

F3 CASE 11-BLACK GROUP

The following are the financial statements relating to Black, a limited liability company, and its subsidiary company Bury.

STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 OCTOBER 20X5

	Black \$'000	Bury \$'000
Sales Revenue	245,000	95,000
Cost of sales	<u>(140,000)</u>	<u>(52,000)</u>
Gross profit	105,000	43,000
Distribution costs	(12,000)	(10,000)
Administrative expenses	(55,000)	(13,000)
Dividend income from Bury	<u>7,000</u>	-
Profit before tax	45,000	20,000
Tax	<u>(13,250)</u>	<u>(5,000)</u>
Profit for the year	<u>31,750</u>	<u>15,000</u>

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 20X5

	Black \$'000		Bury \$'000	
Assets				
Non-current assets				
Property, plant and equipment		110,000		40,000
Investments				
21,000,000 \$1 ordinary shares in Bury at cost		<u>21,000</u>		-
		131,000		40,000
Current assets				
Inventory, at cost	13,360		3,890	
Trade receivables and dividend receivable	14,640		6,280	
Bank	<u>3,500</u>	<u>31,500</u>	<u>2,570</u>	<u>12,740</u>
Total assets		<u>162,500</u>		<u>52,740</u>
Equity and liabilities				
Equity				
\$1 ordinary shares		100,000		30,000
Retained earnings		<u>33,500</u>		<u>10,280</u>
		133,500		40,280
Current liabilities				
Trade payables	9,000		2,460	
Dividend	<u>20,000</u>	<u>29,000</u>	<u>10,000</u>	<u>12,460</u>
Total equity and liabilities		<u>162,500</u>		<u>52,740</u>

Additional information

(a) Black purchased its \$1 ordinary shares in Bury in November 20X0. At that date the balance

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on Bury's retained earnings was \$2 million. The fair value of the non-controlling interest at the date of acquisition was \$11,800,000.

- (b) During the year ended 31 October 20X5 Black sold goods which originally cost \$12 million to Bury. Black invoiced Bury at cost plus 40%. Bury still has 30% of these goods in inventory at 31 October 20X5.
- (c) Bury owed black \$1.5 million at 31 October 20X5 for some of the goods Black supplied during the year.

Required

- (a) Prepare the consolidated statement of financial position for Black Group as at 31 October 20X5.
- (b) Prepare the consolidated statement of profit or loss for Black Group for the year ended 31 October 20X5.

