000		
Fair Value Adjustment	1,000,000	9,800,000	1.0
Goodwill		**1,325,000**	0.5

			Marks
Fair Value Adjustment			
Fair Value of Assets		9,800,000	
Less Book Value (1,000 + 7,800)		(8,800,000)	
As at 30th Sept 2012		**1,000,000**	**1.0**

Consolidated Reserve

	Coffee	**Tea**	**Tea**	
Per Question / at date of Control	39,550,000	7,800,000	8,200,000	
Share based Payment	(920,000)			**0.5**
Profit on de-recognition of Investment	81,250			**0.5**
Reserve at acquisition		(6,800,000)	(7,800,000)	
		1,000,000	400,000	**0.5+0.5**
Group Share of Post Acquisition reserves				
Tea (25% of 1000,000)	250,000			**0.5**
Tea (70% of 400,000)	280,000			**0.5**
Less Gain recognized in Coffee Financials	(593,750)			**0.5**
	38,647,500			**0.5**

Profit on De-recognition of Investment	**(Rs.)**	
Fair value at the date of control	2,781,250	
Parent's share of carrying value [2,450,000 + 25% of (7,800,,000 – 6,800,000)]	2,700,000	**0.5+0.5**
	81,250	**0.5**
Non Controlling Interest		
NCI at Acquisition	3,337,500	
NCI Share of Reserve Post Control [(8,200,000 – 7,800,000) x 30%]	120,000	**0.5+0.5**
	3,457,500	**0.5**

Gain recognized by Coffee		
Book Value of Investment	8,050,000	
Less: Cost of Investment (5,006,250 + 2,450,000)	7,456,250	**0.5+0.5**
	593,750	**0.5**

Share Option

No of options		250	
Total Employees	1,500		
left during the year and expected to leave in future (30 + 90)	(120)	1,380	**0.5**
Option value		8	
Total value of expected options (1,380 x 250 x 8)		2,760,000	**0.5+0.5**
No of years		3	
Current years expenses (2760000 ÷ 3)		920,000	**0.5**

Marks

Q.3 **Season Group**

Consolidated statement of Comprehensive income

For the year ended June 30, 2012

	(Rs.'000)	Marks
Revenue (9,500 + 7,275 x 4/12 – 300)	11,625.00	2.0
Cost of Sales (6,500 + 4,230 x 4/12 – 300 + 20 + 250)	(7,880.00)	3.0
Gross Profit	3,745.00	
Operating Expenses (1,000 + 375 x 4/12 + 5)	(1,130.00)	2.0
Other Income (230+210 x 2/12)	265.00	1.5
Finance Costs (0 + 210 x 4/12 + 70)	–	
Share of Profit of Associate (1,148 x 25%)	287.00	1.0
Profit / (Loss) before tax	3,167.00	
Income tax expenses (300 + 300 x 4/12)	(400.00)	1.5
Profit / (Loss) after tax	2,767.00	0.5
Other comprehensive income (130 + 4/12 x 120)	170.00	1.5
Share of other comprehensive income of Associate (8 x 0.25)	2.00	1.0
Total comprehensive income for the year	2,939.00	1.0

Profit attributable to :		
Owner of Parent	2,523.75	0.5
Non controlling interest	243.25	
	2,767.00	

Profit attributable to :		
Owner of Parent	2,681.75	0.5
Non controlling interest	257.25	
	2,939.00	

Working:

Finance Income	**(Rs.'000)**		**(Rs.'000)**
Loan amount	2,100	10%	210
Recorded on 1st Jan			105
to be recorded			**105**
Pre Acquisition (months) - Real Income		8	140
Post Acquisition (months)- Net off		4	**70**
			210

		Marks
Administrative Expenses		
Fair value of Plant and Equipment	500	
Book Value	350	
	150	
Depreciation(150 / 10)	15	**0.5**
Depreciation for 4 month [15 x (4/12)]	5	**0.5**

Non Controlling interest	(Rs.'000)	
	Summer	
Profit / loss For the year (2,160 x 4/12)	720.00	**0.5+0.5**
Unrealised Profit	(20.00)	**0.5**
FV depreciation	(5.00)	**0.5**
	695.00	
% of Non controlling interest	35%	
Non Controlling interest (695 x 0.35)	243.25	**0.5+0.5**

Non Controlling interest		
	Summer	
Profit / loss For the year (2,280 x 4/12)	760.00	**0.5+0.5**
Unrealised Profit	(20.00)	**0.5**
FV depreciation	(5.00)	**0.5**
	735.00	
% of Non controlling interest	35%	
Non Controlling interest (735 x 0.35)	257.25	**0.5+0.5**

Unrealized Profit on Inventory		
(Rs. 300,000 x 2/3) x 10%	20.00	**1.0+1.0**

Marks

Q.4 (a)

Share appreciation rights 250
No of employees 400

Years	Liability at year end	Charge to P & L	Marks
2009-10	**Rs.354,167**	**Rs.354,167**	**0.5+0.5**
	[(400 – 20 – 20 – 20) x 12.5 x 250 x 1/3]		**1.0**
2010-11	**Rs.784,000**	**Rs.429,833**	**0.5+0.5**
	[(400–20–24–20) x 14 x 250 x 2/3]	(784,000–354,167)	**1.0+0.5**
2011-12	**Rs.829,125**	**Rs.45,125**	**0.5+0.5**
	[(400–20–24–30–125) x 16.5 x 250 x 3/3]	(829,125 – 784,000)	**1.0+0.5**
Rights exercised		**Rs.531,250**	**0.5**
		[125 x 17.0 x 250]	**0.5**
		Rs.576,375	

(b) Earnings per Share and Diluted Earnings per Share of subsidiary:

Basic EPS of Subsidiary

	(Rs.'000)	
Profit (W1)	Rs.7,500.00	
No of shares	1,200.00	
Basic EPS (7,500 ÷ 1,200)	Rs.6.25	**0.5+0.5**

Diluted Earning per share

Profit	Rs.8,000	
No of shares (W2)	2,000	
Diluted Earning per share (8,000 ÷ 2,000)	Rs.4.00	**0.5+0.5**

Working 1

Profit	Rs.8,000	
Less : Dividend paid to preference share holder	Rs. (500)	**0.5**
	Rs.7,500	**0.5**

Working 2

Ordinary shares	1,200	
Incremental shares from warrants [600 – (600 x 10) ÷ 20]	300	**0.5+0.5**
Convertible preference shares	500	**0.5**
	2,000	**0.5**

		Marks
For Group		
Basic EPS		
Profit (W1)	Rs.31,000	
No of shares	10,000	
Basic EPS (31,000 ÷ 10,000)	Rs.3.10	**0.5+0.5**
Diluted Earning per share		
Profit (W2)	Rs.30,700	
No of shares	10,000	
Diluted Earning per share (30,700 ÷ 10,000)	Rs.3.07	**0.5+0.5**
Working 1		
Profit	Rs.25,000	
Add Portion of DC profit (375x1)+(900x6.25)	Rs.6,000	**0.5+0.5**
	Rs.31,000	**0.5**
Working 2		
Profit	Rs.25,000	
Add DC's earning attributable to ordinary shareholder (1200 x 4.00 x 75%)	Rs.3,600	**0.5+0.5**
Add DC's earning attributable to Warrant (300 x 4) x 50%	Rs.600	**0.5+0.5**
Add DC's earning attributable to Preference share (500x4)x75%	Rs.1,500	**0.5+0.5**
	Rs.30,700	**0.5**

Marks

Q.5 (a) The amount that can be recognized is the lower of:

	(Rs.)	Marks
Present value of Pension liability (30.06.2011)	6,500,000	**0.5**
Interest @ 10%	650,000	**1.0**
Current Service cost	750,000	**0.5**
Benefits paid	(500,000)	**0.5**
	7,400,000	
Re-measurement component (Loss)	100,000	**0.5**
Present value of Pension liability (30.06.2012)	7,500,000	**1.0**
Fair value of Plan assets (30.06.2011)	6,800,000	**0.5**
Interest @ 10%	680,000	**1.0**
Benefits paid	(500,000)	**0.5**
Contribution	800,000	**0.5**
	7,780,000	
Re-measurement component (Gain)	420,000	**0.5**
Fair value of Plan assets (30.06.2012)	8,200,000	**1.0**
Statement of Financial Position		
Present value of Plan obligation	7,500,000	
Fair value of Plan assets	8,200,000	
	(700,000)	**1.0**
PV of future refunds / reductions in future contributions	300,000	
The amount of assets recognized is lower of Rs.300,000 and Rs.700,000	300,000	**1.0**

(b)

Carrying amount of loan	10,000,000	**1.0**
(Since coupon rate & effective interest rate are common)		
Recoverable amount after 3 years	7,500,000	
PV of recoverable amount		
= 7,500,000 * 1 / (1.09)^3	5,791,376	**0.5+0.5**
Impairment loss		
(carrying amount - PV of recoverable)	4,208,624	**0.5+0.5**
Statement of comprehensive income		
Impairment loss	4,208,624	**1.0**
Statement of financial position		
Loan	5,791,376	**1.0**

Marks

Q.6 (a) An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), **1.5**
- Whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and **1.0**
- For which discrete financial information is available. **0.5**

(b) (i) Management commentary is a narrative report that provides a context within which to interpret the financial position, financial performance and cash flows of an entity. **1.0**

It also provides management with an opportunity to explain its objectives and its `strategies for achieving those objectives. **1.0**

(ii) Following are the elements of management commentary:

- The nature of the business **1.0**
- Management's objectives and its strategies for meeting those objectives **1.0**
- The entity's most significant resources, risks and relationships **1.0**
- The results of operations and prospects **1.0**
- The critical performance measures and indicators that management uses to evaluate the entity's performance against stated objectives. **1.0**

THE END