CA Corp Level FRG Sandeepa Pack 06

JMC JAYASEKERA MANAGEMENT CENTRE
"Pioneers in Professional Education"

CA – Corporate Level

Consolidated Statement of Profit or Loss

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MBA (PIM-SJP), B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, SAT, ACMA (UK), CGMA (UK), CA Prize Winner for AFR subject in Strategic Level II, CA First in Order of Merit Prize Winner in CAB II Level, CIMA Strategic Level Aggregate Prize Winner.

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Consolidated Statement Profit or Loss

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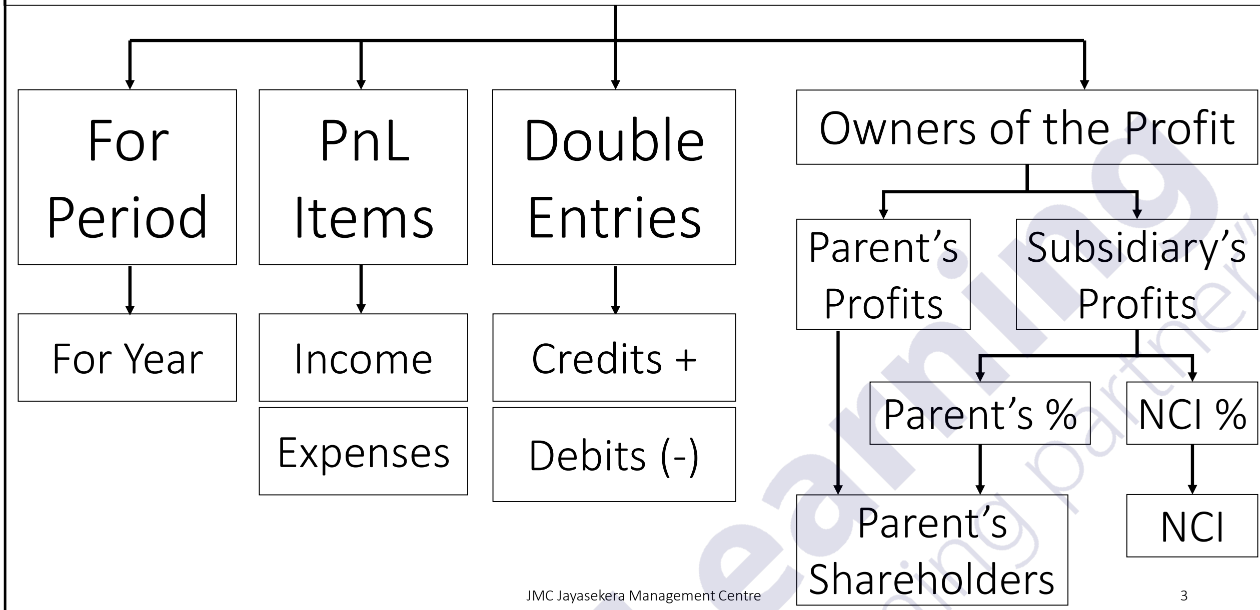
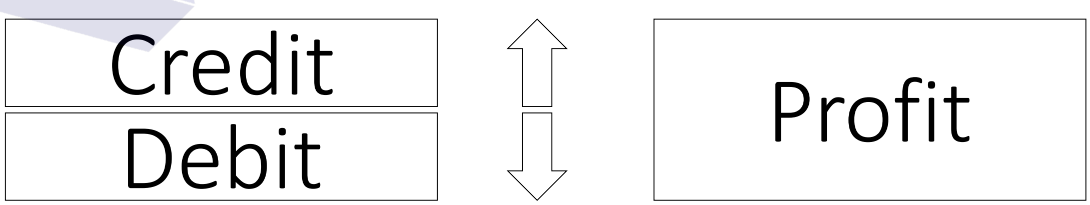
Console PnL



Dr		PnL	Cr
Cost of Sales	XX	Revenue	XXX
Admin Expenses	X	Other Income	X
Marketing Expenses	X		



Consolidation Principles in C.SFP Remain the Same in C.SPnL

Steps to Follow in preparing Console PnL

Glance Through
- Read Requirement
- Highlight Important Items

Draft Statements
- Console PnL
- NCI Share of Profits

Pass Console Entries

Line by Line Addition

Closing
- Close NCI share of Profits
- Finalize PnL

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Formats Used in Preparing Console PnL

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Consolidated Statement of Profit or Loss

[Name of Parent] Group

Consolidated Statement of Profit or Loss

As at __________

Rs.000'

Revenue		
Cost of Sales		
Gross Profits		
Other Income		
Administration Expenses		
Selling and Distribution Expenses		
Finance Expenses		
Profit Before Tax		
Taxation		
Profit After Tax		
Profit Attributable to Parent		
Profit Attributable to NCI		

Arrived by Deducting Profit Attributable to NCI from Profit After Tax

Obtained from NCI share of Profits

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Consolidated Statement of Profit or Loss Continued. .

Other Comprehensive Income		
Total Comprehensive Income		
Total Comprehensive Income Attributable to Parent		
Total Comprehensive Income Attributable to NCI		

Arrived by Deducting TCI Attributable to NCI from Total Comprehensive Income

Obtained from NCI Share of Profits

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NCI Share of Profits

NCI Share | %

Description	NCI Share of Profit	NCI Share of Other Comprehensive Income
Book Balance		
(+/-) Adjustments		
Unrealized Profits If Subsidiary is Seller		
Depreciation if Subsidiary is Owner or Buyer		
Closing Balances		

NCI Share of Total Comprehensive Income

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Guide to Determine Console PnL Entries

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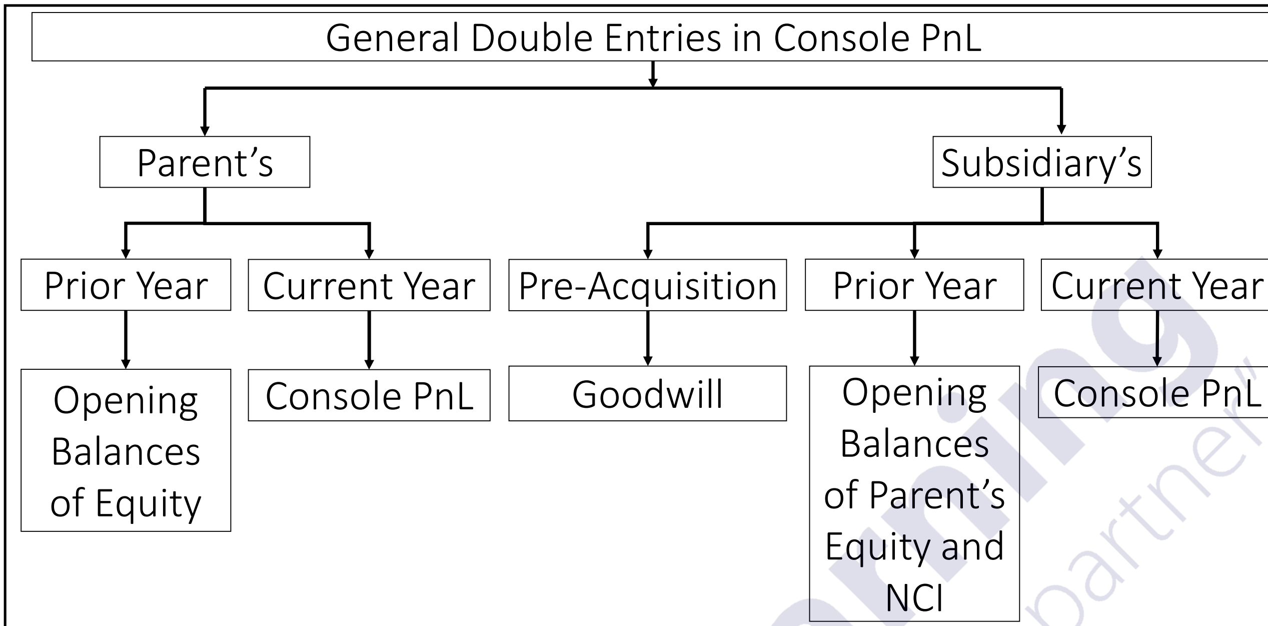

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Other Consolidation Adjustments

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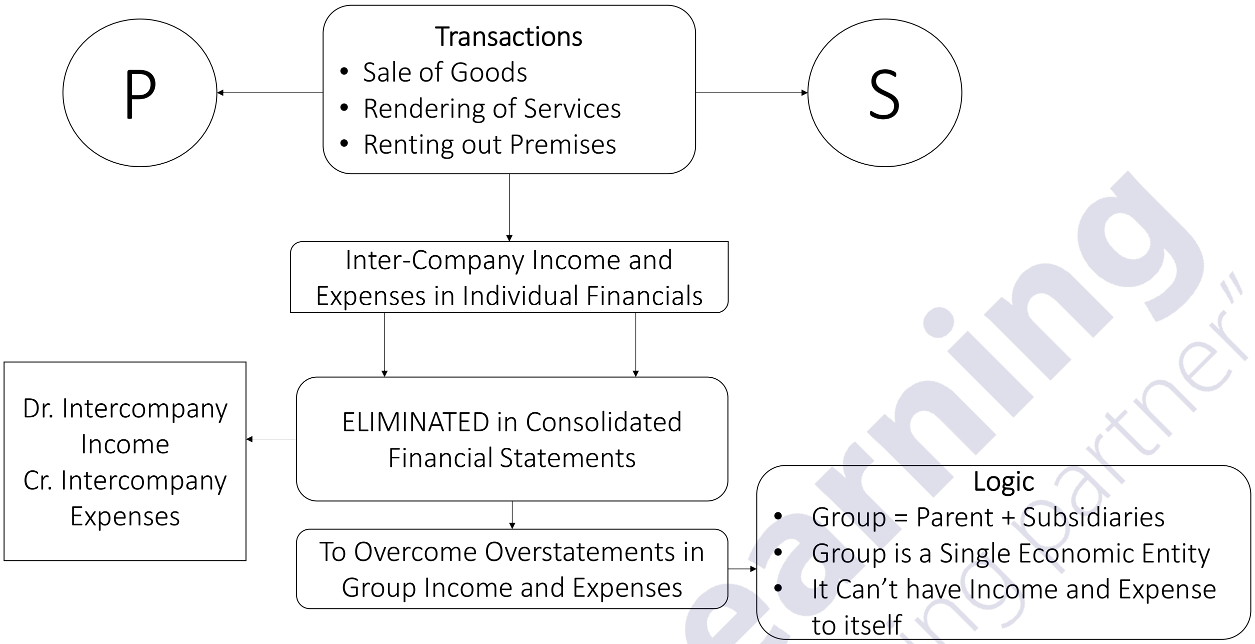
Intercompany Balance Elimination

Transactions between group will result in Income and Expenses. Such shall be eliminated in full.

Understanding the Concept



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Unrealized Profits in Inventory

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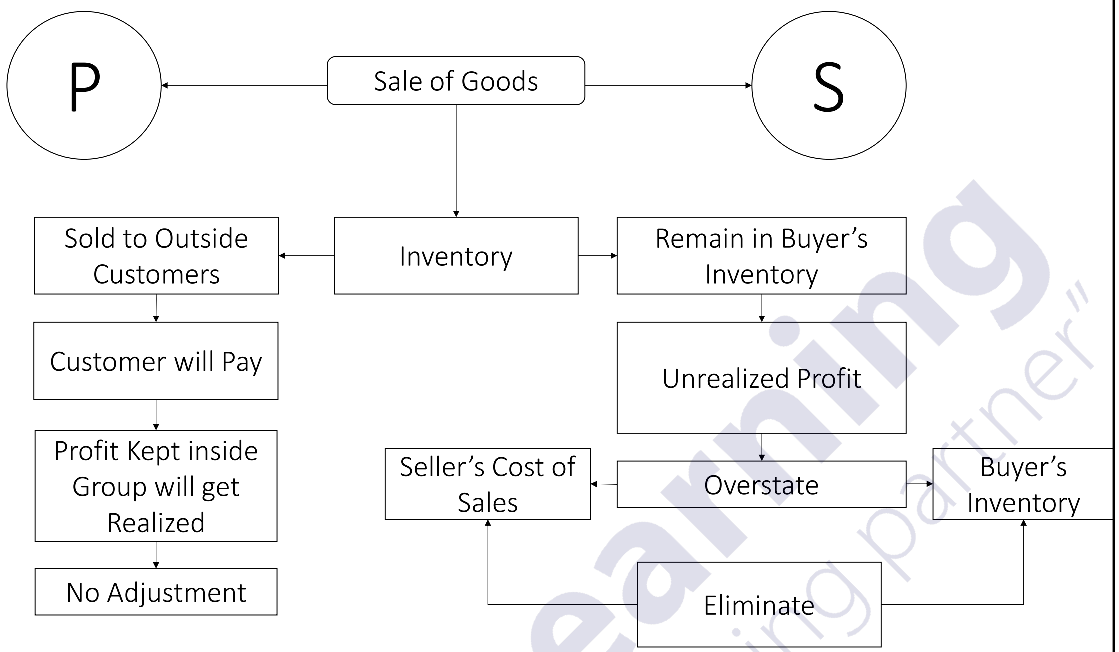
Unsold items in an inventory from a Sale of Goods between group will result in Unrealized profits. Such shall be eliminated in Full.

Understanding the Concept

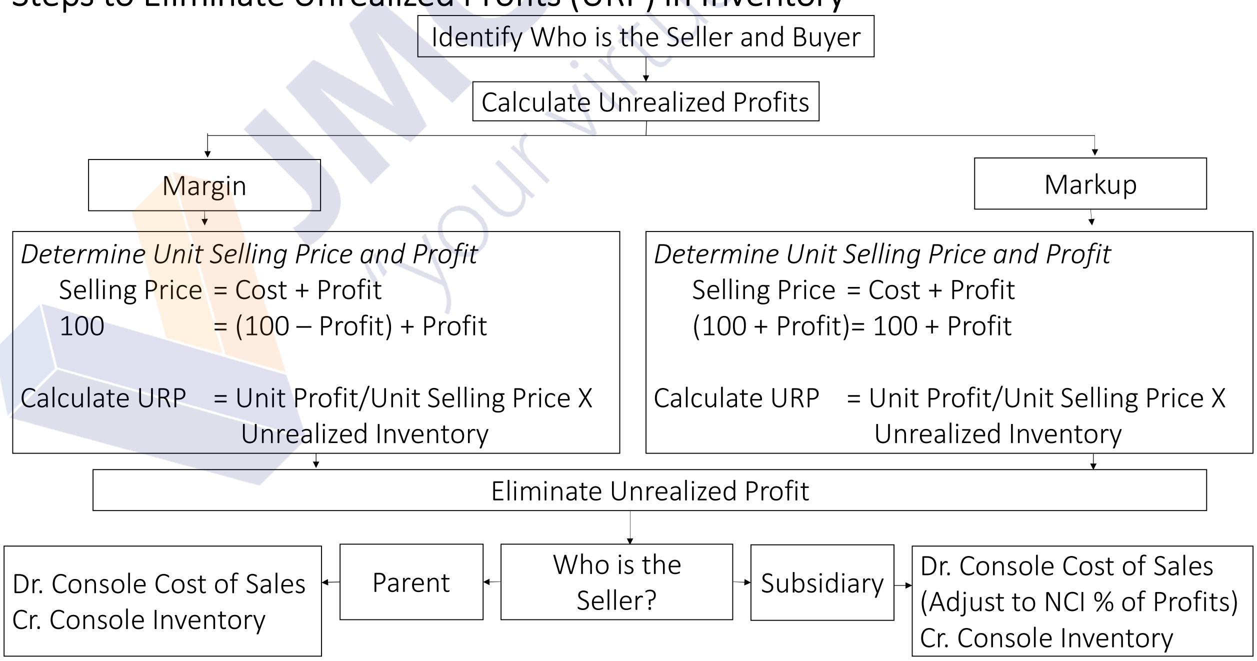
Companies use 02 Different Pricing Methods in Transactions

- Pricing
  - Margin
    - Profit Kept on Selling Price
    - Profit/Selling Price X 100
    - E.g. Margin 20%
Selling Price = Cost + Profit
100 = 80 + 20
  - Markup
    - Profit Kept on Cost
    - Profit/Cost X 100
    - E.g. Markup 20%
Selling Price = Cost + Profit
120 = 100 + 20

Understanding the Concept



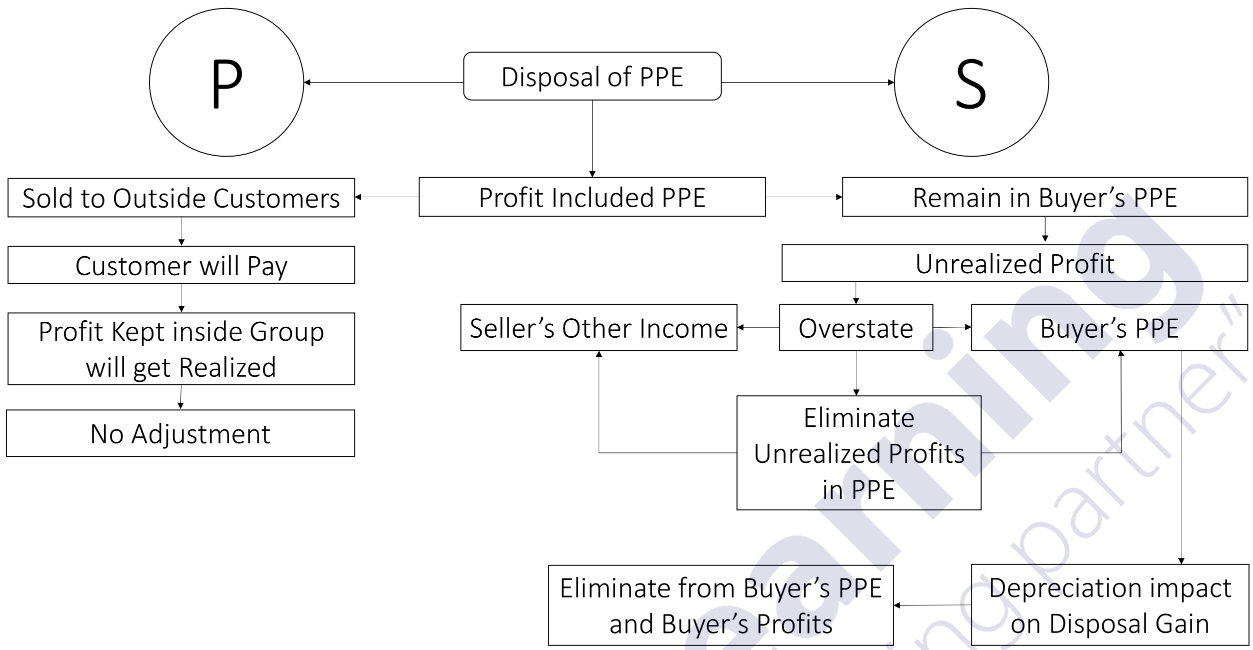
Steps to Eliminate Unrealized Profits (URP) in Inventory



Unrealized Profits in Property Plant and Equipment

PPE disposals between group will result in Unrealized profits/losses and over/under depreciation on unrealized profit/loss.
Such shall be eliminated in full.

Understanding the Concept of Unrealized Profits in PPE



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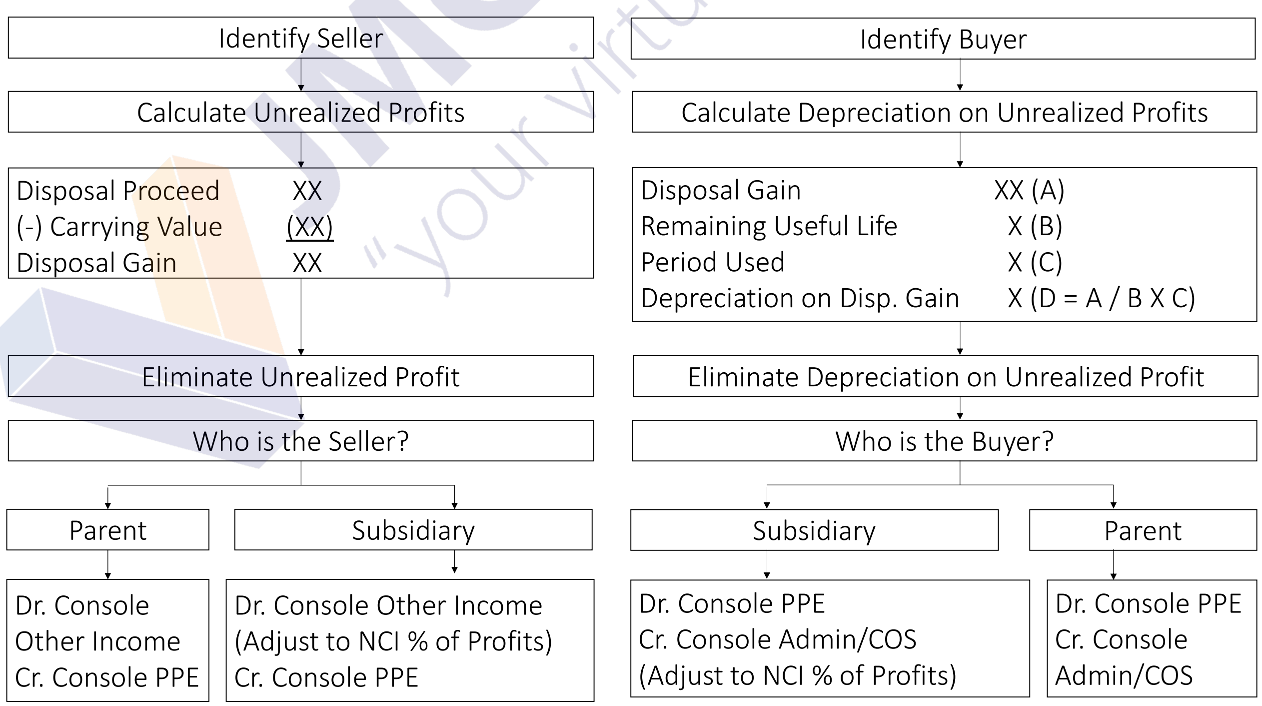
Steps to Eliminate Unrealized Profits and Depreciation on PPE



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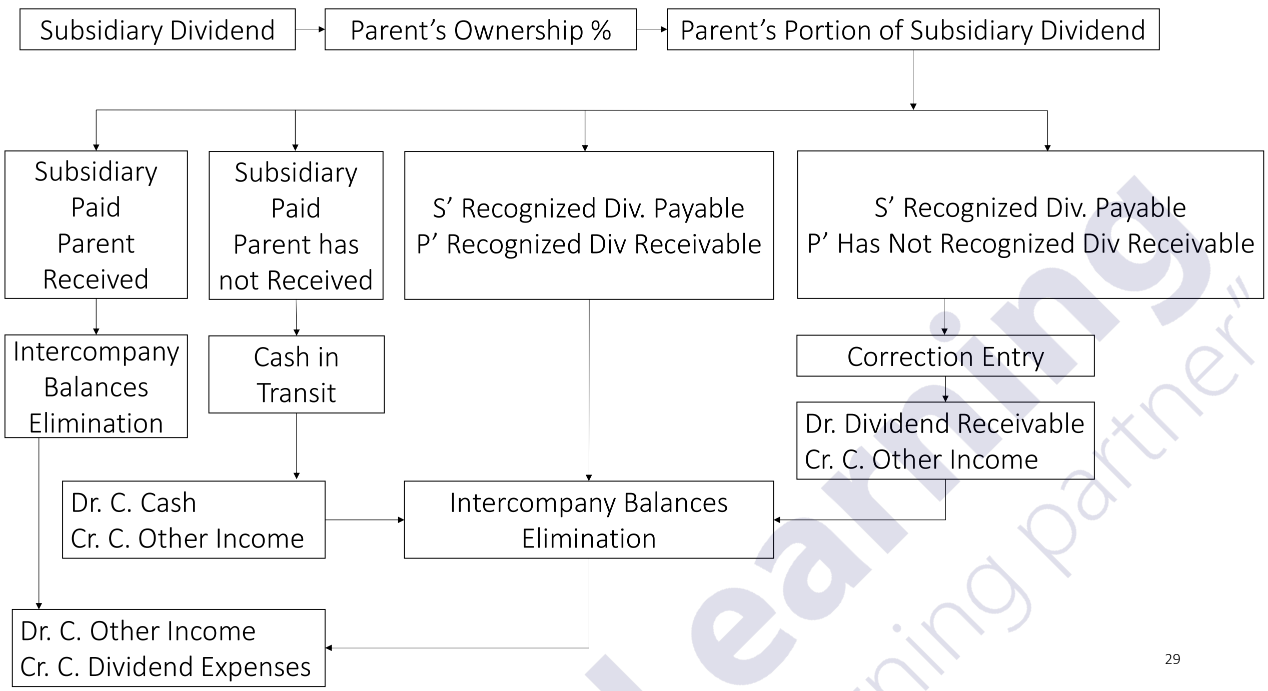
Subsidiary Dividends

Parent's portion of Subsidiary Dividend Income and Expense are Intercompany Balances.
These shall be eliminated in full.

Steps to Follow to Eliminate Subsidiary Dividend



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Question 01

On 1/4/20X8 Gota acquired 80% of the equity shares of Sajith. The following statements of profit or loss are being produced by Gota and Sajith for the year ended 31/03/20X9.

	Gota	Sajith
Revenue	1000	500
Cost of sales	(500)	(250)
Gross profit	500	250
Other income	100	20
Administration expenses	(200)	(80)
Distribution expenses	(100)	(20)
Profit before tax	300	170
Income tax expense	(50)	(20)
Profit for the year	250	150
Other comprehensive income	100	50
Total comprehensive income	300	200

The following additional information is also provided:

(1)During the year Gota sold Rs.200 worth of goods to Sajith keeping a profit on cost of 25%. Of those items 50% is remaining at Sajith's inventory.

(2)During the year Sajith sold Rs.100 worth of goods to Gota keeping a profit on selling price of 25%. Of those items 75% is remaining at Gota's inventory.

(3)Gota has given the premises on a rental basis for Sajith charging Rs.20 per annum.

(4)Sajith has sold a computer to Gota on 01/10/X8 at a value of Rs.30. The carrying value of the computer was Rs.20. It had a remaining useful life of 5 years.

(5)Sajith has paid a Rs.20 dividend on 01/03/X9. Gota has received the dividend share.

(6)The goodwill has been impaired by Rs.10. The non-controlling interest was measured using fair value.

You are required to:

Prepare the Consolidated Statement of Profit or Loss and Other Comprehensive Income of **Gota PLC** for the year ended 31st March 20X9.

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Question 02

On 01st April 2018 **Sigma PLC** acquired 75% of **Beta PLC's** 1,000,000 ordinary shares for Rs. 290 million. On the date of acquisition, the fair value of the identifiable net asset of **Beta PLC** was Rs. 340 million. The market value of a share as at 01st April 2018 of **Beta PLC** was Rs. 365/-.

The statements of Comprehensive Income of **Sigma PLC** and **Beta PLC** for the year ended 31st March 2019 are as follows:

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Rs.000	Sigma PLC	Beta PLC
Sales	250,000	150,000
Cost of Sales	(150,000)	(90,000)
Gross Profit	100,000	60,000
Other Income:		
Interest Income	1,200	950
Dividend Income	500	-
Other Income	150	1,250
	101,850	62,200
Expenses:		
Distribution Expenses	(12,000)	(7,000)
Administration Expenses	(60,000)	(46,000)
Finance Expenses	(6,000)	(4,000)
Profit before Tax	23,850	5,200
Income Tax Expense	(6,500)	(1,550)
Profit for the Year	17,350	3,650
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	17,350	3,650

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The following additional information is also provided:

(1)During the year, **Sigma PLC** sold goods costing Rs. 5,000,000/- to **Beta PLC** with a profit margin of 10% on cost. As at 31st March 2019, the closing inventory of **Beta PLC** included Rs. 1,100,000/- worth of goods purchased from **Sigma PLC**.

(2)Two years ago, **Beta PLC** invested Rs. 5,000,000/- on debentures issued by **Sigma PLC** which will be matured in 05 years and annual interest rate is 10%. Interest income of **Beta PLC** included the interest received for the year on debentures.

(3)**Sigma PLC** has occupied the stores belongs to **Beta PLC** from 01st April 2018 and annual rent of Rs. 50,000/- was paid by **Sigma PLC** to **Beta PLC**.

(4)On 01st April 2018, **Beta PLC** sold a machine to **Sigma PLC** for Rs. 5,000,000/-. The machine had a carrying value of Rs. 4,000,000/- in **Beta PLC's** books on that date. The useful life of the machine as at 01st April 2018 was 10 years.

You are required to:

(a) **Prepare** the Consolidated Comprehensive Income Statement of **Sigma PLC** for the year ended 31st March 2019.

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Question 03

The Statements of Comprehensive Income of Gamunu PLC and Beema Ltd. for the year ended 31st March 2017 are as follows:

Rs.000	Gamunu	Beema
Sales	250,000	110,000
Cost of Sales	(140,000)	(72,000)
Gross Profit	110,000	38,000
Other Income:		
Interest Income	800	250
Dividend Income	1,600	45
Other Income	1,550	-
	113,950	38,295
Expenses:		
Distribution Expenses	(40,000)	(13,500)
Administration Expenses	(10,000)	(3,000)
Finance Expenses	(8,000)	(2,000)

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Question 03

Profit before Tax	55,950	19,795
Income Tax Expense	(14,500)	(2,000)
Profit for the Year	41,450	17,795
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	41,450	17,795

The following additional information is also provided:

(1) During the year, Gamunu PLC has sold inventory for Rs.2,000,000/- to Beema Ltd. with a profit margin of 25% on cost. As at 31st March 2017, the closing inventory of Beema Ltd. included Rs.500,000/- worth of goods purchased from Gamunu PLC.

(2) Beema Ltd. paid Rs.50,000/- per month from 01st April 2016 to Gamunu PLC as the rent for the stores of Beema Ltd. located at the factory premises of Gamunu PLC.

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Question 03

(3) Beema Ltd. has obtained a loan of Rs.5,000,000/- on 31st March 2016 from Gamunu PLC at a rate of 12% per annum. The Interest for the year 2016/17 has been fully paid to Gamunu PLC. No capital repayment was made for the loan during the year.

(4) Dividend income of Gamunu PLC includes interim dividend of Rs.500,000/- received from Beema Ltd. and dividends were paid by Beema Ltd. using the profit of the year.

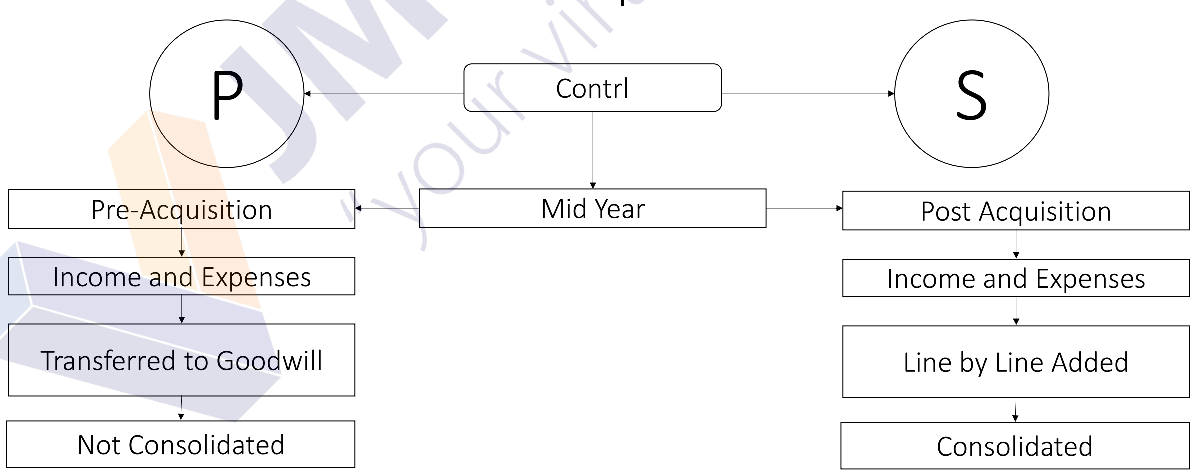
(5) On 01st January 2017 Gamunu PLC sold a land costing Rs.1,000,000/- to Beema Ltd. for Rs.1,400,000/-.

You are required to:
Prepare the Consolidated Comprehensive Income Statement for the year ended 31st March 2017.

Mid Year Acquisitions

If subsidiary was acquired halfway through the year, pre-acquisition income and expenses will not be line by line added. Post acquisition balances will be added line by line.

Mid Year Acquisition



Question 04

Given below are the statements of profit or loss and other comprehensive income for Paris and its subsidiary London for the year ended 31 December 20X9

Rs.000	Paris	London
Revenue	3,100	2,460
Cost of sales	(1,200)	(1,080)
Gross profit	1,900	1,380
Other income	100	100
Operating expenses	(560)	(400)
Profit from operations	1,440	1,080
Investment income	160	-
Profit before tax	1,600	1,080
Income tax expense	(400)	(480)
Profit for the year	1,200	600
Other comprehensive income	300	100
Total comprehensive income	1,500	700

Question 04

Paris acquired 80% of London's equity shares on 1 October 20X9.

1. Goodwill was calculated valuing the NCI at fair value at the date of acquisition. At 31 December 20X9, it was determined that goodwill arising on the acquisition had been impaired by Rs 30,000. Impairments are charged to operating expenses.
2. London paid a dividend of Rs 150,000 on 15 December 20X9.
3. Assume expense and revenue evenly accrue throughout the year, except for following additional information.
4. During the year Paris has sold Rs.240, 000/- worth of goods to the London keeping a profit margin of 25%. As of the reporting date London's inventory included Rs.30, 000/- worth of items. All of those items reflect post-acquisition sales.
5. During the year London has sold Rs.120, 000/- worth of goods to the Paris keeping a profit markup of 20%. As of the reporting date 50% of post-acquisition sales were remaining in Paris's Inventory.

Question 04

6. London has sold a Machine to Paris on 1 July 20X9. The sale proceeds received was Rs.200, 000/-. The carrying value of the asset was Rs.100, 000/-. The gain on disposal was recognized by London as other income. Remaining useful life of the machine was 4 years.
7. Paris has charged Rs.100, 000/- management service income from London for the post acquisition period. It's included in London's operating expenses.

Prepare a consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 20X9.

Associates

SHARE

Current year share of profits and other comprehensive income

Current year share of profits and other comprehensive income from associate is recognized as a separate line item in the consolidated statement of profit or loss and other comprehensive income

Dr Investment in Associate
Cr Share of profits from associate
Cr Share of Other comprehensive income

Previous year share of profits and other comprehensive income

Previous year share of profits and other comprehensive income from associate is recognized as in consolidated retained earnings or consolidated other reserves.

Dr Investment in Associate
Cr Consolidated retained earnings opening balance
Cr Consolidated other reserves opening balance

Impairment of Associate's Investment

Impairment is recognized as an other expense.

- Impairment in current year

Dr Consolidated other expenses
Cr Investment in associate

- Impairment in a previous year

Dr Consolidated RE opening balance
Cr Investment in associate

Gain on Bargain Purchase of Investment in Associate

Gain on Bargain Purchase in investment of associate shall be recognized as an other income.

- GBP if investment was made in the current year

  Dr Investment in Associate
  Cr Consolidated Other income

- GBP if investment was made in a previous year

  Dr Investment in Associate
  Cr Consolidated RE opening balance

Share of Unrealized Profits on Inventory

Unrealized profits between associate entity and group shall be eliminated extent of the share of investment. Calculate the share of URP, and pass following entries

- If Parent is the seller,
  Dr Consolidated Cost of Sales
  Cr Investment in Associate

- If Associate is the seller,
  Dr Share of profits from Associate
  Cr Consolidated Inventory

Share of Unrealized Profits on Property Plant and Equipment

Unrealized profits between Associate entity and group shall be eliminated extent to the share of investment. Calculate the share of URP, and pass following entries

- If Associate is the seller, Calculate the share of URP

  Dr Share of profits from associate
  Cr Consolidated PPE

  Depreciation on share of unrealized profits shall be eliminated
  Dr Consolidated Admin or cost of sales expenses
  Cr Consolidated PPE

- If Parent is the seller,

  Dr Consolidated Other income
  Cr Investment in Associate

  Depreciation on share of unrealized profits shall be eliminated
  Dr Share of profits from associate
  Cr Investment in Associate

Share of Depreciation on Fair Value Gains on Property Plant and Equipment on Acquisition Date

As of the investment date if there's a fair value increase, the share of depreciation on such fair value increase shall be accounted.

- *Share of depreciation on fair value increase for the current year*

  Dr Share of profits from associate
  Cr Investment in Associate

- *Share of depreciation on fair value increase for previous year*

  Dr Consolidated RE opening balance
  Cr Investment in Associate

Question 05

On 1 April 2018, Poseidon purchased 80% of the equity shares in Selene. The consideration agreed include several items.

- Cash consideration of Rs.100 million.
- Share exchange of three shares in Poseidon for every five shares in Selene. The market price of Poseidon's and Selene's shares at 1 April 2018 were Rs. 6 per share and Rs.3.220 respectively.
- A Motor vehicle transferred which had a carrying value of Rs.3 million and a market value of Rs.4 million. The remaining useful life as at the date of acquisition was 4 years.
- Further, Poseidon agreed with the previous owners of Selene to pay Rs.60.5 million on 1 April 2020. Poseidon assumes a discount rate of 10%.
- The transaction cost of acquisition was Rs.500,000/-.

Question 05

Poseidon has accounted only the transaction cost and cash consideration as investment in Selene.

On the same date Poseidon acquired 40 % of the equity shares in Athena paying Rs.2/- per share.

The summarized statements of profit or loss for the three companies for the year ended 30 September 2018 are.

Question 05

	Poseidon		Selene		Athena
	Rs'000		Rs'000		Rs'000
Revenue	210,000		150,000		50,000
Cost of Sales	(136,000)		(110,000)		(45,000)
Gross Profit	74,000		40,000		5,000
Other Income	10,000		10,000		5,000
Distribution Costs	(11,200)		(7,000)		(5,000)
Administrative Expenses	(18,300)		(9,000)		(11,000)
Investment Income (int. & dividends)	9,500				
Finance Costs	(1,800)		(3,000)		Nil
Profit (Loss) before Tax	62,200		31,000		(6,000)
Income Tax (Expense) Expense	(15,000)		(10,000)		1,000
Profit (Loss) for the Year	47,200		21,000		(5,000)

Question 05

The following information for the equity of the companies at 30 September 2018 is available.

	Poseidon		Selene		Athena
	Rs'000		Rs'000		Rs'000
Equity shares (No of Shares P:200 m, S:120 m, A:40 m)	500,000		120,000		40,000
Retained Earnings Opening balance	40,000		152,000		15,000
Profit (loss) for the year ended 30.9.18	47,200		21,000		(5,000)
Dividends paid (26 September 2018)	nil		8,000		nil

Question 05

The following information is relevant;

i) The fair values of the net assets of Selene at the date of acquisition were equal to their carrying amounts with the exception of an item of plant which had a carrying amount of Rs. 12 million and a fair value of Rs.17 million. This plant had remaining life of five years (straight-line depreciation) at the date of acquisition of Selene. All depreciation is charged to cost of sales.

In addition, Selene owns the registration of a population internet domain name. The registration, which had a negligible cost, has a five-year remaining life (at the date of acquisition); however, it is renewable indefinitely at a nominal cost. At the date of acquisition, the domain name was value by a specialist company at Rs.20 million.

Question 05

The fair values of the plant and the domain name have not been reflected in Selene's financial statements.

The retained earnings as of the date of acquisition of Selene was Rs.162Mn.

II) Immediately after its acquisition of Selene, Poseidon invested Rs. 50 million in an 8% loan notes of Selene. All interest accruing to 30 September 2018 had been accounted for by both companies. Selene issued these loan notes in a previous year.

III) Poseidon has credited the whole of the dividend it received from Selene to investment income.

Question 05

IV) During the year Poseidon sold goods to Selene for Rs.15 million on which Poseidon made a gross profit margin of 20%. Selene had one third of these goods still in its inventory at 30 September 2018. There were no intra-group current account balances at 30 September 2018.

V) Poseidon sold goods to Athena for Rs.5 million during the year on which Poseidon made a profit markup of 20%. Athena had last 03 months purchases still in its inventory at 30 September 2018.

VI) Selene sold an equipment to Poseidon on 1 July 2018 for a value of Rs.10 million. The equipment had a carrying value of Rs.8 million and a remaining useful life of 4 years.

VII) Poseidon provided a management consultancy services to Selene, a monthly charge of Rs.250,000/- was charged.

Question 05

VIII) The non-controlling interest in Selene is to be valued at its (full) fair value at the date of acquisition. For this purpose, Selene's share price at that date can be taken to be indicative of the fair value of the shareholding of the non-controlling interest.

IX) The goodwill of Selene has been impaired by Rs.1 million. Poseidon's investment in Athena has been impaired by Rs.3 million at 30 September 2018.

X) All items in the above statements of profit or loss are deemed to accrue evenly over the year unless otherwise indicated.

Question 05

Required

Calculate the goodwill arising on the acquisition of Selene at 1 April 2018. (5 marks)
Prepare the consolidated statement of profit or loss for the Poseidon Group for the year ended 30 September 2018. (20 Marks)

Question 06

On 1 April 2017, Pero acquired 75% of the equity share capital of Zoro in a share exchange of two shares in Pero for three shares acquired in Zoro. At the date of acquisition shares in Pero had a market value of Rs. 6 each. Further Pero agreed to pay Rs.12.1 million after 2 years. The discount rate applicable is 10%. The issue of shares and deferred consideration have not yet been recorded by Pero.

Pero acquired 40% of equity share capital or Arrow on 1 April 2017. Investment was funded through a share exchange valued at Rs.2 million. This has not been recognized in the financials of Pero. Below are the summarized draft financial statements of companies.

Question 06

	Pero		Zoro		Arrow
	Rs'000		Rs'000		Rs'000
Revenue	85,000		42,000		20,000
Cost of Sales	(63,000)		(32,000)		(15,000)
Gross Profit	22,000		10,000		5,000
Distribution Costs	(2,000)		(2,000)		(1000)
Administrative Expenses	(6,000)		(3,200)		(1,500)
Finance Costs	(300)		(400)		(200)
Profit before Tax	13,700		4,400		2,300
Income Tax Expense	(4,700)		(1,400)		(500)
Profit for the Year	9,000		3,000		1,800

Question 06

	Pero		Zoro		Arrow
Assets	Rs'000		Rs'000		Rs.'000
Non- Current Assets					
Property, Plant and Equipment	40,600		12,600		4,000
Current Assets	16,000		6,600		3,000
Total Assets	56,600		19,200		7,000
Equity and Liabilities					
Equity Shares (issued at Rs. 1 each)	10,000		4,000		3,000
Retained Earnings	35,400		6,500		2,000
	45,400		10,500		5,000

Question 06

	Pero		Zoro		Arrow
Non-Current Liabilities					
10% Loan Notes	3,000		4,000		-
Current Liabilities	8,200		4,700		2,000
Total Equity and Liabilities	56,600		19,200		7,000

The following information is relevant;

i) At the date of acquisition, the fair values of Zoro's assets were equal to their carrying amounts except for following items.

a. Item of plant, which had a fair value of Rs. 2 million in excess of its carrying amount. It had a remaining useful life of five years at that date (straight –line depreciation is used).

Question 06

b. Internally generated trade mark with a fair value of Rs.1 million as at the date of acquisition. The remaining useful life was ascertained as 4 years.

II) Sales from Zoro to Pero during the year were Rs.16 million. Zoro made a mark up on cost of 40% on these sales. Pero had sold Rs.10.4 million (at cost to Pero) of these goods by 31 March 2018.

III) Sales from Pero to Arrow during the year was Rs.4 million. Pero made a margin of 20% on these sales. Arrow had Rs.1 million (at cost to Arrow) of these goods by 31 March 2018.

IV) Other than where indicated, profit or loss items are deemed to accrue evenly on a time basis.

Question 06

V) Zoro's trade receivables at 31 March 2018 include Rs.600,000 due from Pero which did not agree with Pero's corresponding trade payable. This was due to cash in transit of Rs.100,000 and Goods in Transit of Rs.100,000 from Pero to Zoro. Both companies have positive bank balances.

VI) Pero has a policy of accounting for any non-controlling interest at full fair value. The fair value of the non-controlling interest in Zoro at the date of acquisition was estimated to be Rs. 5.9 Million.

VII) Consolidated goodwill was impaired by 20% at 31 March 2018.

VIII) Pero Ltd is charging a management fee from S Ltd. Per month management fee is Rs.50,000. Pero has recognized the management fee as a revenue.

Question 06

IX) During the year Pero Ltd. sold a Plant which had a carrying value of Rs.2, 000, 000/- to Zoro Ltd. with a disposal loss of Rs.100, 000/- on 31 December 2017. This loss is recorded under administration expenses of the Pero Ltd. The useful life was estimated at 5 years from the date of disposal.

X) Zoro declared Rs.1 million dividend and recognized the dividend payable on 31 March 2018. Pero has not recognized the relevant dividend income.

Required:

a) Prepare the Consolidated Statement of Profit or Loss for P Ltd. Group as at 31 March 2018. (10 Marks)

b) Prepare the Consolidated Statement of Financial Position of P Ltd Group as at 31 March 2018. (15 Marks)

Question 07

On 1 January 2018, Prague acquired 80% of the equity share Capital or Shanghai. The consideration consisted of two elements:

- a share exchange of three shares in Prague for every five acquired shares in Shanghai. At the date of acquisition shares in Prague had a market value of Rs. 5 each.
- The issue of Rs.100/-, 6% loan note for every 500 shares acquired in Shanghai. The share issue has not yet been recorded by Prague, but the issue of the loan notes has been recorded. The interest on Loan notes have been accounted properly.

The summarized draft financial statements of both companies are given below.

Statement of Profit or Loss

Question 07

	Prague Rs.000	Shanghai Rs.000
Revenue	92,500	45,000
Cost of Sales	(70,500)	(36,000)
Gross Profit	22,000	9,000
Distribution Costs	(2,500)	(1,200)
Administration Expenses	(5,500)	(2,400)
Finance Costs	(100)	Nill
Profit before Tax	13,900	5,400
Income Tax Expense	(3,900)	(1,500)
Profit for the Year	10,000	3,900
Other comprehensive income	500	-
Total comprehensive income	10,500	3,900

Question 07

	Prague Rs.000	Shanghai Rs.000
Assets	Rs'000	Rs'000
Property, Plant and Equipment	25,500	13,900
Investments	1,800	Nil
	27,300	13,900
Current Assets	12,500	2,400
Total Assets	39,800	16,300
Equity Shares (issued at Rs. 1 each)	12,000	5,000
Land revaluation reserve (note i)	2000	Nil
Other equity reserve (note vi)	500	Nil
Retained Earnings	12,300	4,500
	26,800	9,500

Question 07

	Prague Rs.000	Shanghai Rs.000
Non-Current Liabilities		
6% loan notes	3,000	Nil
Current liabilities	10,000	6,800
Total equity and liabilities	39,800	16,300

following information is relevant;

i) At the date of acquisition, the fair values of Shanghai's assets were equal to their carrying amounts with the exception of its property. This had a fair value of Rs. 1.2 million below its carrying amount. This would lead to a reduction of the depreciation charge (in cost of sales) of Rs. 50,000 in the post-acquisition period. Shanghai has not incorporated this value charge into its entity financial statements.

Question 07

ii. Prague's group policy is to revalue all properties to current value at each year end. On 31 March 2018, the value of Shanghai's property was unchanged from its value at acquisition, but the land element of Prague's property had increased in value by Rs.500,000 as shown in other comprehensive income.

iii. As at the date of acquisition the retained earnings of Shanghai were Rs.3.525Mn.

iv. Sales from Shanghai to Prague throughout the year ended 31 March 2018 had consistently been Rs. 1 million per month. Shanghai made a mark-up on cost of 25% on these sales. Prague had Rs.2 million (at cost to Prague) of inventory that had been supplied in the post- acquisition period by Shanghai as at 31 March 2018.

v. Prague had a trade payable balance owing to Shanghai of Rs.350,000 as at 31 March 2018. This did not agree with the corresponding receivable in Shanghai's books due to a cash in transit of Rs.50,000/-.

Question 07

vi. Prague's Investments include some investments in equity instruments that have increased in value by Rs.300,000 during the year. The other equity reserve relates to these investments and is based on their value as at 31 March 2017. There were no acquisitions or disposals of any of these investments during the year ended 31 March 2018. Prague made an irrevocable election at initial recognition of these instruments to recognize all changes in fair value through other comprehensive income.

vii. The goodwill has been impaired by Rs.500,000.

Question 07

Required

Calculate the consolidated statement of profit or loss and other comprehensive income for Prague for the year ended 31 March 2018. (10 marks)
Prepare the consolidated statement of financial position for Prague as at 31 March 2018 (15 marks)