

FINANCIAL REPORTING STAGE-5

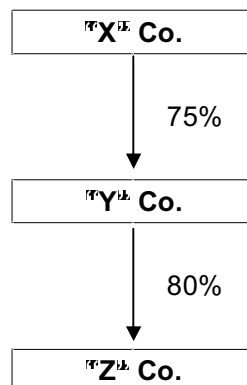
Marks

Q. 2

**Consolidated statement of Financial Position
As at June 30, 2011**

ASSETS	₹Xth Co.	
Non-Current Assets		
Property, plant and equipment (870,450 + 740,250 + 40,000)	1,650,700	1.0
Goodwill	51,950	0.25
	<u>1,702,650</u>	
Current assets		
Inventory	263,250	0.25
Accounts receivables (100,000 + 98,000 + 5,000)	203,000	1.0
Cash (120,000 + 49,500 + 20,000)	189,500	1.0
	<u>655,750</u>	
Total Assets	<u>2,358,400</u>	
LIABILITIES AND EQUITY		
Equity		
Ordinary shares of Rs. 1 each	400,000	0.5
Retained earnings	300,963	0.25
	<u>700,963</u>	
Non-controlling interest	140,937	0.25
	<u>841,900</u>	
Non-current liabilities (450,450 + 350,250 + 25,000)	825,700	1.0
	<u>1,667,600</u>	
Current liabilities		
Accounts payable (320,800 + 159,000 + 70,000)	549,800	1.0
Taxation (120,000 + 21,000)	141,000	1.0
	<u>690,800</u>	
Total liabilities and equity	<u>2,358,400</u>	

Working:



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Group interest in "Y" Co.	75%	
Group interest in "Z" Co. (80% x 75%)	60%	0.5
NCI in "Y" Co. (1 – 75%)	25%	
NCI in "Z" Co. (Indirect) (25% x 80%)	20%	
NCI in "Z" Co. (Direct) (1 – 80%)	20%	
Total NCI in "Z" Co.	<u>40%</u>	0.5

Group Share in Goodwill:

In "Y" Co.:	Rs.	Rs.	
Consideration transferred		320,000	0.25
Less net assets acquired:			
Share capital	300,000		0.25
Retained earnings	120,000		0.25
	<u>420,000</u>		
75% of 420,000		315,000	0.25
		<u>5,000</u>	0.25
In "Z" Co.:			
Consideration transferred (75% of 68,600)		51,450	0.25
Less net assets acquired:			
Share capital	50,000		0.25
Retained earnings	(7,500)		0.25
	<u>42,500</u>		
(60% of 42,500)		25,500	0.25
		<u>25,950</u>	0.25
Total		<u>30,950</u>	0.5

NCI Share in Goodwill:

In "Y" Co.:	Rs.	Rs.	
FV of NCI at acquisition		108,000	0.25
Less net asset acquired:			
Share capital	300,000		0.25
Retained earnings	120,000		0.25
	<u>420,000</u>		
25% of 420,000		105,000	0.25
		<u>3,000</u>	0.25

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FV of 40% NCI at acquisition		35,000	0.25
Less net asset acquired:			
Share capital	50,000		0.25
Retained earnings	(7,500)		0.25
	<u>42,500</u>		
40% of 42,500		17,000	0.25
		<u>18,000</u>	0.25
Total		21,000	0.5
Goodwill to Statement of Financial Position (30,950 + 21,000)		51,950	1.0

Retained Earnings:

	^X Co.	^Y Co.	^Z Co.	
At balance sheet date	250,200	187,600	(5,000)	0.25+0.25+0.25
Less: Reserve at acquisition	.	(120,000)	7,500	0.25+0.25
Unrealised profit in inventory	.	(11,250)	.	0.25
		<u>56,350</u>	<u>2,500</u>	0.25+0.25
Less: Unrealised profit in inventory	(2,000)			0.5
Add: Share in ^Y Co. (75% x 56,350)	42,263			0.5
Share in ^Z Co. (60% x 2,500)	1,500			0.5
	<u>300,963</u>			0.5

Non-controlling Interest:**In ^Y Co.:**

Share capital at balance sheet date	300,000	0.25
Retained earnings	187,600	0.25
Less: Investment in ^Z Co.	(68,600)	0.25
	<u>419,000</u>	
25% of 419,000	104,750	0.25
Add: Share in goodwill	3000	0.25
Less: Unrealised profit (25% x 11,250)	(2,813)	0.25
	<u>104,937</u>	0.25

FINANCIAL REPORTING STAGE-5**Marks****In 'Z' Co.:**

Share capital at balance sheet date	50,000	0.25
Retained earnings at balance sheet date	(5,000)	0.25
	<u>45,000</u>	
40% of 45,000	18,000	0.25
Add: Share in goodwill	18,000	0.25
	<u>36,000</u>	0.25
Non-controlling interest to balance sheet (104,937 + 36,000)	<u>140,937</u>	0.25
Unrealised profit in inventory held by 'Y' Co. (25% of 8,000)	2,000	0.5
Unrealised profit in inventory held by 'Z' Co. (75% of 25% of Rs.60,000)	11,250	0.75
<i>Inventory to Consolidated Statement of Financial Position</i> (140,000 + 61,500 + 75,000 – 2,000 – 11,250)	263,250	1.0

Q. 3

Rising Star Limited
Statement of Cash Flows
For the Year ended June 30, 2011

	<u>Rs.</u>	<u>Rs.</u>
Cash Flows from Operating Activities		
Net Profit before taxation	124.959	0.5
Non-cash adjustments		
- Depreciation	35.450	0.5
- Amortization	1.125	0.5
- Income on investments	(12.112)	0.5
- Loss on sale of fixed assets (15.555 – 11.495)	4.060	1.0
- Financial charges	51.251	0.5
	<u>204.733</u>	
Changes in Working Capital		
Decrease in trade and other payables	(90.800)	1.0
Increase in inventory	(49.762)	1.0
Increase in trade debts	(9.400)	1.0
Increase in prepayments and other receivables	(6.184)	1.0
	<u>48.587</u>	
Interest paid	(54.301)	0.5
Taxes paid	(41.973)	0.5
Cash flows from operating activities		(47.687)

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Marks

	Rs.	Rs.	
Cash Flows from Investing Activities			
Fixed capital expenditure	(95.777)		0.5
Disposal of fixed assets	11.495		0.5
Purchase of intangible assets	(2.545)		0.5
Long-term investments (61.042 – 12.667)	48.375		1.0
Interest received	13.022		0.5
Cash used in investing activities		(25.430)	
Cash Flows from Financing Activities			
Shares issued (271.200+3.300–194.000–1.860)	78.640		2.0
Repayment of redeemable capital (185.232-155.227)	(30.005)		1.0
Repayment of liabilities against assets subject to finance leases	(12.737)		0.5
Net cash used in financing activities		35.898	0.5
Net cash flow during the year		(37.219)	
Opening balance of cash and cash equivalents		66.424	
Closing balance of cash and cash equivalents		29.205	

Working:

	(Rs. million)		(Rs. million)	
PPE				
Bal b/d	491.117	Depreciation	35.45	
		Sold	15.555	
Addition	95.777	Bal c/d	535.889	1.0
	586.894		586.894	
Intangible				
Bal b/d	4.66	Amortization	1.125	
Purchase	2.545	Bal c/d	6.08	0.5
	7.205		7.205	
Tax Payable				
Tax paid	41.973	Bal b/d(Def Tax)	42.910	
		Bal b/d(Tax payable)	35.500	
Bal c/d	46.422	Income statement	50.235	1.0
Bal c/d	40.250		128.645	
	128.645		128.645	
Interest Payable				
		Bal b/d	19.400	
Interest paid	54.301	Income statement	51.251	0.5
Bal c/d	16.350		70.651	
	70.651		70.651	

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Marks

(Rs. million)		(Rs. million)		
Interest Receivable				
Bal b/d	9.26			
Current interest	12.112	Received cash	13.022	0.5
		Bal c/d	8.35	
	21.372		21.372	
Liabilities Against Assets Subject to Finance Leases				
		Bal b/d	8.971	
Payment	12.737	Bal b/d	7.31	1.0
Bal c/d				
Bal c/d	3.544			
	16.281		16.281	
Reserves				
		Bal b/d	74.580	
		NP after tax	74.724	
Bal c/d	149.304			
	149.304		149.304	

Q. 4 (a) Disclosures:

Lessees shall, in addition to meeting the requirements of IFRS 7 Financial Instruments: Disclosures, make the following disclosures for finance leases:

- (a) for each class of asset, the net carrying amount at the end of the reporting period. 0.5
- (b) a reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value. 0.5
- In addition, an entity shall disclose the total of future minimum lease payments at the end of the reporting period, and their present value, for each of the following periods: 0.5
- (i) not later than one year; 0.5
- (ii) later than one year and not later than five years; 0.5
- (iii) later than five years. 0.5
- (c) contingent rents recognised as an expense in the period. 0.5
- (d) the total of future minimum sublease payments expected to be received under non-cancellable subleases at the end of the reporting period. 0.5
- (e) a general description of the lessee's material leasing arrangements including, but not limited to, the following: 0.5
- (i) The basis on which contingent rent payable is determined; 0.5
- (ii) The existence and terms of renewal of purchase options and escalation clauses; and 0.5
- (iii) Restrictions imposed by lease arrangement, such as those concerning dividends, additional debt, and further leasing. 0.5

FINANCIAL REPORTING STAGE-5**Marks****(b) Computation of Limits of Corridor:**

10% of opening plan obligation	(10% x 640)	Rs.64 million	0.5
10% of opening plan assets	(10% x 600)	Rs.60 million	0.5

Because opening balance of unrecognised actuarial gains i.e., Rs.80 million is greater than Rs.64 million (i.e., higher of Rs.60 million and Rs.64 million) the following amount should be recognised:

$$(Rs.80 - Rs.64) \div 8 = Rs.2 \text{ million} \quad 2.0$$

Working:**(i) Expense to be Recognised in Profit or Loss:**

	Rs. (Million)	
Current service cost	21	0.5
Interest cost	52	0.5
Less: Expected return on plan assets	(61)	0.5
Actuarial gain recognised	(2)	0.5
	10	0.5

(ii) Unrecognised Actuarial Gains at December 31, 2010:

	Rs. (Million)	
Balance at January 01, 2010	80	0.5
Add: Actuarial gain	15	0.5
Less: Actuarial loss	(42)	0.5
Actuarial gain recognised	(2)	0.5
	51	1.0

(iii) Net Liability to be Shown in Statement of Financial Position:

	Rs. (Million)	
Plan liability at December 31, 2010	715	0.5
Less: Plant assets at December 31, 2010	(685)	0.5
	30	
Add: Unrecognised actuarial gain at December 31, 2010	51	0.5
	81	1.0

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Marks

(c) Debt 1:

Year	Opening Balance	Effective Interest Rate 15%	Payments 1%	Closing Balance
1	25,000 (1.0 mark)	3,750	(250)	28,500
2	28,500	4,275	(250)	32,525
3	32,525	4,879	(250)	37,154
0.5+0.5+0.5 marks				0.5+0.5+0.5 marks

Debt 2:

Year	Opening Balance	Effective Interest Rate 15%	Payments 1%	Closing Balance
1	17,009 (1.0 mark)	2,551	250	19,310
2	19,310	2,897	250	21,957
3	21,957	3,294	250	25,000
0.5+0.5+0.5 marks				0.5+0.5+0.5 marks

THE END