

Q3 - (21mm)

To - BOARD OF DIRECTORS OF CBC

SUBJECT - ACQUISITION OF JUSTEE'S MACHINERY OR SHARES

(i) PURCHASE OF MACHINERY OF JUSTEE

UNDER THIS OPTION IT WILL BE ACCOUNTED AS AN A/R PURCHASE UNDER LEAF 16

COST OF MACHINERY

CASH	500	} → CASH CR / ASSET DR	
DEFERRED PMT	130.44		→ LEAS CR / ASSET DR
	630.44		
(+) RECOGNITION A/R	1.2	→ CASH CR / ASSET DR	
INTEREST COST OF MACHINERY	631.64		

- THE DEFERRED PMT WILL BE RECOGNIZED AS A LIABILITY.
- 15% INTEREST WILL BE ACCRUED. INTEREST WILL BE RECOGNIZED AS AN EXPENSE IN P/L

- SUBSEQUENT MEASUREMENT OF THE MACHINERY WILL REQUIRE DEPRECIATION OVER ITS USEFUL LIFE.

(ii) PURCHASE OF SHARES OF JUSTEE

UNDER THIS OPTION IT SHOULD BE ACCOUNTED AS A BUSINESS COMBINATION UNDER LEAF 03.

GOODWILL CALCULATION

COST OF COMBINATION	
- IMMEDIATE PMT	500
- CONTINGENT CONSIDERATION	34.78
	534.78
- FAN COM	1.2 + 3.1 = 4.3 - 92C
	534.78
+ NCE	644.13 x 30%
	193.24
	728.02

CEFS: FV OF NA

NA - 31/3/2019 - 5149 490.71

+ FV ADJ

MACHINERY (630 - 450.8)	+ 179.2
BRAND NAME FV - CA	+ 28
PMT CFO	(5)
DI ON MACHINERY (179.2 x 28%)	(50.18) DTL
DI ON BRAND - NOT A T/D	-
* DI ON PMT TO CFO - 5 x 28%	+ 1.4 DTA
	(644.13)

FV ADJ WILL BE RECOGNIZED AS GROUP S/P.

GOODWILL IN ACQⁿ OF JUSTEE

- GW OF R. 83.89mm WILL BE RECOGNIZED IN GROUP S/P AS AN ASSET
- CONTINGENT CONSIDERATION - AS A LIABILITY

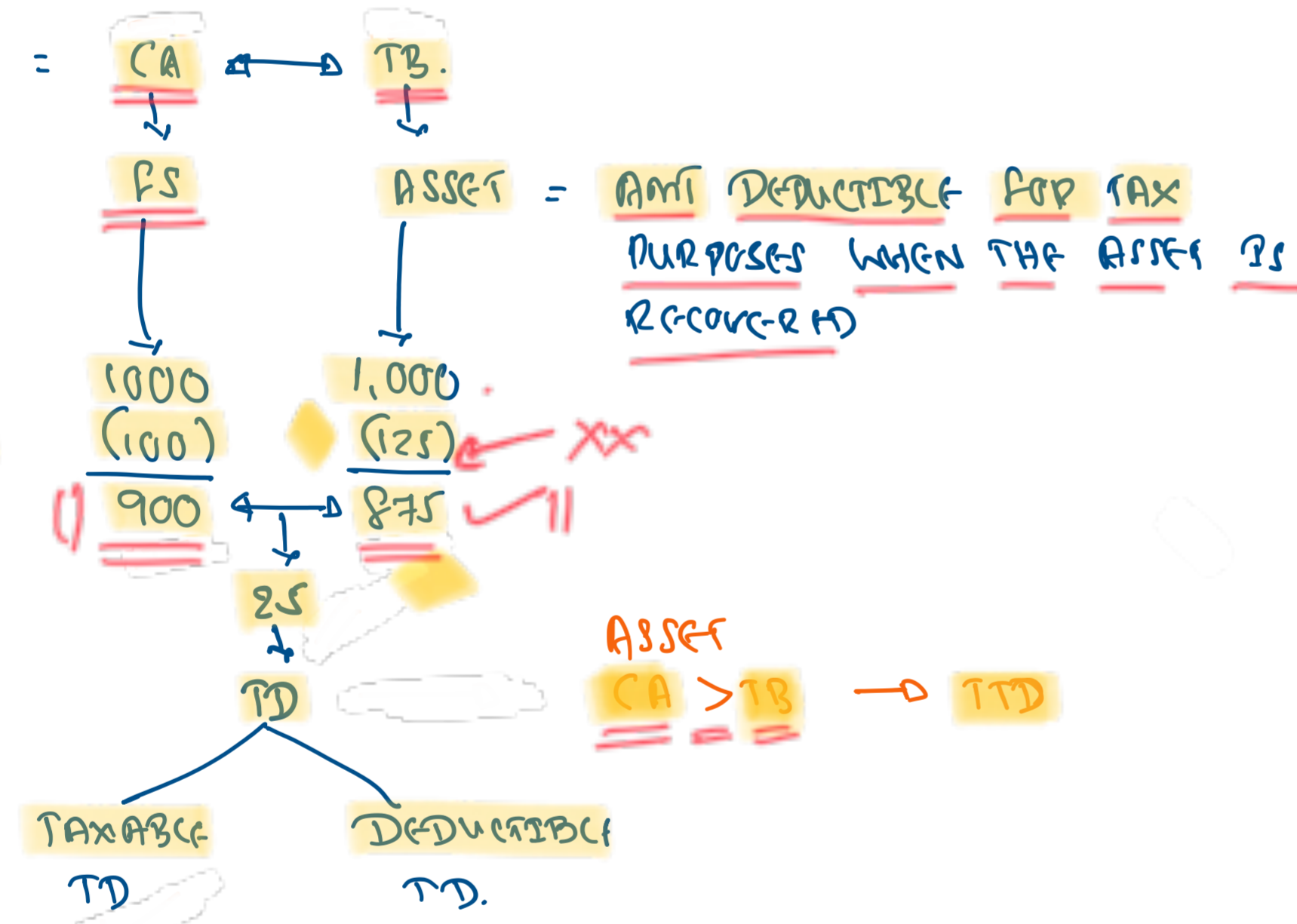
* ASSUMPTION - COMPENSATION PAYABLE TO CFO IS DEDUCTIBLE FOR TAX PURPOSES.

DI ON FV ADJ

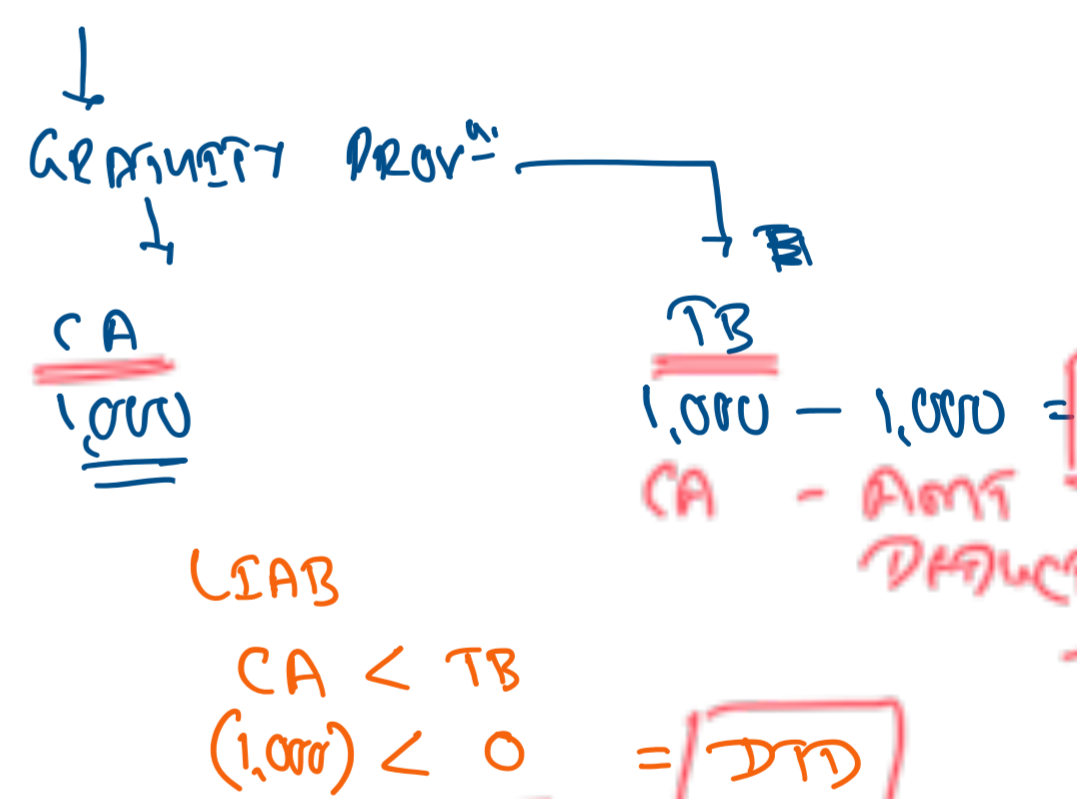
$$DT = \frac{TD \times \text{TAX RATE}}{1 - \text{TAX RATE}} = \frac{TD \times 28\%}{1 - 28\%} = \frac{TD \times 28\%}{72\%}$$

$$DTL = 900 - 875 = 25 \times 28\% = 7$$

TD ?



LIAB TB = CA - AMT DEDUCTIBLE FOR TAX WHEN (ASSET IS SETTLED)

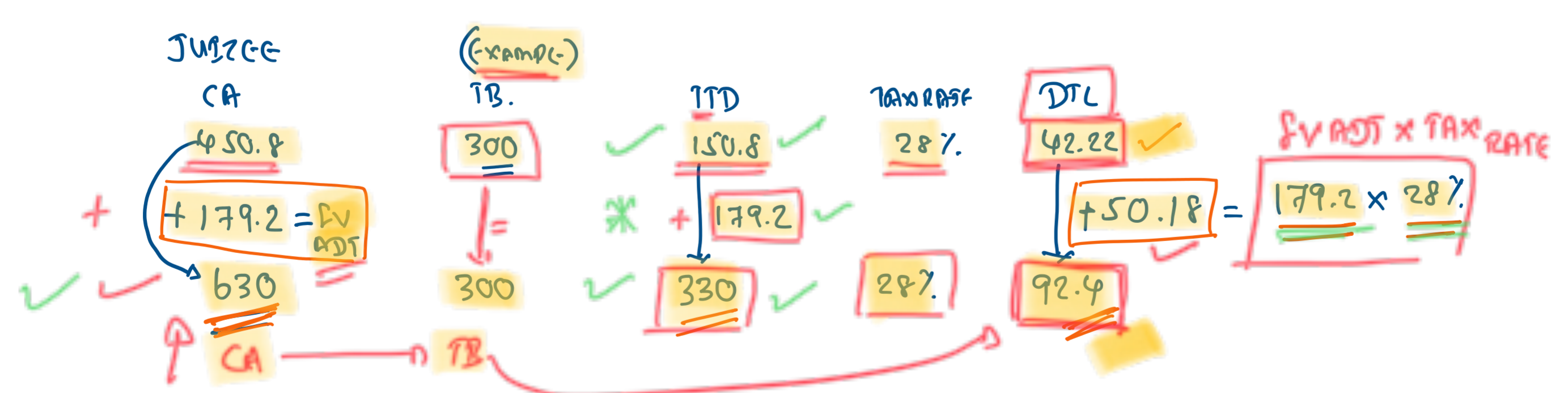


$$1000 \times 28\% = 280$$

$$TD \times \text{TAX RATE} = DTA$$

Y ₂ ACCOUNTING	Y ₁₀
GP	1000
DEP ⁿ	(900)
PROFIT IN P/L	100 x 28% = 28
TAX	
GP	1000
CAPITAL AC	(875)
TAXABLE PROFIT	125 x 28% = 35

CONCLUSION → FV ADJ.



(b) VALUATION OF BRAND

365 DAY TO CONCLUDE ANY FV ADJUSTMENTS. "ON BALANCE SHEET"

