

Statement of Profit & Loss and Other Comprehensive Income for y/e 31 Dec 2013 Statement of Financial Position as at 31 December 2010

	Gamba	Hilden	Adj (***) below	Group
Revenue	54,230	16,170	(860)	69,540
COS	(35,540)	(10,675)	860 (28)	(45,383)
GP	18,690	5,495	- (28)	24,157
Other Inc	660	-	(435) (225)	-
DC	(8,440)	(2,175)	-	(10,615)
AE	(2,300)	(2,055)	(125) (150)	(4,630)
Finance Costs	(510)	(100)	-	(610)
Share of JV Profit			1,545 (23)	1,523
PBT	8,100	1,165	985 (425)	9,825
IT	(940)	(130)	-	(1,070)
PAT	7,160	1,035	985 (425)	8,755

Profit attribto:				
Parent				8,534
NCI*				221
				8,755

* (1035-11-125-17)*25%
See S label below

	Note	Gamba €'000	Hilden €'000	Adj €'000	Group €'000
Assets					
NCA					
PPE		21,580	10,365	420 (11)	32,355
Investment/Goodwill	W1	13,340	-	-	1,125
Investment in JV	W4	5,600	-	-	6,920
		40,520	10,365	420 (11)	40,400
CA					
Inventories		3,450	2,860	(23) (17)	6,270
Trade Rec		6,540	4,310	(640)	10,210
Cash		860	240	-	1,100
		10,850	7,410	(663) (17)	17,580
Total Assets		51,370	17,775	(243) (28)	57,980
Equity & Liabilities					
Equity					
Share Capital		14,500	3,000	(3,000)	14,500
Share Premium		2,300	-	-	2,300
Retained Earnings	W3	21,410	9,725	-	22,784
		38,210	12,725	(3,000) -	39,584
NCI	W2	-	-	-	3,326
Equity		38,210	12,725	(3,000) -	42,910
Non Current Liabilities					
Long Term Borrowings		4,500	2,500	(2,500)	4,500
Current Liabilities					
Trade Payables		7,220	2,400	(640)	8,980
Current LTB		480	-	-	480
Tax		960	150	-	1,110
		8,660	2,550	(640) -	10,570
Equity & Liabilities		51,370	17,775	(6,140) -	57,980

Consol. Statement of Changes in Equity for y/e 31 Dec 2013 (Not asked for in Q)

	OSC	Share Prem.	Ret. E	NCI	Total
	€'000	€'000	€'000	€'000	€'000
OBAL 1/1	14,500	2,300	14,250	-	31,050
Acquisition				3,250	3,250
Dividends				(145)	(145)
Profit for the year			8,534	221	8,755
CBAL 31/12	14,500	2,300	22,784	3,326	42,910

Proof of Opening Retained Earnings				
Gamba	14,250		(21410-7160)	
Hilden	Nil		(Acquired during year)	
Iron	Nil		(Acquired during year)	
	14,250			

Group Structure

Gamba		% Acquired	
Shares	10,690	75%	Subsidiary
Debentures	2,500 NB		
Fees	150		
	13,340		

Bursa
Rights to net assets - Joint Venture - IAS 28 Equity Method
Started from scratch so no need to check re gain from bargain purchase

Journals (Spacing does not matter as will be at back of answer)

1	Cancel intra group balance of investment in debentures			
	Cr Inv in Hilden	#####		
	DR LTB in Hilden	2,500		
2	Expense legal fees - IFRS 3			
	Cr Inv in Hilden		150	
	DR Ret E	150		****
3	FV Adj of PPE at acq			
	DR PPE		420	
	CR Goodwill Working	420		

W1 Goodwill	Total	Parent	NCI
Consideration/Value	13,940	10,690	3,250 (Fair Value)
FV of NA @ Acq			
OSC	3,000		
Ret Earnings	9,270		
Fair Value Adjustment (J3)	420		
	12,690		
75%/25% Split		(9,518)	(3,173)
Goodwill	1,250	1,173	78
Impairment (J5)	(125)	(94)	(31)
Goodwill @ Y/E	1,125		
* (9725-2070*6/12+580)=9270 (Also told in question)			

W2 Non Controlling Interest	
Value @ Acquisition (W1)	3,250
<u>Hilden</u>	
Post Acq Profits	455 (9725-9270)
NCI Share (25%)	114
Goodwill Impairment (J5)	(31)
FV Adj Depreciation (J4)	(3)
Unrealised Profit (J8)	(4)
NCI @ Y/E	3,326

4	Adj for deprec for FV adj				
	CR PPE	11	(420/20*6/12)	****S	
	DR Ret E	8			
	DR NCI	3			
5	Goodwill impairment - NB IFRS3 method 2				
	CR G'will	125		****S	
	DR Ret E	94			
	DR NCI	31			
6	Dividend from Iron				
	DR Ret E (Other Income)	225		****	
	CR Inv in JV		225		
7	JV to Parent - JV so no need to remove intra group balances				
	DR Ret E	23	(450/5*50%)*50%	**** JV	
	CR Inventory		23		
8	Intra group trading Hilden				
	DR TP	640			
	CR TR		640		
	DR Rev	860		*****	
	CR COS		860	*****	
	DR Ret E	13			
	DR NCI	4			
	CR Inv		17 (860/5*10%) Unrealised Profit	*****S	
9	Intra Group Div - Hilden				
	DR Ret E	435	Other In: (580*75%)	*****	
	CR RET E (Hilden)	435			
	* Net impact nil in Ret E "T" account so can leave out but need to adjust SOCE & SPLOCI				
	NCI Dividend = 580*25% = 145				SOCE
10	Share of JV Profit				
	DR Inv in JV	1,545	(2640+450-0)*50%	****	
	CR Ret E		1,545		
	Note 0 used above as the JV was started from scratch - 0 retained earnings				

W3 Group Retained Earnings	
Gamba Retained Earnings @ Y/e	21,410
Legal Fees (J2)	(150)
JV Dividend Adjustment (J6)	(225)
JV Unrealised Profit (J7)	(23)
JV Post Acq Profits (J10)	1,545
<i>Hilden</i>	
Post Acq Profits	455 (9725-9270)
Group Share (75%)	341
Goodwill Impairment (J5)	(94)
FV Adj Depreciation (J4)	(8)
Unrealised Profit (J8)	(13)
Group Retained Earnings @ Y/E	22,784

W4 Joint Venture	
Cost	5,600
JV Dividend Adjustment (J6)	(225)
JV Post Acq Profits (J10)	1,545
NCI @ Y/E	6,920

Suggested Approach - Columnar

- Step 1** Read requirements + background information to case
- Step 2** Briefly review all notes to question to (i) assess links between notes; (ii) reconcile information to table of numbers; (iii) note key dates (e.g. mid year acq.); and (iv) identify group structure
- Step 3** Leave enough space at start based on requirements (e.g. 1 pg CSPLOCI, 2pgs SOFP).
- Step 4** Set up CSOFP column structure (5 columns - P, S, Adjx2 & G) and populate Parent & Sub SOFP balances. Set up CSPLOCI structure if you wish.
- Step 5** Start an appendix for your key workings (goodwill, NCI, retained earnings and reval reserve (if any)) plus any smaller consolidation adjustments
- Step 6** Work down through the adjustments (remembering any links noted as per Step 2). Start with goodwill calculation. Fill in adjustment columns as you go. Remember to link adjustments to CSPLOCI also (using *** label) and also consider if it impacts Sub's profits (S label)
- Step 7** Finalise all key workings and cross reference into the CSOFP (e.g. W1, W2 etc).
- Step 8** Populate CSOFP by adding across columns for remaining line items
- Step 9** Populate CSPLOCI adjustments column from *** label in workings if not done already. Allocate share of Sub's profits to NCI at end of CSPLOCI (using S label)
- Step 10** Set up and populate the CSOCE with the results of the CSOFP, CSPLOCI and any labels from your adjustments (e.g. NCI dividends, share issues)

Note: These are only high level steps for preparing the CSOFP, CSPLOCI & CSOCE - with practice you will refine your own approach.

Key Tips

- Remember to put adjustments in the adjustment columns as you go - both for CSPLOCI & CSOFP
- Focus on key areas where bulk of marks will be going for - e.g. goodwill calc., NCI and consolidated retained earnings
- Make effective use of labels as you go through workings. Try to avoid having to dig back into each working at the end when populating the financial statements
- Try various approaches to see which one suits you but then choose one and stick with it
- Presentation marks are available – don't throw them away (e.g. correct headings, neat & structured layout, NCI profit allocation at end of CSPLOCI, NCI in right position in CSOFP)