

## LCCI Level 3 Accounting Consolidation Task

### Consolidated Statement of Financial Position

- 1) James Ltd has one subsidiary undertaking, Hardy Ltd, which it acquired on 1 January 20X3.

The Statement of Financial Position for both James Ltd and Hardy Ltd as at 31 December 20X3 are set out below.

	James Ltd	Hardy Ltd
	\$	\$
Non-current assets	52300	24230
Investment in Hardy Ltd	<u>20000</u>	
	72300	24230
Current assets		
Inventory	8970	4390
Trade and other receivables	6810	3680
Cash and cash equivalents	<u>4770</u>	<u>1890</u>
	20550	9960
<b>Total assets</b>	<b>92850</b>	<b>34190</b>
Equity and liabilities		
Equity		
Share capital	12000	5000
Share premium	5000	1000
Retained earnings	<u>37780</u>	<u>17800</u>
	54780	23800
Non-current liabilities		
Loans	30000	7000
Current liabilities		
Trade and other payables	4480	2340
Tax	<u>3590</u>	<u>1050</u>
	8070	3390
Total liabilities	<u>38070</u>	<u>10390</u>
<b>Total equity and liabilities</b>	<b>92850</b>	<b>34190</b>

Further information:

- The share capital of Hardy Ltd consists of ordinary shares of \$1 each.
- James Ltd acquired 3500 shares in Hardy Ltd on 1 January 20X3 at a cost of \$20000.
- The balance of retained earnings of Hardy Ltd as of 1 January 20X3 was \$10050.
- The fair value of Hardy Ltd's non-current assets as of 1 January 20X3 was \$32600. The carrying value of the non-current assets as of 1 January 20X3

was \$28600. No adjustments were made to reflect this in the financial statements of Hardy Ltd.

**Task:** Prepare the Consolidated Statement of Financial Position as at 31 December 20X3 using the template provided below.

Instructions for completing the task:

- Do not use any symbols (e.g. \$ or -), full stops or commas in your answer.
- All descriptions should be entered using the drop-down options available in each box.

<b>Consolidated Statement of Financial Position</b>		
<b>For the year ended 31 December 20X3</b>		
	\$	\$
<b>Non-current assets</b>		
Goodwill	5965 (2)	
Property plant and equipment	80530 (2)	
		86495 (0.5)
<b>Current assets</b>		
Inventory	13360 (0.5)	
Trade and other receivables	10490 (0.5)	
Cash and cash equivalents	6660 (0.5)	
		30510 (1)
<b>TOTAL ASSETS</b>		<b>117005 (1)</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	12000 (1)	
Share premium	5000 (1)	
Retained earnings	43205 (2)	
Non-controlling interest	8340 (2)	
Total equity		68545 (1)
<b>Non-current liabilities</b>		
Loans		37000 (1)
<b>Current liabilities</b>		
Trade and other payables	6820 (0.5)	
Tax	4640 (0.5)	
		11460 (1)
Total liabilities		48460 (1)
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>117005 (1)</b>

Total of 20 marks available.

Items shown in orange text (name and corresponding value must match) – The drop-down options to be available in these boxes are:

- Property plant and equipment
- Investment in Hardy Ltd
- Goodwill
- Share capital
- Share premium
- Retained earnings

These can be entered by the student in **any order**, but they must get the right value against the right description.

Items shown in green text (name and corresponding value must match) – The drop-down options to be available in these boxes are:

- Share capital
- Inventory
- Trade and other payables
- Tax
- Trade and other receivables
- Goodwill
- Cash and cash equivalents

The items also have to be **listed in the order shown** in the answer to get the marks.

Items shown in purple text (name and corresponding value must match) – The drop-down options to be available here are:

- Goodwill
- Retained earnings
- Share premium
- Loans
- Share capital
- Non-controlling interest

These can be entered by the student in **any order**, but they must get the right value against the right description.

Items shown in blue text (name and corresponding value must match) – The drop-down options to be available in these boxes are:

- Share capital
- Revaluation reserve
- Loans
- Share premium
- Non-controlling interest
- Trade and other payables
- Tax

Items shown in grey text (name and corresponding value must match) – The drop-down options to be available in these boxes are:

- Share capital
- Revaluation reserve
- Loans
- Share premium
- Non-controlling interest
- Trade and other payables
- Tax

These can be entered by the student in **any order**, but they must get the right value against the right description.

### Statement of Cash Flow

- 2) An extract from the Statement of Profit or Loss for the year ended 31 December 20X7 for Grander & Co Ltd is provided below along with a Statement of Financial Position as at the same date.

Grander & Co Ltd	
Statement of Profit or Loss for the year ending 31 December 20X7	
	\$000
<b>Profit from operations</b>	1400
Finance costs	-100
<b>Profit before tax</b>	1300
Tax expense	-220
<b>Profit for the year</b>	1080

Grander & Co Ltd		
Statement of Financial Position at 31 December 20X7		
	20X7	20X6
	\$000	\$000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property plant and equipment	5980	5520
<b>Current Assets</b>		
Inventories	1395	1360
Trade and other receivables	1330	1420
Cash and cash equivalents	50	30
<b>TOTAL ASSETS</b>	<b>8755</b>	<b>8330</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	4000	3500
Share premium	1000	800

Retained earnings	2490	1530
	<b>7490</b>	<b>5830</b>
<b>Non-current liabilities</b>		
10% Loan stock	-	1000
<b>Current liabilities</b>		
Trade and other payables	1050	1260
Tax payable	215	240
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8755</b>	<b>8330</b>

The following information is relevant:

- Dividends of \$120000 were proposed in 20X6 and paid in 20X7. Dividends of \$150000 were proposed in 20X7 and are due to be paid in 20X8.
- During the year the company sold non-current assets which had originally cost \$660000 and had been depreciated by \$346000. The proceeds on sale amounted to \$242000.
- The depreciation charge for the year was \$1750000.

Prepare a Statement of Cash Flows for Grander & Co Ltd for the year ended 31 December 20X7 using the template below.

You should select the descriptions from the drop-down options provided in each answer box. All figures should be entered to the nearest \$000, and you should use a minus sign to indicate where a figure is to be deducted, where the impact on the cash flow is negative or to indicate a negative balance. For example, an entry to show a cash outflow of \$250000 should be entered as -250.

Do not use any full stops, commas or symbols in your answer, for example \$.

	<b>Grander &amp; Co Ltd</b>		
	<b>Statement of Cash Flows for the year ended 31 December 20X7</b>		
		<b>\$000</b>	<b>\$000</b>
	<b>Cash flows from operating activities</b>		
	Profit before tax	1300 (½)	
	Adjustments:		
1	Depreciation	1750 (1)	
1	Gain or loss on disposal of PPE	72 (1)	
1	Finance costs	100 (1)	
	<b>Operating profit before working capital changes</b>	<b>3222 (½)</b>	
2	Movement in inventories	-35 (1)	
2	Movement in receivables	90 (1)	
2	Movement in payables	-210 (1)	
	<b>Cash generated from operations</b>	<b>3067 (½)</b>	
3	Interest paid	-100 (1)	
3	Tax paid	-245 (1)	
	<b>Net cash flows from/(used in) operating activities</b>		<b>2722(1)</b>

	<b>Cash flows from investing activities</b>		
4	Purchase of property, plant and equipment	-2524 (2)	
4	Proceeds from sale of property, plant and equipment	242 (1)	
	<b>Net cash flows from/(used in) investing activities</b>		-2282 (1)
	<b>Cash flows from financing activities</b>		
5	Proceeds from issue of shares	700 (1)	
5	Proceeds from or repayment of long-term borrowing	-1000 (1)	
5	Dividends paid	-120 (1)	
	<b>Net cash flows from/(used in) financing activities</b>		-420 (1)
	<b>Net increase/(decrease) in cash and cash equivalents</b>		20 (½)
	<b>Cash and cash equivalents at start of the year</b>		30 (½)
	<b>Cash and cash equivalents at end of the year</b>		50 (½)

Total of 20 marks available.

### Sections 1, 2 and 3

These options can be entered in **any order** within each section, but the correct answers must appear in the correct section. The correct option has to have the correct value next to it. Options to be given in the drop-down list:

- Depreciation
- Gain or Loss on disposal of PPE
- Finance costs
- Movement in inventories
- Movement in receivables
- Movement in payables
- Interest paid
- Tax paid
- Dividends paid
- Investment income

### Sections 4 and 5

These options can be entered in **any order** within the section providing it is in the correct section. The correct option has to have the correct value next to it.

Options to be given in the drop-down list:

- Purchase of property, plant and equipment
- Proceeds from sale of property, plant and equipment
- Proceeds from issue of shares
- Proceeds from or repayment of long-term borrowing
- Dividends paid
- Dividends received
- Tax paid
- Interest paid
- Depreciation

### Statement of profit or loss

- 3) You have been provided with the trial balance of Corner Co Ltd for the year ended 31 December 20X4 below.

Corner Co Ltd		
Trial balance as at 31 December 20X4		
	Debit (\$)	Credit (\$)
Share capital		14000
Share premium		4000
Trade and other payables		3152
Motor vehicles (at cost)	22560	
Motor vehicles accumulated depreciation as at 1 January 20X4		4250
Plant and equipment (at cost)	42360	
Plant and equipment accumulated depreciation as at 1 January 20X4		17050
Trade and other receivables	4584	
Accruals		245
8% Bank loan (repayable 20X8)		10000
Cash at bank	4212	
Retained earnings		7135
Loan interest	400	
Sales revenue		125420
Purchases	83265	
Distribution costs	6439	
Administrative expenses	8122	
Inventory (1 January 20X4)	10310	
Dividends paid	3000	
<b>TOTALS</b>	<b>185252</b>	<b>185252</b>

#### Further information:

- The inventories at the close of business at 31 December 20X4 were valued at \$12605. Included in this figure is a cost of \$2105 which relates to a batch of inventory for a discontinued product. The total selling price of the batch would normally be \$4000 however it will now be sold at a 50% discount due to lack of demand.
- Corner Co Ltd rented some temporary office space for the period 1 November 20X4 to 31 January 20X5. The contract price for the three months was \$1050 and this was paid in full on 28<sup>th</sup> November 20X4. The rental cost has been included in administrative expenses.
- Interest on the bank loan for the last six months of the year has not been included in the trial balance.
- Depreciation for the year ending 31 December 20X4 is still to be accounted for using the following rates:

- Motor vehicles – 25% straight line basis charged to distribution costs
  - Plant and equipment – 20% diminishing balance basis charged to cost of sales
- The tax charge for the year for Corner Co Ltd is \$5860.

### Tasks:

- Complete the workings for:
  - Cost of sales
  - Distribution costs
  - Administrative expenses
- Prepare the Statement of Profit or Loss for the year ending 31 December 20X4 using the template provide below.

You should select the descriptions from the drop-down options provided in each answer box.

All figures should be entered as whole numbers only and you should use a minus sign to indicate where a figure is to be deducted.

Do not use any full stops, commas or symbols in your answer, for example \$.

<b>Cost of sales working</b>	<b>\$</b>
Opening inventory	10310 (1)
Purchases	83265 (1)
Closing inventory	-12500 (1)
Depreciation charges – Plant and equipment	5062 (1)
<b>Cost of sales</b>	<b>86137 (0.5)</b>

<b>Distribution costs working</b>	<b>\$</b>
Distribution costs per Trial Balance	6439 (1)
Depreciation charges – Motor vehicles	5640 (1)
<b>Distribution costs</b>	<b>12079 (0.5)</b>

<b>Administrative expenses working</b>	<b>\$</b>
Administrative expenses per Trial Balance	8122 (1)
Prepayment of office rental costs	-350 (1)
<b>Administrative expenses</b>	<b>7772 (0.5)</b>

Drop-down options for **all three workings boxes**:

- Administrative expenses per Trial Balance
- Distribution costs per Trial Balance
- Opening inventory
- Closing inventory
- Purchases
- Depreciation charges – Motor vehicles
- Depreciation charges – Plant and equipment
- Prepayment of office rental costs
- Loan interest
- Accrual of office rental cost



	Corner Co Ltd Statement of Profit or Loss for the year ending 31 December 20X4		
		\$	
1	Revenue	125420	(1)
2	Cost of sales	-86137	(1)
	<b>Gross profit</b>	<b>39283</b>	<b>(0.5)</b>
3	Distribution costs	-12079	(1)
3	Administrative expenses	-7772	(1)
	<b>Profit from operations</b>	<b>19432</b>	<b>(1)</b>
4	Finance costs	-800	(1)
	<b>Profit before tax</b>	<b>18632</b>	<b>(1)</b>
5	Tax	-5860	(1)
	<b>Profit for the year</b>	<b>12772</b>	<b>(2)</b>

Total of 20 marks available.

**Sections 1 & 2** have to be shown in the **correct place as shown above**.

**Section 3** these two answers have to be in this section but can be listed in **any order**.

**Sections 4 & 5** have to be shown in the **correct place as shown above**.

Drop down options to be available in **all sections 1 to 5**:

- Revenue
- Cost of sales
- Distribution costs
- Administrative expenses
- Finance costs
- Tax
- Share capital
- Share premium
- Trade and other payables
- Trade and other receivables