How to approach question 1 in the exam:

STEP 1

1. Read the "REQUIRED" section first.

   Ensure you are clear on what is required of you. Please note that marks will not be awarded if you do not complete what is required.

   1.1 Which company are we dealing with?? Whose books?
   1.2 What is the year end? Very important for intragroup transactions etc
   1.3 What are we required to prepare? Journals or financial statements? Which statements?

2. Look over the given financial statements / trial balance and identify the following:
   2.1 Profit or loss items
   2.2 Investments in which companies
   2.3 Mark-to-market reserve - were there any fair value adjustments, when did the adjustments take place.

3. Determine dates

   Of trial balance or financial statements
   Of the retained earnings given i.e. Is it the opening balance or the closing balance??
   Of dividends paid (This would be important if a change of ownership had taken place during the year)

4. Read the additional information
   4.1. Acquisition dates: did the acquisition take place in the current year or in previous years;
   4.2. Control: what type of control (i.e. full control, significant influence or joint control) was acquired. Once you have identified this you can classify each company as a subsidiary, associate or joint venture; etc…
   4.3. Skim read each point to see what it deals with:
      4.3.1 Identify the information that affects the acquisition of the entity,
      4.3.2 Identify all the intragroup transactions, noting the entities involved and the entity which has made the profit
      4.3.3 Identify the NCI method etc
      4.3.4 Note whether there is any tax implications i.e. has a tax rate been given. Use the tax rate that is given in the question.
      4.3.5 Should there be goodwill, has it been impaired.

STEP 2

Determine the group structure (Prepare a schematic illustration of the group i.e. DRAW IT), and a time-line.

STEP 3

Start by drafting the consolidated SFP, consolidated SCI and consolidated SOCIE.

You can score easy marks by including figures that are already given to you in the question and where no calculations are necessary.

STEP 4

Calculate the effect of the intragroup items:

STEP 5

Prepare the analysis or journals and any other calculations necessary.

Practice on the following question:

QUESTION 1 (58 marks)(70 minutes)

The following are extracts of the trial balances of the entities in the Pearson Ltd group for the year ended 30 June 2013:

	Pearson Ltd Dr/(Cr) R	Morgan Ltd Dr/(Cr) R	Stanley Ltd Dr/(Cr) R	Fredman Ltd Dr/(Cr) R
Property, plant and equipment at carrying amount	2 420 000	688 000	826 000	344 000
Investments in equity instruments:				
- Morgan Ltd at fair value	950 000	-	-	-
- Stanley Ltd at fair value	-	612 000	-	-
- Fredman Ltd at fair value	118 800	-	-	-
Trade and other receivables	340 200	312 000	145 000	180 000
Inventories	340 000	185 000	226 000	111 000
Cash and cash equivalents	260 000	177 000	384 000	178 000
Share capital:				
- 600 000 ordinary shares	(600 000)	-	-	-
- 335 000 ordinary shares	-	(335 000)	-	-
- 240 000 ordinary shares	-	-	(480 000)	-
- 120 000 ordinary shares	-	-	-	(120 000)
Retained earnings/accumulated loss – 1 July 2012	(1 518 000)	370 500	(625 080)	(144 000)
Trade and other payables	(377 400)	(683 600)	(170 500)	(330 000)
Mark-to-market reserve - 1 July 2012	(97 680)	-	-	-
Deferred tax on mark-to-market reserve - 1 July 2012	(22 320)	-	-	-
Profit before tax	(2 845 278)	(1 904 028)	(463 083)	(304 167)
Other comprehensive income:				
Mark-to-market reserve (before tax)	70 000	-	-	-
Income tax expense	796 678	533 128	129 663	85 167
Dividends paid - 30 June 2013	165 000	45 000	28 000	-
	-	-	-	-

QUESTION 1 (continued)

Additional information

1. On 1 August 2010, Pearson Ltd acquired control over Morgan Ltd by acquiring 244 550 of Morgan Ltd's ordinary shares. On this date the retained earnings of Morgan Ltd amounted to R546 000 and the consideration was settled with R900 000 in cash. On 1 August 2010 the market value of Morgan Ltd's shares were R3,20 per share.

2. At the acquisition date the fair value of the identifiable assets and liabilities of Morgan Ltd were considered to be equal to the carrying amounts thereof, except for the following assets:

	Fair value	Carrying amount
	R	R
Trade receivables	180 000	220 000
Inventory	135 000	162 000

3. On 1 January 2013 Pearson Ltd sold a manufacturing machine to Morgan Ltd for R155 000. The profit mark-up on the selling price was 25%. On 1 January 2013 the machine had a remaining useful life of 4 years. The entity's policy is to provide for depreciation over the expected useful life of the machinery, using the straight-line method which is in line with the allowance received from the South African Revenue Service.

4. On 28 February 2012, Morgan Ltd acquired control over Stanley Ltd by acquiring 204 000 ordinary shares in Stanley Ltd. The full consideration of R612 000 was paid in cash. At the date of acquisition Stanley Ltd's retained earnings amounted to R172 000 and the identifiable assets and liabilities were considered to be fairly valued and equal to the carrying amounts thereof. On 28 February 2012 the market value of Stanley Ltd's shares were R3,00 per share.

5. Since the acquisition of Stanley Ltd, Stanley Ltd sold inventory to Morgan Ltd. The inventory was sold at a mark-up of 20% on the cost price. Included in inventory on hand on 30 June 2013, Morgan Ltd had inventory purchased from Stanley Ltd amounting to R112 000, excluding the R13 000 inventory in transit (refer note 6), (30 June 2012: R90 000).

6. On 30 June 2013 inventory invoiced to the value of R13 000 was still in transit between Stanley Ltd and Morgan Ltd. This transaction had not been recorded in the accounting records of Morgan Ltd as at 30 June 2013. Stanley Ltd recognised the sale and included the R13 000 in "trade and other receivables" of the current year.

7. On 1 August 2012, Pearson Ltd acquired 45% of the issued ordinary shares of Fredman Ltd for R118 800 when the retained earnings of Fredman Ltd amounted to R144 000. At acquisition date the fair value of the identifiable assets and liabilities of Fredman Ltd were considered to be equal to the carrying amounts thereof. In terms of the contractual agreement with other operators, Pearson Ltd exercises joint control over the economic activities of Fredman Ltd. The arrangement was classified as a joint operation as per IFRS 11 (*Joint Arrangements*) and the consideration paid was equal to the fair value of the investment in Fredman Ltd on the date of acquisition. The contractual arrangement specifies that Pearson Ltd is entitled to 45% of all the revenues, expenses, assets and liabilities of Fredman Ltd.

QUESTION 1 (continued)

8. The group measures its investments in equity instruments at fair value through other comprehensive income. The fair value of all equity instruments is equal to the cost thereof, unless otherwise stated.

9. The Pearson Ltd group measures non-controlling interests at fair value (full goodwill method). Goodwill relating to the investment in Morgan Ltd was tested for impairment on 30 June 2013 and it was determined that the goodwill was impaired **by** R120 000.

10. The SA normal tax rate is 28% and capital gains tax is calculated at 66,6% thereof (effective capital gains tax rate of 18,6%). You may assume that the tax rate has remained unchanged since 1 August 2010.

11. Each share carries one vote and the issued share capital of all the entities in the group remained unchanged since 1 August 2010.

REQUIRED:

(a) Prepare **only the asset section** (including the deferred tax asset) of the consolidated statement of financial position of the Pearson Ltd Group as at 30 June 2013.

(b) Prepare **only** the **retained earnings and non-controlling interests** columns of the consolidated statement of changes in equity of the Pearson Ltd Group for the year ended 30 June 2013

Your answer must comply with the requirements of International Financial Reporting Standards.

Notes to the consolidated annual financial statements and comparative figures are not required.

Show all calculations to the nearest Rand.

Comments:

You are required to prepare the following sections of the annual consolidated financial statements for the year ended 30 June 2013. The following should be prepared:

- Asset section of the Consolidated SFP;
- RE and NCI column of the Consolidated SOCIE.

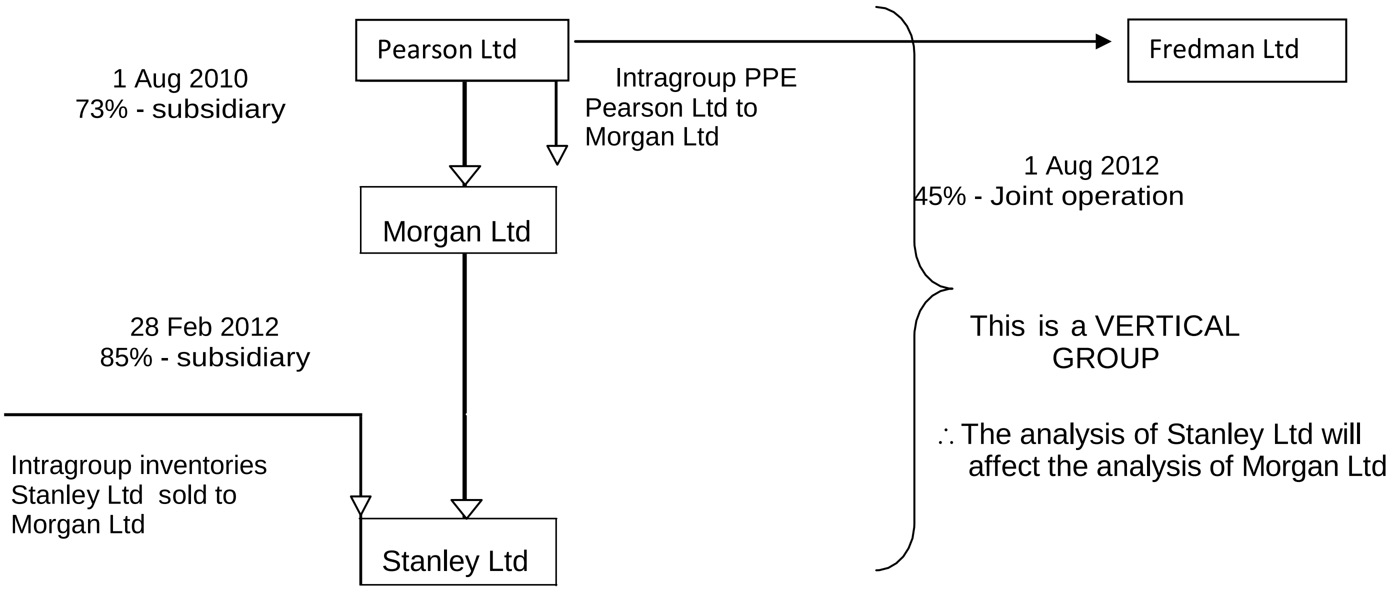
The required section specifically states the equity and liabilities of the consolidated SFP are not required and the share capital, MTMR, Total equity attributable to owners of the parent and total equity are not required in the SOCIE.
The required section also specifically states that notes and comparative figures are not required. It is important to make sure that you read what is not required as it will result in a waste of time if you prepare unnecessary workings. TIME MANAGEMENT IS VERY IMPORTANT IN ANY QUESTION.

QUESTION 1 (continued)

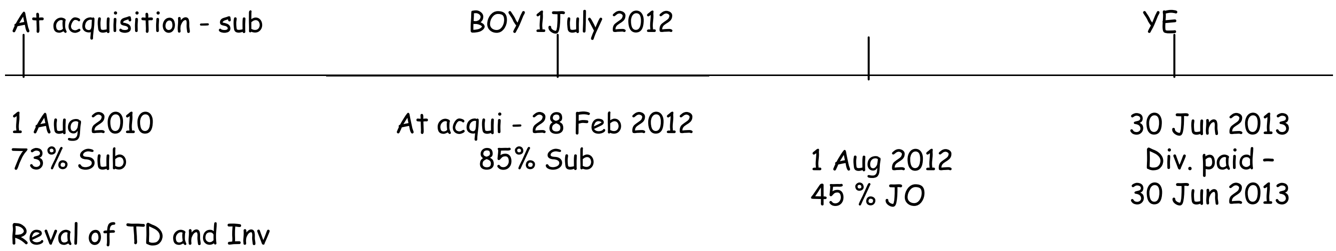
STEP 2

Determine the group structure (Prepare a schematic illustration of the group i.e. DRAW IT), and a time-line.

In this question your group structure would look as follows:



In this question the time line would look as follows:



From the above illustration we can see we have a complex group with the following:

- a parent (Pearson Ltd) - 100% of assets, liabilities, income and expenses will be included in the consolidated annual financial statements (REMEMBER to eliminate any intragroup transactions);
- a subsidiary (Morgan Ltd) - 100% of assets, liabilities, income and expenses will be included in the consolidated annual financial statements (REMEMBER to eliminate any intragroup transactions);
- a sub-subsidiary (Stanley Ltd) - 100% of assets, liabilities, income and expenses will be included in the consolidated annual financial statements (REMEMBER to eliminate any intragroup transactions);
- a joint operation (Fredman Ltd) - In 45% of assets, liabilities, income and expenses will be included in the consolidated annual financial statements (REMEMBER to eliminate 45% intragroup transactions)
- There are subsidiaries thus there will be NCI in the consolidated SFP and consolidated SCI.

STEP 3

Start by drafting the asset section of the consolidated SFP,

You can score easy marks by including figures that are already given to you in the question and where no calculations are necessary.

As per this question:

PEARSON LTD GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSISITON AS AT 30 JUNE 2013:

ASSETS

Non-current assets

Property, plant and equipment

(2 420 000(PPE) + 688 000(PPE) + 826 000(PPE) +154 000(PPE)(344 000 x 45%))
Goodwill
Deferred tax asset

Current assets

Trade receivables (340 200 + 312 000 + 145 000 + 81 000 (180 000 x 45%))

Inventories (340 000 + 185 000 + 226 000 + 49 950 (111 000 x 45%))

Cash and cash equivalents (260 000 + 177 000 + 384 000 + 80 100 (178 000 x 45%))

As per this question:

PEARSON LTD GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2013:

	Retained earnings R	NCI R
Balance as at 1 Jul 2012	[a]	[b]
Profit for the year	[c]	[d]
Dividends paid	(165 000)	[e]
Balance as at 30 June 2013		

[a] 1 518 000 +

[b]

[c] 2 048 600(2 845 278 – 796 678) + 1 370 900(1 904 028 - 533 128) + 333 420(463 083 – 129 663) + 98 550((304 167 – 85 167) x 45%) – 120 000(imp)

[d]

[e] (16 350)

From your illustration you have already identified what group structure you have. You can now prepare the asset section of the consolidated SFP by including certain line items without including the amount (e.g.: “goodwill”). You can include the amount at a later stage when you have prepared the calculation. Remember to include the amount calculated in the consolidated SFP else no marks will be awarded.

Marks are allocated to specific line items. It is thus clear that easy marks can be obtained before preparing the analysis or journals.

In this question you have:

- subsidiaries: thus you will have a line item “goodwill” and “deferred tax asset” in the asset section of the consolidated SFP. Once you have prepared the calculation you can go back and fill in the amount calculated. If you have a “gain on bargain purchase”, this amount will be included in the “other income” figure in the consolidated SCI, with the effect of increasing the “profit for the period”.

- a joint operation: thus you will have no a line item “goodwill” in the consolidated SFP, the consideration paid was equal to the fair value of the investment in Fredman Ltd. You only have to include 45% of all the assets in the consolidated SFP of Fredman Ltd.

STEP 4

Calculate the effect of the intragroup items:

4.1 Seller makes the profit and therefore intragroup unrealised profits reversed against the amounts of the seller,
4.2 Different types of intragroup transactions in group statements (Interest received and paid, dividends received and paid etc).

- Manufacturing machine sold:
  Pearson Ltd sold a manufacturing machine to Morgan Ltd. R38 750 is intragroup unrealised profit and must be eliminated. i.e.: Thus the full unrealised profit of R38 750 is eliminated against PPE because Morgan Ltd is a subsidiary of Pearson Ltd. NCI of Morgan Ltd will not be affected by the unrealised profit as the parent sold PPE to the subsidiary. The tax effect amounts to R10 850(R38 750 x 28%) deferred tax asset.

  The unrealized profit will realize through the use of the manufacturing machine, thus the depreciation written off to be realized amounts to R4 844(R38 750/4 x 6/12). Thus the full realised profit of R4 844 is recognised against PPE because the unrealized profit on the sale of the machine is realized through the use of the machine over time. The tax effect amounts to R1 356(R4 844 x 28%) deferred tax liability.

- Inventory sold:
  Stanley Ltd sold inventory to Morgan Ltd at a profit margin of 20% on the cost price. Inventory amounting to R13 000 is still in transit and not yet recorded by Morgan Ltd. Therefore, R13 000 inventory should be added to the closing balance of R112 000 at year-end. .

		R
Closing inventory	(112 000 + 13 000)	125 000
Unrealised profit (125 000 x $^{20}/_{120}$)		20 833
Tax effect (deferred tax asset (20 833 x 28%)		(5 833).

  R20 833 is intragroup unrealised profit and must be eliminated in the SFP against Inventory line item. i.e.: Thus the full unrealised profit of R20 833 is eliminated against inventory (note not the after tax effect) because Stanley Ltd is a subsidiary of Morgan Ltd. NCI of Stanley Ltd will be affected by the unrealised profit as the sub-subsidiary sold Inventory to the subsidiary.

	R
Opening inventory	90 000
Unrealised profit (90 000 x 20/120)	15 000
Tax effect (15 000 x 28%)	(4 200)
After tax unrealised profit	10 800

  R10 800 is intragroup unrealised profit after tax and must be eliminated against opening retained earnings and NCI in the consolidated SOCIE. i.e.: Thus 73%(R6 701) of the 85%(R9 180) of the after tax unrealised profit of R10 800 is eliminated against the opening retained earnings because Stanley Ltd is a sub-subsidiary of Morgan Ltd and Morgan Ltd is a subsidiary of Pearson Ltd. NCI of Stanley Ltd and Morgan Ltd will be affected by the unrealised profit as the sub-subsidiary sold Inventory to the subsidiary.

- Dividends paid
  Only R165 000 (Pearson Ltd) is disclosed as dividend paid in the consolidated SOCIE retained earnings column and R4 200 (28 000 x 15%) + R12 150 (R45 000 x 27%) in the NCI column as dividends paid by Morgan Ltd and Stanley Ltd to non-controlling interests.

- Adjustment of at acquisition trade receivables and inventory
  At acquisition date all assets and liabilities were fairly valued except for trade receivables and inventory. We have to adjust for the write off of these items against at acquisition RE and the we have to adjust since acquisition RE as these amounts would have been recorded in that period in the separate financial statements. At acquisition RE will be debited with R28 800(R40 000(R220 000- R180 000) x 72%) due to the bad debts of trade receivables and R19 440(R27 000(R162 000 – R135 000) x 72%) due to the write down of inventory. The since acquisition RE will be credited with these amounts of R48 240 to reverse the effect of the separate financial statements.

- Dividends received
  Pearson Ltd reveived a dividend of R23 800(R 28 000 x 85%) from Morgan Ltd and Morgan Ltd received a dividend of R32 850(R45 000 x 73%) from Stanley Ltd that must be eliminated against the calculated consolidated profit to include in the consolidated SOCIE as profit for the year for the RE and NCI columns.

Insert the effect of the intragroup transaction into the SFP and SCI on Page 4. (Refer ⌛)

As per this question:

PEARSON LTD GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSISITON AS AT 30 JUNE 2013:

ASSETS

Non-current assets

Property, plant and equipment

(2 420 000(PPE) + 688 000(PPE) + 826 000(PPE) +154 000(PPE)(344 000 x 45%)) – 38 750(intragroup profit) + 4 844 (depr)

Goodwill

Deferred tax asset 10 850 + 5 833 – 1 356

Current assets

Trade receivables (340 200 + 312 000 + 145 000 + 81 000 (180 000 x 45%)) – 13 000 (intragroup)

Inventories (340 000 + 185 000 + 226 000 + 49 950 (111 000 x 45%)) + 13 000 (intragroup) – 20 833(intragroup profit)

Cash and cash equivalents (260 000 + 177 000 + 384 000 + 80 100 (178 000 x 45%))

PEARSON LTD GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2013:

	Retained earnings	NCI
	R	R
Balance as at 1 Jul 2012	1 158 605[a]	315 249[b]
Profit for the year	3 189 952[c]	456 256[d]
Dividends paid	(165 000)	(16 350)[e]
Balance as at 30 June 2013	4 183 556	755 155

Calculations:

a 1 518 000 +

b

c 2 048 600(2 845 278 – 796 678) + 1 370 900(1 904 028 - 533 128) + 333 420(463 083 – 129 663) + 98 550((304 167 – 85 167) x 45%) – 120 000(imp) – 20 833(closing inv) + 5 833(tax) + 15 000(opening inv) – 4 200(tax) – 38 750(profit machine) + 10 850(tax) + 4 844(depr) – 1 356(tax) – 32 850(div) – 23 800(div) = 3 646 208

d

e

STEP 5

Prepare the analysis or journals and any other calculations necessary. Remember that the analysis or journals are mainly prepared to calculate:

- the goodwill or gain on bargain purchase at acquisition; and
- the NCI figure in the consolidated SFP, consolidated SCI and consolidated SOCIE (subsidiary).

Prepare the analysis (or journals) in sections and slot the results of each section into the consolidated SFP as you go.

Take into account the group structure as the analysis of the sub-subsidiary (in the case of a vertical group) and in this case the sub-subsidiary (Stanley Ltd) is prepared first. These analyses will impact on the analysis of the middle subsidiary.

SUGGESTED SOLUTION	1

Please note:
All descriptions and amounts shown in brackets form part of calculations and are not disclosure requirements.

PEARSON LTD GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		Total
Assets		**R**
Non-Current Assets		4 359 295
Property, plant and equipment	2 420 000 + 688 000 + 826 000 + 154 800 + (38 750) + 4 844	4 054 894
Goodwill	356 680(C2) + 42 194(C2) + 10 200(C1) + (120 000)(imp)	289 074
Deferred Tax Asset	10 850 + (1 356) + 5 833	15 327
Current Assets		2 559 417
Trade and other receivables	340 200 + 312 000 + 145 000 + 81 000 - 13 000	865 200
Inventories	340 000 + 185 000 + 226 000 + 49 950 + 13 000 - 20 833	793 117
Cash and cash equivalents	260 000 + 177 000 + 384 000 + 80 100	901 100
Total assets		6 917 712

PEARSON LTD GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Retained earnings	**NCI**
	R	**R**
Balance as at 1 Jul 2012	1 158 605[a]	315 249[b]
Profit for the year	3 189 952[c]	456 256[d]
Dividends paid	(165 000)	(16 350)[e]
Balance as at 30 June 2013	4 183 556	755 155

Calculations:

[a] 1 518 000 – 359 395(C2) = 1 158 605
[b] 289 440(C2) + 108 000(C1) – 132 927(C2) + 66 342(C1) – 15 606(C2)(goodwill Stanley) = 315 249
[c] 2 048 600(2 845 278 – 796 678) + 1 370 900(1 904 028 - 533 128) + 333 420(463 083 – 129 663) + 98 550((304 167 – 85 167) x 45%) – 120 000(imp) – 20 833(closing inv) + 5 833(tax) + 15 000(opening inv) – 4 200(tax) – 38 750(profit machine) + 10 850(tax) + 4 844(depr) – 1 356(tax) – 32 850(div) – 23 800(div) = 3 646 208 – 406 873 – 49 383 = 3 189 952
[d] 406 873(C1) + 49 383 (C2) = 456 256
[e] 12 150(C2) + 4 200(C1) = 16 350

SUGGESTED SOLUTION | 1 | (continued)

Calculations

C1 Analysis of owners' equity of Stanley Ltd

	100%	85% Morgan Ltd		15%
At acquisition: 28 February 2012	**Total R**	**At R**	**Since R**	**NCI R**
Share capital	480 000	408 000		72 000
Retained earnings	172 000	146 200		25 800
	652 000	554 200		97 800
Equity represented by goodwill	68 000	57 800		10 200
Consideration paid & NCI at fair value (240 000 – 204 000) x R3	720 000	612 000		108 000
Since acquisition	442 280		375 938	66 342
Retained earnings (625 080 – 172 000)	453 080		385 118	67 962
Unrealised profit inventory ((90 000 x $^{20}/_{120}$) x 72%)	(10 800)		(9 180)	(1 620)
Current year	329 220		279 837	49 383
Profit for the year (463 083 – 129 663)	333 420		283 407	50 013
Realisation of unrealised profits prior year	10 800		9 180	1 620
Unrealised profit inventory ((125 000 x $^{20}/_{120}$) x 72%)	(15 000)		(12 750)	(2 250)
Dividends paid	(28 000)		(23 800)	(4 200)
	1 463 500		631 9750	219 525

C2 Analysis of owners' equity of Morgan Ltd

	100%	73% Pearson Ltd		27%
	Total R	**At R**	**Since R**	**NCI R**
At acquisition: 1 August 2010				
Share capital	335 000	244 550		90 450
Retained earnings	546 000	398 580		147 420
- Trade receivables (40 000(180 000 – 220 000) x 72%)	(28 800)	(21 024)		(7 776)
- Inventory (27 000(135 000 – 162 000) x 72%)	(19 440)	(14 191)		(5 249)
	832 760	607 915		224 845
Equity represented by goodwill	356 680	292 085		64 595
Consideration and NCI at FV ((335 000 – 244 550) x R3.20)	1 189 440	900 000		289 440
Since acquisition to current year (2010 - 2012)	(492 322)		(359 395)	(132 927)
Accumulated loss (-370 500 - 546 000)	(916 500)		(669 045)	(247 455)
- Realisation of trade receivables at acquisition	28 800		21 024	7 776
- Realisation of inventory at acquisition	19 440		14 191	5 249
Since acquisition RE of Stanley Ltd (C1)	375 938		274 435	101 503
Goodwill with acquisition of Stanley Ltd (C1)	(57 800)	(42 194)		(15 606)
Current year (2013)	1 506 937		1 100 064	406 873
Profit for the year (1 904 028 – 533 128)	1 370 900		1 000 757	370 143
Goodwill impairment	(120 000)		(87 600)	(32 400)
Dividends received from Stanley Ltd	(23 800)		(17 374)	(6 426)
Profit for the year Stanley Ltd (C1)	279 837		204 281	75 556
Dividends paid – 30 June 2013	(45 000)		(32 850)	(12 150)
	2 101 255		707 819	535 630

SUGGESTED SOLUTION	1	(continued)

NB: As part of a time management strategy do not prepare journals or an analysis which are superfluous to answering the question.

Comments:

1. Pearson Ltd is the parent, thus 100% of all assets (only the asset section is required) will be included in the consolidated SFP (any intragroup balances and transactions must be eliminated).

   Morgan Ltd is a subsidiary of Pearson Ltd, thus 100% of all assets will be included in the consolidated SFP (any intragroup balances and transactions must be eliminated).

   Stanley Ltd is a subsidiary of Morgan Ltd, thus 100% of all assets will be included in the consolidated SFP (any intragroup balances and transactions must be eliminated).

2. Goodwill is calculated by preparing the analysis (see C2).
   It is important to carry through the amount calculated for goodwill to the consolidated SFP or else no marks will be awarded. If a gain on bargain purchase had been calculated, this amount would be credited to the consolidated SCI as “Other income” or “opening retained earnings”, depending on when the acquisition took place.

3. Please note that the impairment of goodwill of Morgan Ltd will affect the NCI as well because the full goodwill method is followed. See analysis C2.

4. NCI is calculated by preparing the analysis (see C1 and C2). The amount transferred to the consolidated SOCIE is the total of the NCI column in the analysis. Journals can also be used. The amount transferred is the total of the NCI columns. It is important to carry through the amount calculated for NCI to the consolidated SOCIE or else no marks will be awarded. This amount must agree to the total in the NCI columns.

   The opening retained earnings for the NCI is calculated by way of the analysis (see C2).

   The profit for the year is calculated in the calculation of the consolidated SP/LOCI and carried through to the consolidated SOCIE. The profit for the year is split into profit attributable to owners of the parent and NCI. These two amounts must be carried through correctly from the calculation (as the consolidated SP/LOCI was not required) to the consolidated SOCIE for marks to be awarded.

   The dividends paid in the retained earnings column are only the dividends paid by Pearson Ltd (parent). The dividends paid in the NCI column are the dividends paid by Morgan Ltd (subsidiary) to non-controlling shareholders of R4 200 (28 000 x 15%) and the dividends paid by Stanley Ltd (sub-subsidiary) to non-controlling shareholders of R12 150 (R45 000 x 27%).

General

Time management is of great importance in any exam. Always remember the following:

- Read the required section first.
- Ensure that you prepare what is required.
- Never exceed the time allocated per question.
- Attempt each question in the paper; leaving out a question could result in you failing.
- Make notes as you read the given information in the question paper. This will assist you when you start preparing your answer.
- Try to score easy marks first, in other words do the easy sections first and then move on to the more difficult sections.
- If in doubt, always go back to basic principles.
- Show all calculations. Marks cannot be allocated if you do not show what an amount is made up of. For example, if trade receivables in the consolidated SFP are made up of three amounts, show the calculations and not only the total figure. Where more than one amount from the analysis or journals makes up an amount disclosed in the consolidated annual financial statements show the breakup of this amount. If the marker cannot see what the amount is made up of, marks cannot be allocated.
- Transfer amounts calculated to the consolidated annual financial statements (i.e. per the required section in the question). Marks will not be awarded for calculations if they are not transferred correctly.

You will note that all marks are allocated in the annual financial statements (as per the required section). Carryover marks are indicated in a block (see above) which will either be transferred from the analysis or journals (not both forms of calculations, as students are required to prepare either the journals or the analysis).

Please note:

If the question requires the preparation of journals then marks will only be allocated for the journals.

Mark plan	Marks
Consolidated SFP	28
Consolidated SOCIE	30
Total	58