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SLFRS 11 – Joint Arrangements

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Practice question

The following draft statements of financial position relate to Robby, Hail and Zinc, all public limited companies, as at 31 March 2019: (In Rs'mn)

	Robby		Hail		Zinc	
Assets						
Non – current assets:		112		60		26
Property, plant and equipment	55					
Investment in Hail	19					
Investment in Zinc						
Financial assets	9		6		14	
Jointly controlled operation		6				
Current assets		5		7		12
Total assets	206		73		52	
Equity and Liabilities						
Ordinary shares	25		20		10	
Other components of equity		11		-		-
Retained earnings	70		27		19	
Total equity	106		47		29	
Non-current liabilities	53		20		21	
Current liabilities	47		6		2	
Total equity and liabilities	206		73		52	

The following information needs to be taken into account in the preparation of the group financial statements of Robby:

I. On 1 April 2017, Robby acquired 80% of the equity interests of Hail. The purchase consideration comprised cash of Rs.50 million. Robby has treated the investment in Hail as FVTOCI.

   It is Robby's policy to measure the non-controlling interest at fair value and this was Rs.15 million on 1 April 2017.

On 1 April 2017, the fair value of the identifiable net assets of Hail were Rs.60 million and the retained earnings of Hail were Rs.16 million. The excess of the fair value of the net assets is due to an increase in the value of non-depreciable land.

II. On 1 April 2016, Robby acquired 5% of the ordinary shares of Zinc. Robby had treated this investment at fair value through profit or loss in the financial statements to 31 March 2018.

On 1 October 2018, Robby acquired a further 55% of the ordinary shares of Zinc and gained control of the company

The consideration for the acquisitions was as follows:

	Shareholding	Consideration Rs.mn
1 April 2016	5%	2
1 October 2018	55%	16
	60%	18

At 1 October 2018, the fair value of the equity interest in Zinc held by Robby before the business combination was Rs.5 million.

It is Robby's policy to measure the non-controlling interest at fair value and this was Rs.9 million on 1 October 2018.

The fair value of the identifiable net assets at 1 October 2018 of Zinc was Rs.26 million, and the retained earnings were Rs.15 million. The excess of the fair value of the net assets is due to an increase in the value of property, plant and equipment (PPE), which was provisional pending receipt of the final valuations.

These valuations were received on 1 January 2019 and resulted in an additional increase of Rs.3 million in the fair value of PPE at the date of acquisition. This increase does not affect the fair value of the non-controlling interest at acquisition. PPE is to be depreciated on the straight-line basis over a remaining period of five years.

III. Robby has a 40% share of a joint operation, a natural gas station. Assets, liabilities, revenue and costs are apportioned on the basis of shareholding.

The following information relates to the joint arrangement activities:

The natural gas station cost Rs.15 million to construct and was completed on 1 April 2018 and is to be dismantled at the end of its life of 10 years. The present value of this dismantling cost to the joint arrangement at 1 April 2018, using a discount rate of 5%, was Rs.2 million.

In the year, gas with a direct cost of Rs.16 million was sold for Rs.20 million. Additionally, the joint arrangement incurred operating costs of Rs.0·5 million during the year.

Robby has only contributed and accounted for its share of the construction cost, paying Rs.6 million. The revenue and costs are receivable and payable by the other joint operator who settles amounts outstanding with Robby after the year end.

Required:

a) Prepare a consolidated statement of financial position of the Robby Group at 31 March 2019.