

Question 1

Almonds Ltd has been negotiating with Raisons Ltd to buy its wholefood section. The purchase takes place on 1st July 2014. The wholefood section is considered a Cash Generating Unit and the purchased Assets and Liabilities, at their carrying amounts and at the fair values estimated by Almonds Ltd is shown below.

Item	Cost	Accumulated depreciation/ amortisation	Carrying amount	Fair value
	\$	\$	\$	\$
Accounts receivable	120,000		120,000	118,000
Land and buildings	500,000	250,000	250,000	300,000
Plant & Equipment	470,000	370,000	100,000	80,000
Patent	50,000		50,000	65,000
Accounts payable	110,000		110,000	110,000

Included in the purchases by Almonds Ltd was an identifiable intangible asset of a Trademark developed over the years by Raisons Ltd. The Trademark has a fair value of \$150,000.

The purchase consideration for the business consisted of 500,000 \$2 ordinary shares in Almonds Ltd, paid to \$1.20 and \$100,000 in cash to be paid half now and half in one year's time. The discount rate is 10% and the Present Value tables are shown on page 9.

Almond Ltd incurred legal fees of \$2,500 to process the purchase of the wholefood section and \$1,500 of direct costs to issue the shares.

Required:

Prepare the journal entries to record the purchase by Almonds Ltd and the total payment to Raisons Ltd.

Narrations are not required

[Total for Question 1 = 15 marks]