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# Gulf University for Science and Technology College of Business Administration

Midterm 2 Examination – Spring 2018-19

Course Code: ACCT401 Section: 51.2

Date: March17, 2019

**Student Name:** 

**Student Number:** 

Marks: () /100

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Q1 - (100 Marks)

ATCO plc acquired 79% of ENMAX plc's share capital at 1 January 2009. The balance on ENMAX plc's retained earnings at that date was \$2,000 and share capital \$3,000. ENMAX has not issued any shares since that date. The following information is also relevant:

- A- In arriving at the consideration for the shares in ENMAX, the fair value of ENMAX's property, plant and equipment was agreed at \$300 below the book value -10 years remaining life.
- B- During the current year 2010, ENMAX plc sold inventory to ATCO plc for \$ 1,000 after a mark-up of 30%. By 31 December 2010, 80% of these goods were sold by the ATCO.
- C- Goodwill was impaired by \$1,500 during the year 2010.
  - D- At 1 January 2010, the ATCO plc sold a depreciable plant asset to ENMAX plc for \$10,000. This asset was purchased by the ATCO at 1 January 2005 for \$ 10,000 and was depreciated using the straight-line method over its 10 years useful life and zero residual value. After the sale, the plant asset is depreciated by ENMAX plc using the straight-line method over its remaining useful life of 5 years.
  - E- ENMAX plc accounts receivable at 31 December 2010 include a \$300 due from ATCO plc.
  - F- Non-controlling interests are valued at their proportionate share of the fair value identifiable net assets acquired.

The statements of financial position for the two companies were as follows as at 31 December 2010

	ATCO\$	ENMAX \$			
Non-Current Assets	A9867 1720 20012/00 2001 2001 2001 2001 2001 200				
Plant property and Equipment	13,460	8,000			
Investment in ENMAX plc at cost	9,500	14			
Current Assets	Kirk stangardinania p	HARLES AND			
Inventory	1,800	670			
Accounts Receivable	2,000	750			
Cash	450	- 4			
Total Assets	27,210	9,420			
Current Liabilities					
Accounts payable	1,210	2,420			
Equity	15 mm to 15				
Share Capital	10,000	3,000			
Retained Earnings	16,000	4,000			
Total Liabilities and Equity	27,210	9,420			

### Answer sheet Q1:

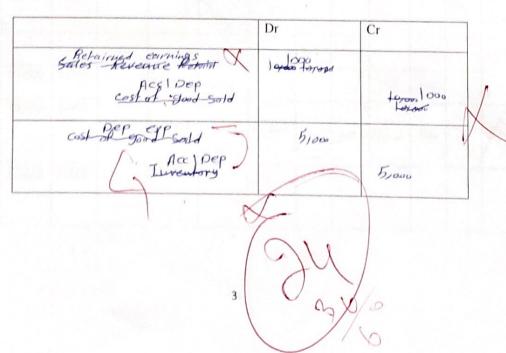
1- The fair value of net assets of ENMAX plc at the acquisition date at 1 January 2009 is: (Show calculations)

2- The share of Non-controlling interests in the net assets of ENMAX plc at the acquisition date at 1 January 2009 is: (Show calculations)

3- Goodwill arising on acquisition at 1 January 2009 is: (Show calculations)

4- The amount of unrealized profit in relation to the sale of merchandise inventory from ENMAX plc to ATCO plc (identified in part B) is:

→ 5- The worksheet journals entries that should be recognized in relation to the sale of the depreciable plant asset identified in part D are



6-T	he consolidated statements of financial position of the ATCO group as at 31 December 2010										010		
0.1	ATCO S	ENM-	410	79%	21%	Timperme		amorti	AID	Alp.	AIR		Group\$
Non- Current Assets			CLSS					ight Singlet	10 AX				
Plant property and Equipment	13,460	8,000	(300)					60	( 5ac)	Fran			21,220
Investment in ENMAX plc at cost	9,500			(9,500)									0
Goodwill				5,787		(1,500)							4, 287
Current Assets	130 yr												*
Inventory	1,800	670					(184.61)					A	2,285.39
Accounts Receivable	2,000	750									(300)	/	2,450
Cash	450	-										(	450
Total Assets	27,210	9,420			Vi C			gillion .					30,692.3
Current Liabilities													
Accounts payable	1,210	2,420									(300)	/	73,330
Equity NCI					1407		(39.74)	12.6		1		X	1380.84
Share Capital	10,000	3,000		(2,370)	(630)							6.	101000
Retained Earnings and eserves	16,000	4,000	(3∞)	(1343)	(777)	(1,500)	(145.84)	47.4	(5,00s)	Бюж		1	15,981.5
Total Liabilities nd Cquity	27,210	9,420			/								30697.

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### EXTRA CREDIT / BONUS

#### Q2: (5 Marks)

Parent sells inventory to subsidiary at a cost of \$100,000 plus 50% mark-up. At year end one-third of this remains unsold. The parent owns 100% of the subsidiary. The amount of **unrealized profit** in relation to the sale of merchandise inventory is:

A- \$ 50,000 B - \$70,000 C - \$150,000 D - \$ 100,000

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-cost 16666.67 1 150,000 =6.9 = 33,333.33 c.9 50,000