

Question 1

Part 1 of 1 (15 marks)

Part prompt:

Complete the statement of cash flows for the year ended 31 October 20X7 for Geofrost Co.

Geofrost Co		
Statement of cash flows		
For the year ended 31 October 20X7		
		\$'000
Cash flows from operating activities		
Profit before tax [Gap 1]	[Gap 2]	15,000
Depreciation	[Gap 3, 4]	4,658
Gain on disposal of property, plant and equipment	[Gap 5, 6]	(720)
		18,938
Decrease in inventories	[Gap 7, 8]	6,075
Increase in trade receivables	[Gap 9, 10]	(1,863)
Increase in trade and other payables	[Gap 11, 12]	3,198
Cash generated from operations		26,348
Income taxes paid	[Gap 13, 14]	(4,090)
Net cash from operating activities		22,258
Cash flows from investing activities		
Purchase of property, plant and equipment	[Gap 15, 16]	(24,340)
Proceeds from sale of property, plant and equipment	[Gap 17, 18]	2,694
Net cash used in investing activities		(21,646)
Cash flows from financing activities		
Proceeds from issue of share capital	[Gap 19, 20]	1,869
Payment of long-term borrowings	[Gap 21, 22]	(2,300)
Net cash used in financing activities		(431)
Net increase in cash and cash equivalents	[Gap 23, 24]	181
Cash and cash equivalents at 1 November 20X6	[Gap 25]	634
Cash and cash equivalents at 31 October 20X7	[Gap 26]	815

Workings:

	\$'000
[Gap 7, 8]	
Opening inventories	9,635
Closing inventories	3,560
Decrease in inventories (positive cash flow impact)	6,075
[Gap 9, 10]	
Opening trade receivables	4,542
Closing trade receivables	6,405
Increase in trade receivables (negative cash flow impact)	1,863
[Gap 11, 12]	
Opening trade and other payables	4,364
Closing trade and other payables	7,562
Increase in trade and other payables (positive cash flow impact)	3,198
[Gap 13, 14]	
Opening current tax payable	2,760
Income tax expense	4,350
	7,110
Closing current tax payable	3,020
Income taxes paid (cash outflow)	4,090
[Gap 15, 16]	
Opening carrying amount	26,574
Depreciation charge	(4,658)
Carrying amount of disposal	(1,974)
	19,942
Closing carrying amount	44,282
Purchase of property, plant and equipment (cash outflow)	24,340
[Gap 17, 18]	
Carrying amount of disposal	1,974
Gain on disposal of property, plant and equipment	720
Proceeds from sale of property, plant and equipment (cash inflow)	2,694
[Gap 19, 20]	
Opening share capital	17,496
Closing share capital	19,365
Proceeds from issue of share capital (cash inflow)	1,869
[Gap 21, 22]	
Opening long-term borrowings	10,300
Closing long-term borrowings	8,000
Payment of long-term borrowings (cash outflow)	2,300
	\$'000

[Gap 23, 24]	
Opening cash and cash equivalents (\$1,063k - \$429)	634
Closing cash and cash equivalents (\$2,045k - \$1,230k)	815
Net increase in cash and cash equivalents (cash inflow)	181

Question 2

Part 1 of 4 (4.5 marks)

Part prompt:

Complete the following to determine the goodwill arising on acquisition.

		\$'000
Investment and non-controlling interests		
Investment in subsidiary	[Gap 1]	1,380
Non-controlling interests at fair value [Gap 2]	[Gap 3]	450
	[Gap 4]	1,830
Net assets of the subsidiary		
Share capital	[Gap 5]	1,000
Retained earnings [Gap 6]	[Gap 7]	480
	[Gap 8]	1,480
Goodwill (\$1,830k - [100% x \$1,480k]) [Gap 9]		350

Part 2 of 4 (3 marks)

Part prompt:

Are each of the following statements relating to consolidation correct?

The process of consolidation results in a single separate legal entity	<p>No</p> <p>Per IFRS® 10 <i>Consolidated Financial Statements</i> (Appendix A), these are “The financial statements of a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity”.</p>
Goodwill is recalculated using the most recent fair values at each reporting period end	<p>No</p> <p>Per IFRS® 3 <i>Business Combinations</i> (para 32), “The acquirer shall recognise goodwill as of the acquisition date”.</p>
NCI will always feature within consolidated financial statements	<p>No</p> <p>Per IFRS® 3 <i>Business Combinations</i> (Appendix A), non-controlling interests are defined as “The equity in a subsidiary not attributable, directly or indirectly, to a parent”; therefore, if a subsidiary is wholly owned, there are no non-controlling interests.</p>

Part 3 of 4 (1 mark)

Part prompt:

Select the formula which correctly calculates NCI as at 31 December 20X9, in accordance with IFRS 10 Consolidated Financial Statements.

Fair value of NCI at acquisition + 25% of post-acquisition profits

Per IFRS® 10 *Consolidated Financial Statements* (Appendix B, B94), “An entity shall **attribute the profit or loss** and each component of other comprehensive income to the owners of the parent and **to the non-controlling interests**”.

Part 4 of 4 (6.5 marks)

Part prompt:

Calculate the following figures which will be reported in Gasta Co's consolidated statement of financial position as at 31 December 20X9.

		\$'000
Investment in subsidiary (\$1,380k - £1,380k)	[Gap 1]	-
Other assets (\$4,500k + \$2,400k)	[Gap 2]	6,900
Share capital (\$2,000k + \$1,000k - \$1,000k)	[Gap 3]	2,000
Retained earnings (\$2,040k + \$660k - \$480k - \$45k)	[Gap 4]	2,175
Non-controlling interests (\$450k + \$45k)	[Gap 5]	495
Liabilities (\$1,840k + \$740k)	[Gap 6]	2,580

Subsidiary's profit for the year = \$660k - \$480k = **\$180k**

Non-controlling interests' share of current year profit = 25% x \$180k = **\$45k**