i. Acquisition of machineries

As per SLFES 03, An entity shall determine whether a transaction or other event is a business combination by applying the definition in this SLFRS, which requires that the assets acquired and liabilities assumed constitute a business.

A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. This set of integrated activities includes input process and output.

However, in the acquisition of machineries do not constitute a business since CAPL only purchasing their assets and not their processes.

Therefore, purchase of machineries shall be recognized as per the requirements of LKAS 16- property, plants, and equipment because of CAPL will utilize these machineries for their own production process.

As per LAKS 16, PPE shall initially recognize at their cost including the immediate payment of 500mn and the PV of 150mn to be paid in one year. The amount to be paid in one year shall recognize with its corresponding liability together with its finance cost over the period

Initial cost paid	500mn
PV of deferred payment (150/(1.15^1)	130mn
Total cost of machineries	630mn

ii. Acquisition of 70% of shares.

This acquisition can be considered as a business combination since Juizie constitutes a business as per SLFRS 03. Further We can assume that CAPL will possess the control over Juizie since CAPL holds 70% of voting shares unless other shareholder of the Juizie possess the control over juizie in other means.

In such a situation CAPL shall consider Juizie as a subsidiary and shall prepare consolidated financial statements as per the requirements in SLFRS 03.

Computation of Goodwill on Acquisition

		Rs. Mn
purchase consideration		
immediate cash payment		500
contingent consideration (40/(1.15^1)		35
		535
NCI -Propotionate share of Equity		193
		728
Net Assets		
share capital	700	
R/E	(209)	
Revaluation	179	
Brand name	28	
Compensation	(5)	
Deferred tax on Revaluation	(50)	(643)
Goodwill on Acquisition		**85**

Notes:

Acquisition related cost:

As per SLFRS 03, the acquirer shall account for acquisition related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. Therefore, Rs. 4.3mn shall charge in to the Consolidated P/L for the year ended 31 March 2023.

Brand name Valuation

As per SLFRS 03, If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statement's provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. However, the measurement period shall not exceed one year from the acquisition date.

In this scenario, CAPL can receive the correct valuation on or before 31 March 2023 which is within the one year from the acquisition. Therefore, CAPL can account the provisional value of 28mn I the goodwill computation. Further entity shall amortize the brand over its estimate lifetime.

Compensation to CEO

The acquirer and the acquiree may have a pre-existing relationship or other arrangement before negotiations for the business combination began, or they may enter into an arrangement during the negotiations that is separate from the business combination. In either situation, the acquirer shall identify any amounts that are not part of what the acquirer and the acquiree (or its former owners) exchanged in the business combination, ie amounts that are not part of the exchange for the acquiree. The acquirer shall recognise as part of applying the acquisition method only the consideration transferred for the acquiree and the assets acquired and liabilities assumed in the exchange for the acquiree.

Separate transactions shall be accounted for in accordance with the relevant SLFRSs. A transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, rather than primarily for the benefit of the acquiree (or its former owners) before the combination, is likely to be a separate transaction

The agreement between CEO and Juizie has entered before starting the negotiations for combination. Therefore, this is not a separate transaction and CAPL shall consider in the goodwill computation.

Deferred Tax