1. On 1 January 2010 Alpha Co purchased ordinary 1 $ shares in Beta Co for $. At that date Beta Co’s retained earnings amounted to $ and the fair values of Beta Co’s assets at acquisition were equal to their book values.

There years later, on 31 December 2012, the statements of financial position of the two companies were:

Alpha Co Beta Co

Net Assets

Shares in Beta

Total assets

Share Capital

Ordinary Shares

Retained earnings

Total equity

The share capital of Beta Co has remained unchanged since 1 January 2010. The fair value of non-controlling interest at acquisition was . 1) What amount should appear in the group’s consolidated statement of financial position at 31 December 2012 for goodwill? 2) What amount should appear in the group’s consolidated statement of financial position at 31 December 2012 for non-controlling interest and retained earnings?

1. Micro Co acquired 90% of the $ ordinary share capital of Minnie Co for $ on 1 January 2009 when retained earnings of Minnie were $. At the date of acquisition the fair value of plant held by Minnie was $ higher than its carrying amount. The fair value of the non-controlling interest at the date of acquisition was $. What is the goodwill arising on the acquisition of Minnie Co?
2. Breaker Co purchased of the voting equity shares of Fleet Co when the value of non-controlling interest in Fleet Co is $.

The following relates to the Fleet at the acquisition date

Share Capital, 0.5$ ordinary shares

Retained earnings

Revaluation surplus

The goodwill arising on consolidation is $. What was the consideration paid by Breaker Co for the investment in Fleet Co?

1. P Co, the parent company of a group, owns shares in three other companies. P Co’s holdings are:

Q- shares giving control % of the voting rights in Q Co

R-shares giving control of % of the voting rights in R Co. P Co also has the right to appoint or remove all the directors of R Co

S-Shares giving control of % of the voting rights in S Co, plus 90% of the non-voting preference shares

Required:

Explain which of these companies are subsidiaries of P Co? Explain why do you think that these companies are subsidiaries?

1. The summarized statements of profit or loss of two companies, Liverton and Everpool, for the eyar ended 31 May 2006 are provided below. Liverton acquired ordinary shares in Everpool for $ on 1 June 2004. At that time, the retained earnings of Everpool were were $ and the fair value of the non-controlling interest in Everpool was $.

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MAY 2006

Liverton Everpool

Sales revenue

Cost of sales

Gross profit

Distribution costs

Admin expenses

Profit from operations

Dividends from Everpool -

Profit before tax

Tax

Profit for the year

The following information is also available:

1. Everpool’s total share capital consists of ordinary shares of $ each
2. During the year ended 31 May 2006, Liverton sold goods costing $ to Everpool for $. At 31 May 2006, 60% of these goods remained in Everpool’s inventory.

Required:

1. Calculate the total goodwill arising on acquisition of Everpool
2. Prepare the consolidated statement of profit or loss for Liverton for the year ended 31 May 2006.
3. Swing purchased 80% of Cat’s equity on 1 January 2008 for 120,000$ when Cat’s retained earnings were 50,000$. The fair value of NCI on that date was 40,000$. During the year, Swing sold goods which cost 80,000$ to Cat, at invoiced cost of 100,000$. Cat had 50% of the goods still in inventories at the year end. The two companies’ draft statement of financial position as at 31 December 2008 are shown below.

Black Bury

*Non-current assets*

Tangible non-current assets

Investments

Investments in Cat

**Total Non-current assets**

*Current assets*

Inventory

Trade receivables

Bank

**Total assets**

*Equity and liabilities*

Equity

1$ ordinary shares

Retained earnings

Current liabilities

Payables

Tax

**Total equity and liabilities**

Prepare the draft consolidated statement of financial position at 31 December 2008.

1. The following are the financial statements of Next ltd for the year ended 31.12.2015 and 31.12.2014

**Income statement 2015 2014**

Sales

COGS

Gross Profit

Selling and general expenses

Depreciation

Interest expense

Income before tax

Income tax expense

Net Income

Additional information:

1. At the beginning of 2015 gross PPE was
2. At the beginning of 2015 long term debt was

Required:

Estimate statement of profit or loss for 2016 by using appropriate measures and ratios

1. The following are forecasted income statement for 2016 and balance sheet as at 31.12.2015 of Highway Ltd.

**Income statement 2016(forecasted)**

Sales

COGS

Gross Profit

Selling and general expenses

Depreciation

Interest expense

Income before tax

Income tax expense

Net Income

**Balance sheet as 31.12.2015 Provided ratios**

Cash Accounts receivable turnover rate:

Receivables Inventory turnover rate:

Inventories Accounts Payable turnover rate :

Other current assets Accrued expenses turnover rate:

**Total current assets** Taxes payable/tax expense:

PPE Dividends per share:

Accum. Depr. Capex/sales

Net PPE

Other assets

**Total assets**

Accounts Payable

Current portion of

long term debt

Accrued expenses

Income taxes

**Total current liab.**

Deferred income taxes

Long-term debt

**Total liabilities**

Common stock

Additional paid in capital

Retained earnings

**Total equity and liab.**

**Additional information:**

1. There will be no change in other long term assets
2. Current portion of long term debt for 2016 is
3. There will be no changes in deferred income taxes other liabilities
4. There will be no change in common stock and additional paid in capital
5. Total outstanding number of shares is

Required: Prepare projected balance sheet for 2016.

1. Corporate had shares outstanding at the beginning of the year. On July 1 it issued shares and on October 1, it issued another shares.

Corporate had sales AZN during 2013 t. ending inventory at 31.12.2012 was . During the year it purchased AZN goods which AZN of them returned to the supplier because of the defect. Company’s insurance expense was AZN which include AZN prepayment. Additionally company paid AZN rent expense. And accrual rent was 300 AZN.

At 31.12.2013 company decided to pay % of its net income for the dividends. Preferred stock dividends was % of total stock dividends. Ending inventory was AZN.

Industry average:

Competitor ratio:

Required: Calculate EPS (earnings per share) for the year ended 12.2013. Compare ratio with competitor and industry average and comment on results.

1. Company issued stock at 1$ during the year. Now its market capitalization is 25,000,000$. Additionally during the year company issued $ convertible bonds and convertible preferred stock. Company’s net profit was $.

Required:

Calculate P/E ratio.

1. During the year company gained profit from general operations AZN. Profit also involved, a gain of AZN and profit of AZN from discontinued operations. Additionally foreign currency gain was which is included in the in the general operations. At the year-end company decided to pay dividend to its shareholders. Total dividend was 40% of the profit from continuing operations.

Required:

**Calculate the percentage of earnings retained**

1. Consider the following operating figures:

Net sales

COGS

Admin exp

Interest exp

Income taxes

Note: Depreciation expense totals to .

Required:

1. Compute the times interest earned
2. Compute the cash basis times interest earned
3. Comment on results
4. Mr. Parex has asked you to advise him on the long-term debt-paying ability of Capital Company. He provides you with the following ratios:

2011 2010 2009

Times Interest earned

Debt ratio

Debt to tangible net worth

Required:

1. Give the implications and the limitations of each item separately and then the collective influence that could be drawn from them about Capital Company’s long-term debt position.
2. What warnings should you offer Mr. Parks about the limitations of ratio analysis for the purpose stated here?
3. Allen company and Barker company are competitors in the same industry. Selected financial data from their 2011 statements follow.

**BALANCE SHEET, DECEMBER 31, 2011**

**Allen Company Barker Company**

Cash

Receivable

Inventory

Investments

Intangibles

PPE

**Total assets**

Accounts Payable

Bonds Payable

Preferred stock

Common stock

Retained earnings

**Total Liabilities and capital**

**Industry averages:**

Debt ratio

Debt/equity

Debt to tangible net worth

**Required:**

1. Compute the following ratios for each company: debt ratio, debt to equity ratio, debt to tangible net worth ratio
2. Is Barker Company in a position to take on additional long-term debt? Explain
3. Which company has the better long term debt position?

1. The following financial data were taken from the annual financial statements of Smith Corporation:

**2009 2010 2011**

Current assets

Current liabilities

Sales

COGS

Inventory

Accounts receivable

Based on these data, calculate the following for 2010 and 2011

1. Working capital
2. Current ratio
3. Acid-test ratio
4. Accounts receivable turnover
5. Inventory turnover in days

Compare ratios of these two years. Carry out a brief analysis on companies short-term liquidity.

1. Current assets and current liabilities for companies D and E summarized as follows:

**Company D Company E**

Current assets

Current liabilities

Working capital

Evaluate the relative solvency of companies D and E

1. ABC Ltd sold products for AZN during 2016 with trade discount 0f %. Further % cash discount will be available if the customer pays within 7 days. Customer paid in 5 days. Its beginning inventory at 2016 was units at AZN. Below transactions have taken place:

-Purchase of materials units at AZN

-Purchase of units at AZN

-Issued- units

-Issued - units

On June 2016 Company entered to the credit agreement with AZN 10% annually. A non-current assets purchased in January at cost AZN and with years of useful life. In June 2016 company revalued its amount . Useful life remained the same. Company involved in rent agreement in 1 March 2016 and pays rent in advance quarterly. Annual rent payment is AZN. Tax rate is %

Additional information:

Company paid AZN for the distribution of goods to the customer premises. Additionally it paid AZN for the distribution of goods from suppliers to its own premises.

Accrued insurance expenses was AZN.

Required: 1) Calculate the net profit for the year 2) Calculate the degree of financial leverage using second method

1. Zaro Company’s financial statements for the year endedn 31.12.2011 are given below:

**2011**

**ASSETS**

Cash

Accounts receivable

Inventory

Prepaid expenses

Land

Building and equipment

Accumulated depreciation

**Total assets**

**Liabilities and Stockholders’ equity**

Accounts Payable

Income taxes payable

Accrued liabilities

Bonds payable (current 20,000 at 31.12.11)

Common stock

Retained earnings

**Total liabilities and stockholders’ equity**

**STATEMENT OF CASH FLOWS**

Net Income

Depreciation

Decrease in accounts receivable

Decrease in inventory

Increase in prepaid expenses

Decrease in accounts payable

Decrease in income taxes payable

**Net cash flows from operating act.**

**Cash flows from investing activities:**

Increase in buildings and equipment

**Net cash used in investing activities**

**Cash flow from financing activities**

Decrease in bonds payable

Cash dividends paid

**Net cash from financing activities**

**Required:**

1. Comment on the statement of cash flows
2. Compute the following liquidity ratios:

Current ratio

Acid-test ratio

Operating cash flows/current maturities of long term debt

Cash ratio

1. Consider the following data for three different companies:

Daredevil Arrow The Flash

Operating activities

Investing activities

Financing activities

Net increase(decrease) in cash

The patterns of cash flows for these firms differ. One firm is growth firm that is expanding rapidly , another firm is in danger of bankruptcy , while another firm is an older firm that is expanding slowly.

Required: Select the growth firm , the firm in danger of bankruptcy and the firm that is the older firm expanding slowly. Explain your selection.

1. The following information was taken from the 2011 financial statements of Iron Fist Corporation:

Accounts receivable, January 1, 2011

Accounts receivable, December 31, 2011

Sales (all credit sales)

Required:

1. Determine the cash collected from customers by Jones Corporation in 2011
2. Comment on why cash collected from customers differed from sales
3. In the course of preparing a company’s statement of cash flows, the following figures are to be included in the calculation of net cash from operating activities:

Depreciation charges

Profit on sale of non-current assets

Increase in inventories

Decrease in receivables

Increase in payables

What will the net effect of these items in the statement of cash flows?

1. The following extract is from the financial statements of Pompeii, a limited liability company at 31 October:

2009 2008

*Equity and liabilities*

Share capital

Share premium

Retained earnings

Non-current liabilities

Bank loan

What is the cash flow from operating activities to be disclosed in the statement of cash flows for the year ended 31 October 2009?

1. The following information is available about the plant, property and equipment of Lok Co, for the year to 31 December 2003:

Carrying amount of assets at beginning of the year

Carrying amount of assets at the end of the year

Increase in revaluation surplus during the year

Disposals during the year, at cost

Accumulated depreciation on the assets disposed of

Depreciation charge for the year

What will be included in cash flows from investing activities for the year, in a statement of cash flows?

1. The following is the cash flow statement of Leo Company:

Cash flows from operating activities

Income before tax

Depreciation

Provision

Increase in inventories

Decrease in receivables

Decrease in payables

**Net cash flows from operating activities**

Cash flows from investing activities

Proceed from non-current asset sale

Dividends paid

**Net cash flows used in investing activities**

Cash flows from financing activities

Proceeds from issuing new shares

Dividends received

**Net cash flows used in financing activities**

Company director has doubts about the correctness of cash flow statement. As an external auditor check the correctness of the cash flow statement and give adjustments where suitable.

1. Express Co had the following transactions during the year:
2. Purchases from suppliers were $, of which $ was unpaid at the year end. Brought forward payables were $
3. Wages and salaries amounted to $, of which $ was unpaid at the year end. The financial statements for the previous year showed an accrual for wages $
4. Interest of $ on a long term loan was paid in the year.
5. Sales revenue was $, including $ receivables at the year end. Brought forward receivables were $
6. Interest on cash deposits at the bank amounted to $

Using the direct method, what is Express Co’s cash flow from operating activities?