BUSINESS COMBINATION/CONSOLIDATION (GROUP)

- **Consolidation or business combination** refers bringing together of separate entities into one reporting entity. The result of all business combination is that one entity (acquirer) obtains control over one or more other entities. Business combination brings about parent subsidiary relationship.
- **Subsidiary**-a subsidiary is an entity that is controlled by another entity for more than 50% of its equity capital.
- **Control**-this is the power to govern the financial and operating policy decision of the investee.
- **Consolidated financial statement**-these are financial statement of different/group of companies presented by those of a single entity.
- **Group** this comprises the parent and all its subsidiary.
- **Non-controlling interest (NCI)**-This is the proportion of net asset in the subsidiary that is not owned by the parent company.

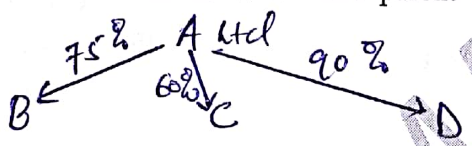
IFRS 3 allows two alternatives method of determining NCI:

1. NCI at their proportionate share of the fair value of the subsidiaries net asset.
2. NCI at fair value.

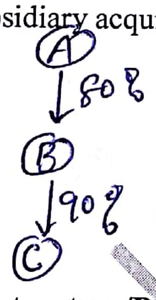
Group structures

There are 3 types of structures.

1. **Horizontal structure**-this is where the parent acquire controlling interest in one or more subsidiary.



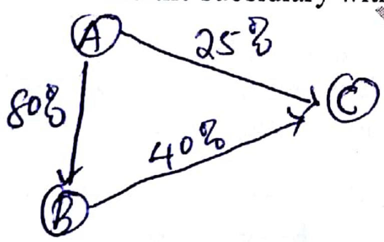
2. **Vertical structure**-this occurs where the parent acquires controlling interest in a subsidiary and the subsidiary acquires a controlling interest in another subsidiary.



A controls B 80%
NCI 20%

A interest in C
80% x 90% = 72%
NCI = 28%

3. **Mixed structure/D structure**-this occurs where the parent acquires a controlling in a subsidiary and the subsidiary with the parent acquires a controlling interest in another subsidiary.



A interest in C
Direct control 25%
Indirect control 80% x 40% 32%
57%

Therefore C is a sub-subsidiary.

NB. Only subsidiary is consolidated and for the ordinary share capital and share premium only for the parent is recognized.

Preparation of consolidated financial statement.

The parent company prepares a consolidated financial statement using uniform accounting policies. However the parent need not prepare consolidated F/S due to the following:

Exemptions from preparing consolidated financial statements.

- The parent is itself a wholly owned subsidiary or partially owned subsidiary of another entity of which the other entity prepares the group accounts.
- Its debt or Equity instrument is not traded in the local/foreign public market.
- It is an investment entity eg Britam, cytoon, centum
- It did not file nor is in the process for filling its financial statement with the security commission for the purpose of issuing any class of instrument.
- Its ultimate or intermediate parent prepares consolidated financial statement that complies with IFRS.

GOODWILL ON ACQUISITION

IFRS 3 defines goodwill as future economic benefit arising from assets that are not capable of being individually identified and separately recognized.

It's also the difference between the purchase consideration and the net asset acquired.

It is computed as follows:

Cost of investment	**xxx**
Less fair value of net asset acquired	**(xxx)**
Goodwill	**xxx**

Methods of computing goodwill

There are 2 methods

1. Full goodwill method

This is where the goodwill of the subsidiary is determined as a whole. The goodwill comprises the parent and NCI goodwill. Under this method, the NCI is measured at fair value. Its determined as follows:

Purchase consideration		xx
Fair value of NCI nets asset		xx
		Xx
Less: net asset acquired		
Ordinary share capital	xx	
Share premium	xx	
Pre-acquisition retained earnings	xx	
Pre- acquisition reserves	xx	(xx)
Full goodwill		xxx

2. Partial goodwill method

This is where only parent goodwill is recognized and the NCI is measured at their proportionate share of fair value of subsidiary net asset. It's determined as follows:

Purchase consideration		xx
Less: net asset acquired		
Ordinary share capital	xx	
Share premium	xx	
Pre-acquisition retained earnings	xx	
Pre- acquisition reserves	xx	
	xx *%	(xx)
Goodwill		xx

INVESTMENT IN ASSOCIATE (IAS 28) AND JOINT VENTURE

- An associate is an entity over which the investor has a significance influence.
- **Significance influence** is the power to participate in the financial and operating policy decision of the investee.
- Where an entity holds 20%-50% of the voting power (equity) directly or indirectly it will be presumed to have a significance influence.
- If the voting power is less than 20% it will be presumed to have no significance influence and hence it will be recognized as an investment.

The existence of significance influence by an entity is usually evidenced in one or more of the following ways:

a. Representation on the board of directors of the investee.
b. Participation in the policy making process including dividend policy.
c. Material transaction between the entity and the investee.
d. Interchange of management personnel.
e. Provisions of essential technical information.

Accounting for associates.
IAS 28 revised, requires associated companies to be accounted for using Equity method.

EQUITY METHOD is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post acquisition changes in net asset.it is determined as follows:
Exemptions from using equity method.
An entity shall be exempted from using the equity method if it meets the following:

i) It is exempted from preparing the consolidated financial statement.
ii) The investment in associate is classified as held for sale.

Discontinuing the equity method
Use of equity method should seize:

1. From the date significance influence or joint control seizes.
2. If the investment becomes a subsidiary.
3. If the retained interest is a financial asset ie interest is less than 20%

Joint venture
A joint venture recognizes its interest in a joint venture as an investment and shall account for this investment using equity method in accordance to IAS 28.

JOINT ARRANGEMENT (IFRS 11).

This is an arrangement of which two or more parties have joint control. Joint control is a contractual agreement of sharing control.

Types of joint arrangement.

1. JOINT OPERATION.
This is an arrangement whereby the parties that have a joint control have rights to the asset and obligation for the liabilities.
2. JOINT VENTURE.
This is a joint arrangement whereby the parties that have joint control have right to net asset. The parties are called JOINT VENTURER.

FORMS OF JOINT VENTURE.

1. **PROJECT BASED JOINT VENTURE.**
   Under this joint venture, companies enter into a joint venture in order to achieve a specific task which can be an execution of any specific project or a particular service to be offered together. In other word, these types of joint ventures are bound by time or a particular project.
2. **FUNCTIONAL BASED JOINT VENTURE.**

Under this type of joint venture agreements, companies come together to achieve a mutual benefit on account of synergy in terms of functional expertise in certain areas which together enables them to perform more efficiently and effectively. The rationale companies focus on before entering such joint venture is whether the likelihood of performing better is more together tan doing it separately and more effectively.

3. **VERTICAL JOINT VENTURE.**
   Under this type of joint venture, transactions take place between the buyer and supplier. It is usually preferred when bilateral trading is not beneficial or economically viable. Normally in such joint ventures, maximum gain is captured by supplier while limited gains are achieved by buyers. Under these types of venture, different stages of an industry chain are integrated within to create more economies of scale.
4. **HORIZONATL JOINT VENTURE**
   Under this type of joint venture, the transaction happens between companies that are in the same general line of business and that may use the products from joint venture to sell to their own customers or to create an output that can be sold to the same group of customers.

FORMS OF JOINT VENTURE UNDER PUBLIC SECTOR (IPSAS 8)

1. **JOINT CONTROLLED OPERATIONS.**
   The operations of some joint ventures involve use of the asset and other resources of the ventures rather than the establishment of a corporation, partnership or other entity. Each venture uses its own PPE and its own inventory.
2. **JOINTLY CONTROLLED ASSET**
   These joint ventures do not involve the establishment of a corporation, partnership or other entity or financial structure that is separate from ventures themselves. Some joint venture involves the joint control and often the joint ownership by, the venture of one or more assets contributed to, or acquired for the purpose of joint venture and dedicated to the purpose of joint venture.
3. **JOINT CONTROLLED ENTITIES.**
   A joint controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which venture has an interest. The entity operates in the same way as other entities except that a binding arrangement between the ventures establishes joint over the activity of the entity.
   A jointly controlled entity controls the asset of the joint venture, incurs liability and expenses and earns revenue. It may enter into contract in its name and raise finances for the purpose of joint venture activity.

SPECIALIZED TRANSACTION

1. Intergroup balance

This refers to inter-company indebtness. It's a case where the group company's owes each other. Intergroup balances are eliminated in full on consolidation from both account receivables and account payables. Any cash in transit need to be adjusted before eliminating the inter group balances.

DR: Payables
CR: Receivables

2. Intergroup sale and unrealized profit on closing inventory.

Intergroup sale occurs where group companies sells goods to each other at a profit.
Intergroup sale are eliminated in full from both sale and cost of sales:

DR: Sales
CR: cost of sales

Unrealized profit occurs where intergroup sale of inventory remains in the stock at the end of the year. The URP is eliminated in full by:

DR: cost of sales (+)
CR: closing stock (-)

When determining the URP, it's important to differentiate between margin and mark-up:

MARGIN-is determined in relation to sales.
MARK UP –this is determined on cost

Illustration.

A ltd controls B ltd 90% of its equity. During the post-acquisition period, B ltd sold goods to A ltd worth 120 million reporting a profit margin of 20%. Determine the URP and show the relevant journal entries.

Solution:

URP =20%× 120=24

Dr: cost of sale	24
Cr: closing inventory	24

Illustration 2.

A ltd controls B ltd 90% of its equity. During the post-acquisition period, B ltd sold goods to A ltd worth 120 million reporting a mark-up profit of 20%. Determine the URP and show the relevant journal entries.

Solution:

URP =20/120× 120=20

Dr: cost of sale	20
Cr: closing inventory	20

Illustration 2.

A ltd controls B ltd 90% of its equity. During the post-acquisition period, B ltd sold goods to A ltd worth 120 million reporting a mark-up profit of 1/3. Determine the URP and show the relevant journal entries.

Solution:

URP =1/4× 120=30

Dr: cost of sale	30
Cr: closing inventory	30

3. Intergroup sale of fixed asset.

This is the sale of a fixed asset by one Group Company to another. In case of this transaction, two adjustments need to be made:

(a) Eliminating any profit recognized.

Dr: cost of sale (p&l)
Cr: PPE account

(b) Adjusting for overcharged depreciation.

Dr: PPE account
Cr: cost of sale (p&l)

4. Dividend from subsidiary.

Dividends are distribution of profit to the shareholders. Dividends may be paid out of pre-acquisition profit (pre-acquisition dividend) or paid out of post-acquisition profit (post acquisition dividend).

The parent share of pre-acquisition dividend is credited to the cost of investment:

DR: cash/bank/dividend receivable a/c
Cr: cost of investment a/c

Parent share of post-acquisition dividend is a return on investment (investment income)

Dr: cashbook
Cr:investment income (p&l)

NB: dividend receivable or received from subsidiary are intra group balances and should be eliminated in full)

5. Fair value adjustments.

IFRS 3 requires the identifiable assets and liabilities of the acquiree to be measured initially by the acquirer at their fair value at the acquisition date.

When the subsidiary company's assets are revalued on acquisition:

The subsidiary may have not incorporated the revaluation in its own book. In this case the revaluation needs to be adjusted before consolidating subsidiary. A depreciation adjustment may also be required for depreciable asset.

6. Piece meal (step) acquisition of subsidiary.

Step acquisition occurs when the parent acquires control over the subsidiary in stages. This is achieved by buying blocks of shares at different times. IFRS 3 requires that the acquisition method to be applied only when control is achieved (above 50%)

Any pre-existing equity interest is accounted for in accordance with relevant IFRS. On the date when the entity acquires a controlling interest:

1. Re-measure the previously held equity interest at fair value.
2. Recognize any gain/loss to p&l for the year.
3. Calculate goodwill and the NCI in accordance with IFRS 3.

The cost of acquiring control will be the fair value of the previously held equity interest plus the cost of the most recent purchase of shares at acquisition date.

ILLUSTRATION

H ltd holds 10% in S ltd at sh. 24,000 in accordance with IFRS 9.On 1st June 2018 it acquired a further 50% of S ltd equity shares at a cost of sh.160,000. On this dare the fair value were as follows:

- S ltd net asset sh 200,000
- NCI sh 100,000
- The 10% investment sh.26,000

NCI is measured using fair value method.

Required: calculate the goodwill using both methods

Solution.

(i) Partial goodwill method.

Purchase consideration (160+26)-fair value	186,000
Less net assets acquired;	
(10%+50%)*200,000	(120,000)
Goodwill	**66,000**

(ii) full goodwill method	
Purchase consideration	186,000
Fair value of NCI	100,000
Net asset	(200,000)
Full goodwill	**86,000**

GROUP

SEP 2015 Q1

P $\xrightarrow[\text{6 months}]{60\%}$ S

8000 x 60% = 4800 ⇒ 2/3 x 4800 = 3200 x 8 = 25,600

Dr: purchase consideration		25600
Cr: Ord share Capital	(3200x1)	3200
Cr: share premium	(3200x7)	22400

2) Revaluation = 2000
Depreciation 2000 ÷ 5 = 400 x 6/12 = 200

3) Inter group sales
S $\xrightarrow{8000}$ P   URP = $\frac{40}{140}$ x 2800 = 800 < (add) cost of sales / (less) closing stock.

4) Intergroup balances 800

Determining Goodwill

Purchase consideration		25600
less: net asset acquired		
Ordinary share Capital	8000	
Revaluation	2000	
Retained Earning (pre-Acq) (13-3)	10,000	
	20,000 x 60%	(12000)
		13600
NCI goodwill		2400
Full goodwill		16,000

NCI

ordinary share capital	8000	
Revaluation	2000	
Retained Earning (13000 – 800 – 200)	12000	
	22000 x 40% =	8800
add: NCI goodwill		2400
		11200

Retained Earnings

parent Retained Earning	70800
add: investee share of post Acq R.E	
60% (3000 – 800 – 200)	1200
	72000

a)

P Group
Consolidated statement of Comprehensive income for the Year ended 31 March 2015

		Sh000
Revenue	170,000 + (84000 x 6/12) − 8000	204 000
Cost of sales	126000 + (64000 x 6/12) + 800 + 200 − 8000	(151000)
Gross profit		53000
Distribution expenses	4000 + (4000 x 6/12)	(6000)
Adm expenses	12000 + (6400 x 6/12)	(15200)
Finance cost	600 + (800 x 6/12)	(1000)
profit before tax		30800
tax expense	9400 + (2800 x 6/12)	(10 800)
profit after tax.		20000
attributable to NCI	40% (3000 − 800 − 200)	800
Attributable to parent		19200

b)

P Group
Consolidated statement of financial position As at 31 March 2015

		Sh000
Assets		
Non-current Assets		
PPE	(60900 + 18900 + 2000 − 200)	816.00
Investment property		26,600
Goodwill		16000
Current Assets		
Inventory	(12080 + 5000 − 800)	16280
Receivables	(11920 + 4900 − 800)	16020
Bank	(8000 + 3300)	11 300
Cash in transit		800
		168,600
Equity and liabilities		
Ordinary share Capital.	(20,000 + 3200)	23,200
Share premium.		22,400
Retained Earnings		72000
NCI		11,200
Non-current liabilities		
10% loan note	(6000 + 8000)	14000
Current liabilities		
Payables	(12300 + 7050)	19 350
Accruals	(4100 + 2350)	6450
		168600

Scanned by CamScanner

MAY 2017 Q 4

Hema

3yrs 80% → Shuka

40% 2yrs → Ajabu

Loan investment = $\frac{1}{2} \times 200 = 100$ Interest $= 10\% \times 100 = 10$

Goodwill on Acquisition

	Shuka Ltd		Ajabu	
Purchase consideration		300		200
Fair value of NCI		75		-
Less: net assets acquired				
Ordinary share capital	200		200	
Share premium	50		50	
Revaluation Reserve	20		25	
Retained profit (pre-Acq)	80	(350)	150	
			425 x 40%	(170)
Goodwill		25		30

NCI goodwill $= 75 - (20\% \times 350) = 5$

Impairment of goodwill $= 60\%(25+30) = 33 \times 20\% = 6.6$ P&L

Impairment loss on NCI goodwill $= 5 \times 60\% = 3 \times 20\% = 0.6$

3) Inter group sales

Hema $\xrightarrow{100}$ Shuka URP $= \frac{25}{125} \times 100 \times 50\% = 10$ < COS (+) / C.S (-)

4) Inter group sale of fixed asset

Hema $\xrightarrow{200}$ Shuka profit $= \frac{25}{125} \times 200 = 40$ < Dr: cost of sales (+) / Cr: PPE (-)

overcharged dep $= 20\% \times 40 = 8$ < Dr: PPE / Cr: cost of sale

6) Inter group balances

Shuka to Hema 50

7) Investment income

$70 - (50 \times 80\% + 30 \times 40\%) - 10 = 8$

8) Investment in Associate

Purchase consideration		200
add: Post Acquisition changes in net Asset		
R.E	40%(200 − 150)	20
Revaluation	40%(50 − 25)	10
		230

9) NCI

Shuka	20%(200+50+50+375+8)	136.6
Goodwill	5 − 3	2
		138.6

Retained Earnings

Parent R.E	710 − 40 − 10	660
add: Investee share of post Acquisition R.E		
Shiuka =	80% (375 − 80 + 8)	242.4
Ajabu =	40% (200 − 150)	20
		922.4

Hema Group
Consolidated Income statement for the year ended 30 April 2017

		Sh million
Revenue	1200 + 600 − 100	1700
Cost of sales	650 + 250 + 10 + 40 − 8 − 100	(842)
Gross profit		858
Investment income		8
Distribution cost	100 + 40	(140)
Adm exp	130 + 90	(220)
Finance cost	40 + 20 − 10	(50)
Impairment of goodwill		(6.6)
PBT		449.4
tax expense	(70 + 50)	(120)
PAT		329.4
add: ~~less~~ Associate share of PAT. 40% (70)		28
Total profit		357.4
attributable to NCI	20% (150 + 8) − 0.6	(31)
Attributable to parent		326.4

Hema Group
Consolidated statement of financial position as at 30 April 2017

		Sh million
Assets		
Non-current Assets		
PPE	1250 + 800 + 8 − 40	2018
Intangible asset	(200 + 70)	270
Investment	850 + 50 − 300 − 200 − 100	300
Goodwill	25 + 30 − 33	22
Investment in Associate		230
Current Assets		
Inventory	(200 + 75 − 10)	265
Trade & other receivables	300 + 90 − 50	340
Financial asset at fair value	30 + 20	50
Cash and Cash equivalents	150 + 40	190
		3685
Equity and liabilities		
Ordinary share capital		1000
Share premium.		300
Revaluation reserve.	200 + [80% (50 − 20) + 40% (50 − 25)]	234
Retained Earnings		922.4
NCI		138.6

Non-current liabilities

10% loan stock	500 + 200 − 100	600
Current liabilities		
Trade & other payable	250 + 250 − 50	450
Current tax	20 + 20	40
		3685

NOV ~~SEP~~ 2015 Q5

$$A \xrightarrow{80\%} B \quad (9 \text{ months}), \qquad A \xrightarrow{40\%} C \quad (1 \text{ years})$$

3) Revaluation of PPE 210

Dep = $210 \div 5 = 42 \times \frac{9}{12} = 31.5$

4) Inter group sales

$B \xrightarrow{140} A$ URP = $\frac{16.667}{116.667} \times 140 \times \frac{1}{2} = 10$

5) Inter group balances 80

Goodwill on Acquisition

	B		C	
Purchase consideration		3430		700
Fair value of NCI		800		
less: net asset acquired				
Ordinary share capital	1600		400	
Share premium	300		–	
Pre-Acq Retained Earning $(3604 - 2152 \times \frac{9}{12})$	1990		1250	
Revaluation	210		–	
		(4100)	1650 × 40%	(660)
Goodwill		130		40
Impairement	(25% × 130)	(32.5)	(10% × 40)	(4)
Net Goodwill		97.5		36

NCI goodwill = 800 − (20% × 4100) = −20

Impairement loss = 25% × 20 = 5

Net NCI goodwill = −20 − 5 = −25

Investment in Associate

Purchase consideration	700
add: Post Acq changes in net asset	
R.E = 40% (3138 − 1250)	755.2
less: Impairement of goodwill	(4)
	1451.2

A Group
Consolidated statement of comprehensive income for the year ended 30 Sep 2015

		sh million
Revenue	9120 + (4940 × 9/12) − 140	12 685
Cost of sales	3610 + (1092 × 9/12) + 31.5 + 10 − 140	(4330.5)
Gross profit		8354.5
Distribution cost	665 + (428 × 9/12)	(986)
Adm exp	695 + (170 × 9/12)	(822.5)
Finance cost	65 + (20 × 9/12)	(80)
Impairement loss	(32.5 + 4)	(36.5)
PBT		6429.5
tax expense	1660 + (1078 × 9/12)	(2468.5)
PAT		3961
add: Associate share of PAT (40% × 1888)		755.2
		4716.2
Attributable to : NCI	20% (2152 × 9/12 − 10 − 31.5) + 5	(319.5)
: parent		4396.7

A Group
Consolidated statement of financial position as at 30 Sep 2015

		sh million
Assets		
Non-current Assets		
PPE	6096 + 4855 + 210 − 31.5	11,129.5
Investment	(4350 + 50 − 700 − 3430)	270
Goodwill	(97.5 ~~+ 30~~)	97.5
Investment in associate		1451.2
Current Asset		
Inventory	1460 + 853 − 10	2303
Account receivable	1880 + 765 − 80	2565
Cash and bank	1224 + 187	1411
		19227
Equity and liabilities		
Ordinary share capital		2600
Share premium.		1500
Retained profit		10213.5 ×
NCI		1114.5 ×
Non-current liabilities		
Loan from bank	650 + 200	850
current liabilities		
Trade payable	(1463 + 646 − 80)	2029
Current tax	560 + 360	920
		19227

A group

Consolidated statement of Changes in Equity for the year ended 30 sep 2015

	ordinary share capital	share premium	Retained Earning	Non-Controling Interest
Balance b/d	2600	1500	7612	800
profit for the year impairement			4396.7	319.5 5
Dividend paid (2425+7612-8337)			(1800)	(10)
Balance c/d	2600	1500	10213.5	1114.5

Assign May 2016 Q 4

May 2015 Q 4

GROUP STATEMENT OF CASHFLOWS FORMAT (IAS 7)

INDIRECT METHOD

NASA Group

Statement of cash flow for the year ended xx/xx/2070

Operating Activities cash flows	
Profit before tax	xx
Adjustments (non-cash items)	
Depreciation	.
Amortization/Impairment	xx
Loss on disposal	xx
Finance cost	xx
Gain on disposals	xx
Associate profit/joint venture profit	(xx)
Investments income/Dividends income	(xx)
	(xx)
Changes in working capital	Xxx
Increase/Decrease in inventory	
Increase /Decrease in receivables	(xx)/ xx
Decrease /Increase in payables	(xx)/ xx
Gross operating cash flows	xx/ (xx)
Tax paid	xxx
Net operating cash flows.	(xx)
Investing Activities cash flows	Xxx (A)
Cash proceed from disposals	
Dividends /interest /investment income received	xx
Disposal of subsidiary net of cash disposed·	xx
Acquisition of subsidiary net of cash acquired	xx
Purchase on non-current assets	(xx)
Net investing cash flows	(xx)
	xxx(B)
Financing Activities cash flows	
Cash received from issue of shares	
Cash received from issue of debentures	xx
Loan borrowed	xx
Loan paid	xx
Dividend /interest paid	(xx)
Lease rentals paid	(xx)
Net financing cash flows	(xx)
Cash and cash equivalents (A+B+C)	xxx(C)
Add: cash balance b/d	xx
Cash and cash equivalent balance c/d	xx
	xx

DIRECT METHOD

OPERATING ACTIVITIES CASHFLOWS.	
Cash received	xx
Cash paid	(xx)
Gross operating cash flow	xx
Tax paid	(xx)
Net operating cash flows	xx (A)

Scanned by CamScanner

GROUP CASHFLOWS (IAS 7)

~~This is a~~ statement

May 2014 Q4

PPE Account

Bal b/d	3660	Depreciation	640
Acquisition	500	Disposal (bal fig)	140
Revaluation	400		
		Bal c/d	3780
	4560		4560

Disposal Account

PPE	140	proceeds (bal fig)	40
		loss on disposal	100

Goodwill

Bal b/d	400	Impairement	40
		Bal c/d	360

Other intangible asset

Bal b/d	200	Impairement	260
Acquisition	1000		
		Bal c/d	940
	1200		1200

Investment in Associate

Balance b/d	160	Dividend Received	10
Income statement	40		
		Bal c/d	190
	200		200

NCI A/C

Dividend paid	10	Bal b/d	200
Bal c/d	270	Income statement	80
	280		280

Bonus issue of shares

no of shares = 1000 ÷ 10 = 100

10 ⟶ 1 $x = 10 \times 10 = 100$

100 ⟶ x

Debenture issued 600 − 200 = 400

Loan paid 600 − 520 = 80

Tax Account

Tax paid	260	Bal b/d - current tax	320
Bal c/d - current tax	260	- Deferred tax	280
Deferred tax	620	Income statement	540

Dividend payable A/C

Dividend paid	640	Bal b/d	400
Bal c/d	560	I/S	800

Interest paid = (10 + 60) − 30 = 40

Scanned by CamScanner

Uongozi Group

Consolidated statement of cashflows for the year ended 30 Sep 2013

OPERATING ACTIVITIES CASHFLOWS	Sh millions
Profit before tax	1740
Adjustments	
Depreciation	640
Amortization of: Goodwill	40
; other intangible	260
Finance cost	60
Loss on disposal	100
Working capital changes	
Inventory 1880 → 2840 ↑	(960)
Receivables 1360 → 1980 ↑	(620)
Payables 1460 → 1750 ↑	290
Gross operating cashflows	1550
Less: tax paid	(260)
; Interest paid (10+60) − 30	(40)
Net operating cashflows	1250 (A)
INVESTING ACTIVITIES CASHFLOWS	
Proceeds on disposal	40
Dividend received (Associate)	10
Acquisition of asset → PPE	(500)
→ Intangible asset	(1000)
Net investing cashflows	(1450) B
FINANCING ACTIVITIES CASHFLOWS	
Issue of shares: ordinary shares (1000+100) → 1500	400
; share premium (700−200)	500
Issue of debentures (600−200)	400
Loan paid (600 − 520)	(80)
Dividend paid → parent	(640)
→ NCI	(10)
Net financing cashflows	570 C
Cash and cash equivalents (A+B+C)	370
add: Cash bal b/d (0 − 230)	(230)
Cash bal c/d. 140 − 0	140

cash and cash equivalent

	2013	2012
cash	140	–
Bank overdraft	–	(230)
	140	(230)

Dec 2012 Q 3 b
June 2010 Q 1

NOV 2018 Q 3b

PPE (cost)

Bal b/d	2970	Disposal	290
Revaluation	150		
Acquisition (bal fig)	935		
		Bal c/d	3765

Accumulated depreciation

Disposal	96	Bal b/d	625
Bal c/d	934	Dep for the year	405

Joint venture

Bal b/d	380	Dividend Received	38
Income statement	85	Bal c/d	427

Goodwill

Bal b/d	455	Impairment	23
		Bal c/d	432

NCI

Dividend paid	49	Bal b/d	180
		Income statement	25
Bal c/d	186	Revaluation 150 × 20%	30

Tax expense

Tax paid	153	Bal b/d - Deferred	185
		- Current tax	94
Bal c/d - Deferred tax	150	Income statement	80
Current tax	92	Revaluation. 150 × 80% × 30%	36 - Deferred tax
	395		395

Interest payable

Interest paid	16	Bal b/d	31
Bal c/d	100	Finance cost	85
	116		116

Scanned by CamScanner

Sasuma Group

Consolidated statement of cashflows for the year ended 30 sep 2018

Operating Activities cashflows	sh million
Profit before tax.	395
Adjustments	
Depreciation	405
Impairment of goodwill	23
Finance cost	85
Gain on disposal. 215 - (290 - 96)	(21)
Share of joint venture profit	(85)
Working Capital Changes	
Inventory 128 → 170 ↑	(42)
Receivables 214 → 238 ↑	(24)
Payables 175 → 234 ↑	59
Gross operating cashflows	795
less: tax paid	(153)
: interest paid	(16)
Net operating cashflows	626 A
INVESTING ACTIVITIES CASHFLOWS	
Disposal proceeds	215
Dividend received Joint (venture)	38
Acquisition of PPE	(935)
Net investing cashflows	(682) B
FINANCING ACTIVITIES CASHFLOWS	
Issue of shares (320+60) - 180	200
Dividend paid: To ordinary SH	(80)
: NCI	(49)
Net financing cashflows	71 C.
Cash and cash equivalents (A+B+C)	15
add: cash bal b/d	63
cash bal c/d.	78

Assig Dec 2012 Q 3b
June 2010 Q 1
Nov 2019 Q 5b