

Quiz 24 (10%)

chapter 24

only Income Statement

FV > BV +  
FV < BV -

The following is the statement of comprehensive income for Parent plc and Subsidiary plc for the year ended 31 December 2010.

Statement of comprehensive income for year ended 31 December 2010

	Parent \$	Subsidiary\$
Sales Revenue	15,000	9,750
Cost of goods sold	(9,400)	(5,850)
Gross profit	5,600	3,900
Operating expenses	(3,570)	(1,100)
Dividends received from Subsidiary plc	200	-
Interest expense	(450)	(180)
Pretax profit	1,780	2,620
Taxation	(1,350)	(1,050)
Net income	430	1,570

The following information is also relevant

- Parent acquired 70% of the share capital of Subsidiary in 1 January 2009 for \$7,000 when Subsidiary plc had the following balances

	\$Subsidiary
Share capital	5,000
Share premium	1000
Retained Earnings	2,400

- In arriving at the consideration for the shares in Subsidiary plc, the fair value of Subsidiary's PPE was agreed at \$500 above the book value- 5 years remaining life.
- During the current year 2010, the Parent plc sold goods to the Subsidiary plc for \$7,000. These goods had cost of Parent plc \$ 4,800. 60% of these goods were sold by the Subsidiary by 31 December 2010.
- Goodwill was impaired by 60% during the year 2009. There was no impairment in 2010.
- On 1 January 2009, Subsidiary Plc sold a depreciable plant asset to Parent and made a \$800 gain on this sale. The sold PPE is depreciated by the Parent using the straight-line method over is 5 years remaining life and zero residual value.
- Non-controlling interests are valued at their proportionate share of the fair value identifiable net assets acquired. Goodwill impairment and depreciation are charged to operating expenses

Required:

- Fill in (complete) the table provided in the answer sheet for the Group figures for the year ended 31 December 2010.

$\frac{800}{5} = 160$   
 $160 \times 5 = 800$



B- Record the worksheet journal entry that relate to Dividends received from Subsidiary plc

Answer Q1: (Show calculations)

A- Compute the following for the year ended 31 December 2010:

	\$ Parent	SSubsidiary	Adjustments	Group Figures
Sales Revenue	15,000	9,750	(7,000)	17,750
Cost of goods sold	(9,400)	(5,850) (1,320) Unrealized	7,000	(9,570)
Gross profit	5,600	2,580		8,180
Operating expenses	(3,570)	(1,100) (100) Amortized		(4,770)
Dividend received from Subsidiary plc	200	-	(200)	0
Interest expense	(450)	(180)		(630)
Pretax profit	1,780	1,200		2,980
Taxation	(1,350)	(1,050)		(2,400)
Net income	430	150		380
Net income attributable to Group (2)				335
Net income attributable to NCI (1)				45

(1) Calc Rev -

(1)  $150 \times 30\% = 45$

(2)  $380 - 45 = 335$