<u>ACF2100 Financial Accounting Trimester B 2020</u>

Individual Assignment

Weighting: 10%

Due date: Tuesday 29th September by 4.00pm Week 11 using Moodle Submission

Submission:

<u>The assignment must be typed and transactions clearly marked as Part A and T1 or T2 or T3 etc. Part B and T1 or T2 or T3 etc.</u>

<u>DO NOT COMBINE PARTS A, B AND C!!!</u>

<u>Marks will be deducted if the layout is not clear!</u>

A hard copy of the assignment must be submitted to the lecturer at the start if class. Electronic submission is also required on Moodle.

Work submitted for assessment must be accompanied by a completed and signed assignment coversheet.

Extensions of time and penalties for late lodgment:

A penalty of 10% of the total mark allocated to this assessment task will be deducted for each day, or part thereof, it is late.

Applications for an extension of time allocated to an in-semester assessment task must be made by completing the in-semester special consideration application form. The application form must be submitted to the Lecturer for consideration no later than two University working days after the due date.

Return of marks:

Marked assignments will be returned to you during Swot vac week. approximately. You should retain the marked copy of your submission until the final results for the unit are released.

General assignment instructions:

Students must complete all parts of the assignment.

This is an individual assignment. Plagiarism and collusion are prohibited.

Task Details (100 marks)

On 1 July 2019, Miguel Ltd acquired all of the shares of Antonio Ltd, on a *cum-div*. basis, for $8,100,000. At this date, the equity and liability sections of Antonio Ltd's statement of financial position showed the following balances:

Share capital – 1 200 000 shares	$ 3,600,000
General reserve	1,050,000
Retained earnings	2,880,000
Revaluation surplus	180,000
Dividend payable	75,000

At 1 July 2019, Antonio Ltd's assets included $138 000 of recorded goodwill. The dividend payable at acquisition date was subsequently paid in August 2019.

At acquisition date, all the identifiable assets and liabilities of Antonio Ltd were recorded at amounts equal to fair value except for the following:

	Carrying amount	**Fair value**
Land	$1,500 000	$1,650 000
Inventory	135 000	165 000
Plant (cost $900 000)	720 000	840 000

The inventory on hand in Antonio Ltd at 1 July 2019 was sold in November 2019. The plant was estimated to have a further 5-year life with zero residual value. The land on hand at acquisition date was sold to Laraniva Ltd in March 2021.

On 30 June 2020, goodwill was impaired by $2 500. The tax rate is 30%.

During the period 1 July 2019 to 30 June 2021, the following intragroup transactions have occurred between Miguel Ltd and Antonio Ltd:

(T1) At 30 June 2020, Miguel Ltd approved and declared a final dividend of $45,000, and Antonio Ltd declared and approved a final dividend of $75,000. This dividend was paid on 25 July 2020.

(T2) At 30 June 2021, Miguel Ltd approved and declared a final dividend of $36,000, and Antonio Ltd declared and approved a final dividend of $54,000.

(T3) On 1 January 2020, Miguel Ltd provided a $1,500,000 loan to Antonio Ltd. The interest rate on this loan is 10%, and interest is paid each year on 30 June. At 30 June 2021, no principal repayments have been made on the loan.

(T4) Miguel Ltd issued 2 000 5% debentures of $150 at nominal value on 1 April 2021. Antonio Ltd acquired 1 000 of these debentures. Interest is payable on 1 July each year.

(T5) In April 2020, Miguel Ltd sold inventory to Antonio Ltd for $72,000. The inventory had previously cost Miguel Ltd $54,000. By 30 June 2020, three-quarters of this inventory had been sold to Sally Ltd for $66,000. The remainder of the inventory was sold to San Ltd in August 2020 for $22,500.

(T6) On 3 June 2021, Antonio Ltd sold inventory to Miguel Ltd for $126,000. The transfer price included a mark-up of 20% on cost. At 30 June 2021, one-half of this inventory was still on hand.

(T7) In November 2019, Antonio Ltd sold inventory to Miguel Ltd at a transfer price of $135,000. The inventory had previously cost Antonio Ltd $93,000. All of this inventory was subsequently sold to Antigua Ltd in July 2020 for $157,500.

(T8) On 1 January 2020, Miguel Ltd sold machinery to Antonio Ltd for $360,000. The machinery had a written down value at the time of sale of $270,000. For this type of machinery, both entities charge depreciation at a rate of 20% p.a. straight-line.

(T9) On 1 March 2021, Antonio Ltd sold equipment to Miguel Ltd for $165 000, this asset having a carrying amount at the time of sale of $138,000. Antonio Ltd had treated the asset as a depreciable non-current asset, being depreciated at 15% on cost, whereas Miguel Ltd records the equipment as inventory. Miguel Ltd sold this asset to Oscar Ltd on 15 June 2021 for $184,500.

(T10) On 1 January 2021, Antonio Ltd acquired furniture for $135,000 from Miguel Ltd. The furniture had originally cost Miguel Ltd $186,000 and had a carrying amount at the time of sale of $144,000. The sale was made on credit and, at 30 June 2021, $13,500 was still outstanding. Both entities apply depreciation at a rate of 10% p.a. straight line.

Required

a) Prepare the acquisition analysis and consolidation worksheet entries at 1 July 2019.

b) Prepare the consolidation worksheet entries at 30 June 2020.

c) Prepare the consolidation worksheet entries at 30 June 2021.

Very Important: You will lose marks if the assignment is unclearly formatted.

You must type the assignment and very clearly mark the year of the transaction and the label T1 – T10. Ensure all intragroup transaction adjustments are correctly labelled as T1 – T10. Failure to do so will result in a mark deduction. Narrations must be provided. Show all workings.

(17 + 31 + 52 = 100 Marks)