

Summer Term 2024

Rechnungslegung im Konzern (RIKA)
Mock Exam

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Please read and pay attention to the following instructions carefully:

- (1) Please note your student number on each page of the assignment. Failure to state your matriculation number may result in your solutions not being assessed. Please write your answers only underneath the assignment. Only in exceptional cases can you use the reverse side and make a corresponding mark on the front.
- (2) Please keep your (verbal) answers as concise as possible. Providing information that is unrelated to the question will not yield additional points.
- (3) The following exam consists of a total of 8 tasks, all of which must be answered including the subtasks.
- (4) A total of 90 points can be achieved. The number of points in brackets corresponds to the number of minutes allowed for each task.
- (5) The total processing time is 90 minutes!
- (6) If you feel you cannot answer a question without making an additional assumption, please clearly indicate this assumption in your answer.
- (7) Unless otherwise stated, please disclose your calculation steps and round to two decimal places in each step! You may round your (interim) results to full numbers (CUs).
- (8) In the exam, companies' fiscal years equal the calendar year, unless stated otherwise.
- (9) A non-programmable and non-graphing calculator as defined by the Department of Economics is permitted as aid. No other devices or aids are allowed.

Good Luck!

Exercise 1: Key Concepts (5 Points)**Task**

Please name **five** key differences between an asset versus a share deal. You can use the table below to structure your answer.

Asset Deal	Share Deal

Exercise 2: Key Concepts II (5 Points)**Task**

Please explain the concept of “control” as in IFRS 10 and distinguish it from the concept of “power.” Further, name three factors to consider in assessing “power”.

Exercise 3: Acquisition Method (9 Points)**Facts**

Taurus AG acquired 75% of the Main AG for a cost of 25,000 CU. All identifiable assets and liabilities were recorded at fair value in Main AG's unconsolidated financial statements, with the exception of land. Here, a hidden reserve of 3,000 CU exists. The tax rate is 30%. The non-controlling interests in Main AG have a fair value of 8,000 CU. At the acquisition date, the equity of Main AG consisted of:

Item	Balance in CU
Share capital	9,000
General reserve	7,000
Retained earnings	8,000

	Full Goodwill Method	Partial Goodwill Method
Purchase Price		
Non-controlling interest at fair value		
Non-controlling interest at 25% of identifiable net assets		
Total		
Fair value of 100% identifiable net assets		
Goodwill		
Amount recognized of non-controlling interest		

Tasks

- Please shortly explain what is meant by the term “non-controlling interest”. (3 points)
- Please account for the non-controlling interest measured at **fair value** (full goodwill method) in comparison to measuring at **proportionate share in net assets** (partial goodwill method) using the table above. (6 points)

Exercise 4: Consolidation and Subsequent Consolidation (36 Points)**Facts**

In 20X1, Yoga AG acquired 90% of the capital of Relax AG for 300,000 CU in cash. The carrying amounts and fair values of the assets and liabilities recorded by Relax AG as of 31.12.20X1 were as follows:

	Carrying amount	Fair Value
Non-current assets	294,000	390,000
Liabilities	64,000	64,000

Yoga AG uses the **full** goodwill method. The tax rate is 30%.

Tasks

- Please provide the journal entries for the first-time consolidation on 31.12.20X1 and fill out the consolidated worksheet provided below. (20 points)
- Please explain the need to eliminate intra-group transactions in consolidated financial statements. (4 points)
- In 20X2, the following transactions occur:
Yoga AG sold inventory costing (historical cost) 18,000 CU to Relax AG for 23,000 CU. One-third of this was sold for 9,500 CU to an external party and one-third for 9,000 CU to another external party.

Please provide the journal entries to eliminate the intra-group transaction as of 31.12.20X2. (4 points)

- Please provide the necessary journal entries for the subsequent consolidation of the non-current assets as of 31.12.20X2. Assume that as of 01.01.20X2, the assets have a remaining useful life of 5 years and are depreciated on a straight-line basis. (8 points)

	Yoga AG		Relax AG		Revaluation		Sum balance		Consolidation		Consolidated Financial Statements
					Dr.	Cr.			Dr.	Cr.	
<i>Non-current assets</i>	21,000		294,000								
<i>Investment in Relax AG</i>	300,000										
<i>Goodwill</i>											
<i>Current assets</i>	143,000										
<i>Deferred tax asset</i>											
<i>Equity</i>		394,000		230,000							
<i>Non-controlling interest</i>											
<i>Debt</i>		70,000		64,000							
<i>Deferred tax liability</i>											
<i>Sum</i>	464,000	464,000	294,000	294,000							

Exercise 5: Joint Arrangement and Investments at Equity (9 Points)**Facts**

Financial AG has purchased 30% of the shares of Managerial GmbH for 5,200 CU as of 01.01.20X1.

The equity of Managerial GmbH at the acquisition date was:

Item	Balance in CU
Share capital	4,000
Equity Reserve	3,000
Retained Earnings	2,100

Hidden reserves (remaining useful life: 10 years as of 01.01.20X1) have an amount of 800 CU.

The profit of Managerial GmbH is as follows:

Distribution of 20X0's profit	(300)
Profit generated in 20X1	500

Tasks

- Please apply the equity method to account for the investment in Financial AG's consolidated financial statements in 20X1 using the information above.
- Please give the appropriate journal entries to account for the investment in Financial AG's consolidated financial statements in 20X1.

Exercise 6: Credit Ratings and Free Cash Flows (6 Points)**Task**

Please define free cash flow (to equity-holders), state its formula and explain its importance.

Exercise 7: Analyzing Consolidated Financial Statements (14 Points)**Facts**

The exhibit below provides you with the financial statements of Goethe AG for the year 20X1. Goethe AG is a long-established German firm, which business model is to sell souvenirs and readings from Johann Wolfgang von Goethe.

- Goethe AG's main geographic market is Europe.
- To store excess liquidity, Goethe AG has made some equity investments, which are accounted for as associated entities. Goethe AG does not have a strategic interest in these entities.
- Goethe AG derives all interest income from securities held for trading and associated entities.
- Goethe AG's provisions relate to legal disputes concerning using rights of the readings.
- Assume that Goethe AG's cash is classified as operating.

Balance Sheet	20X1
Assets	
<i>Non-current</i>	
Intangibles	4,000
Goodwill	4,300
Property, Plant & Equipment	5,800
Investments in associates	800
<i>Current</i>	
Securities held for trading	1,300
Trade accounts receivable	1,100
Inventories	2,900
Cash and cash equivalents	3,100
TOTAL	23,300
Equity & Liabilities	
Common stock	5,600
Retained earnings	5,500
Total shareholders' equity	11,100
<i>Non-current liabilities</i>	
Provisions	500
Long-term debt	3,900
<i>Current liabilities</i>	
Accounts payable	3,500
Deferred revenue	4,300
TOTAL	23,300

Profit & Loss Statement	20X1
Sales	33,000
Cost of sales	-19,000
Gross profit	14,000
R&D expense	-2,100
SG&A expense	-3,200
Other operating income	4,100
Other operating expense	-150
Operating profit (EBIT)	12,650
Income from associates held at equity	150
Interest income	150
Interest expense	-1,000
Profit before tax	11,950
Tax expense	-2,988
Net income (available to group)	8,963

Tasks

- a) Please decompose Goethe AG's return on equity using the Advanced DuPont model. (10 points)
- b) Assume that Goethe AG records an impairment of goodwill in the current year. How are the contemporaneous financial ratios of the Basic DuPont model affected by the impairment loss (i.e., decrease/increase/constant)? Please provide a brief explanation. (Verbal explanation only, no calculations required.) (4 points)

Exercise 8: Goodwill Impairment (6 Points)**Task**

“Goodwill impairment is a non-cash charge and should therefore not be considered in profitability/credit analysis.”

Please critically discuss the statement.