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		
Operating profit **[*Gap 1*]**	**[*Gap 2*]**	15,800
Adjustments for:		
Depreciation	**[*Gap 3, 4*]**	4,658
Gain on disposal	**[*Gap 5, 6*]**	(720)
Operating profit before depreciation and gain on disposal		**19,738**
Decrease in inventories	**[*Gap 7, 8*]**	6,075
Increase in trade receivables	**[*Gap 9, 10*]**	(1,863)
Increase in payables for goods and services	**[*Gap 11, 12*]**	3,198
Cash from operating activities before income taxes		**27,148**
Income taxes paid	**[*Gap 13, 14*]**	(4,090)
Net cash from operating activities		**23,058**
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)
Interest paid	**[*Gap 23, 24*]**	(800)
Net cash used in financing activities		**(1,231)**
Net increase in cash and cash equivalents	**[*Gap 25, 26*]**	**181**
Cash and cash equivalents at 1 November 20X6	**[*Gap 27*]**	634
Cash and cash equivalents at 31 October 20X7	**[*Gap 28*]**	**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 25, 26, 27, 28*]	
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	**No** Per IFRS® 10 *Consolidated Financial Statements* (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**".
Goodwill is recalculated using the most recent fair values at each reporting period end	**No** Per IFRS® 3 *Business Combinations* (para 32), "The acquirer shall recognise **goodwill as of the acquisition date**".
NCI will always feature within consolidated financial statements	**No** Per IFRS® 3 *Business Combinations* (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**.

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**