

Consolidation Practice Questions

AAT Level III FAR - Financial Reporting

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JMC JAYASEKERA MANAGEMENT CENTRE (PVT) LTD
AAT LEVEL III EXAMINATION – FINANCIAL REPORTING
CONSOLIDATION PRACTICE QUESTIONS

Level III – January 2022 (Question 10)

The following statements of Financial Position were extracted from **Hiru Ltd.** and **Tharu Ltd.** as at 31st March 2021:

Statements of Financial Position

(Rs. '000)

As at 31 st March	Hiru Ltd.	Tharu Ltd.
Non-Current Assets:		
Property, Plant and Equipment at Carrying Value	60,000	55,000
Investment in Tharu Ltd.	40,000	-
Current Assets:		
Inventory	13,000	18,000
Trade and Other Receivables	20,000	15,000
Cash and Cash Equivalents	12,000	15,000
	45,000	48,000
Total Assets	145,000	103,000
Equity:		
Stated Capital	60,000	40,000
Retained Earnings	14,500	17,200
	74,500	57,200
Non-Current Liabilities:		
Bank Loan	16,000	32,000
Current Liabilities:		
Trade and Other Payables	54,500	13,800
Total Equity and Liabilities	145,000	103,000

The following additional information is also provided:

- (1) **Hiru Ltd.** acquired 80% of ordinary share capital of **Tharu Ltd.** on 01st April 2020. Fair value of the non-controlling interest on the date of acquisition was Rs. 20 million. As at the date of acquisition, **Tharu Ltd.**'s retained earnings was Rs. 13 million and the fair value of identifiable net assets of **Tharu Ltd.** was equal to its book value.
- (2) On 01st April 2020, **Hiru Ltd.** sold a motor vehicle which was purchased on 01st April 2018 at a cost of Rs. 5 million to **Tharu Ltd.** for Rs. 6 million. Both companies depreciate their motor vehicles over 5 years on the straight-line basis at cost.
- (3) During the month of March 2021, **Tharu Ltd.** sold an inventory costing Rs. 10 million with a 20% profit margin on cost to **Hiru Ltd.** Of that, 50% of the stocks remained unsold

at the warehouse of **Hiru Ltd.** as at 31st March 2021. Further, the full amount on this transaction was recorded in trade receivables of **Tharu Ltd.** and trade payable of **Hiru Ltd.**

You are required to:

- (a) Calculate the goodwill arising from consolidation. (04 marks)
- (b) Prepare Consolidated Statement of Financial Position as at 31st March 2021. (11 marks)
- (Total 15 marks)

Level III – July 2022 (Question 10)

The following statements of Financial Position were extracted from **Astro Ltd. (AL)** and **Bestro Ltd. (BL)** as at 31st March 2022:

Statements of Financial Position as at 31st March 2022

(Rs. '000)

	AL	BL
Non-Current Assets:		
Property, Plant and Equipment at Cost	50,000	15,000
Accumulated Depreciation	(15,400)	(3,750)
Carrying Value	34,600	11,250
Investment in BL	50,000	-
Current Assets:		
Inventories	12,300	15,000
Trade Receivables	30,200	10,900
Balance Due from AL	-	2,000
Cash and Cash Equivalents	2,750	1,550
Total Assets	129,850	40,700
Equity:		
Stated Capital	60,000	25,000
Retained Earnings	27,800	9,900
	87,800	34,900
Non-Current Liabilities:		
Bank Loan	16,000	-
Current Liabilities:		
Trade Payables	20,350	5,140
Balance Due to BL	2,000	-
Bank Overdraft	3,700	660
Total Equity and Liabilities	129,850	40,700

The following additional information is also provided.

- (1) **AL** acquired 80% of ordinary share capital of **BL** on 01st April 2021. Fair value of the non-controlling interest on the date of acquisition was Rs. 6,000,000/- and fair value of the identical net assets of **BL** was equal to its book value. As at the date of acquisition, the retained earnings of **BL** was stood at Rs. 7,000,000/-.
- (2) During the year, **BL** has sold goods to **AL** with a mark-up of 25%. As at 31st March 2022, an unsold inventory worth of Rs. 3.5 million, which was purchased from **BL** was included in the inventory of **AL**. Further, Rs. 2 million payable on this transaction was included in the receivables of **BL** and payables of **AL** as at 31st March 2022.
- (3) During the year, a land purchased for Rs. 5 million by **BL** was disposed for Rs. 10 million to **AL**.
- (4) The impairment review on goodwill was carried out on 31st March 2022 and it was revealed that goodwill was impaired by Rs. 300,000/-.

You are required to:

- (a) **Calculate** the goodwill arising from consolidation. (03 marks)
 - (b) **Prepare** Consolidated Statement of Financial Position as at 31st March 2022. (10 marks)
- (Total 13 marks)

Level III – January 2023 (Question 10)

Ganga PLC acquired 80% of the ordinary share capital of **Yamuna PLC** on 01st April 2021 for Rs. 90 million. The goodwill arising from the acquisition was Rs. 5 million.

The Statements of Comprehensive income of **Ganga PLC** and **Yamuna PLC** for the year ended 31st March 2022 were as follows:

Statements of Financial Position as at 31st March 2022

	(Rs. '000)	
	Ganga PLC	Yamuna PLC
Sales	435,000	245,000
Cost of Sales	(269,700)	(147,000)
Gross Profit	165,300	98,000
Other Income:		
Rent Income	1,200	6,000
Dividend Income	600	-
Profit on Disposal of Property, Plant and Equipment	2,400	1,320
Expenses:		
Distribution Expenses	(27,500)	(16,000)
Administration Expenses	(56,000)	(36,500)
Finance Expenses	(11,500)	(16,500)
Profit Before Tax	74,500	36,320

Income Tax	(12,500)	(8,400)
Profit for the year	62,000	27,920
Other Comprehensive Income	1,200	(1,300)
Total Comprehensive Income	63,200	26,620

The following additional information is also provided.

- (1) During the year, **Yamuna PLC** has sold goods costing of Rs. 50 million to **Ganga PLC** at a profit margin of 20% on cost. As at 31st March 2022, inventory worth of Rs. 30 million remained unsold at the store of **Ganga PLC** which was purchased from **Yamuna PLC**.
- (2) During the year, **Ganga PLC** has paid annual rent of Rs. 1,00,000/- to **Yamuna PLC** for using of their warehouse and this has been recorded as other income of **Yamuna PLC**'s books of accounts.
- (3) Dividend income of Ganga PLC including only the dividend received from **Yamuna PLC**.
- (4) On 01st April 2021, Ganga PLC sold a machinery to Yamuna PLC for Rs. 6,000,000/- which had a carrying value of Rs. 5,000,000/- in the books of Ganga PLC on that date. The remaining useful of the machinery as at 01st April 2021 was years. Profit on disposal of machinery has been included included in other income of **Ganga PLC**.
- (5) Impairment Test was carried out on 31st March 2022 and it was revealed that Goodwill on acquisition of the company has been impaired by Rs. 2 million.

You are required to:

Prepare the Consolidated Comprehensive Income Statement for the year ended 31st March 2022. (10 marks)

