

Plank Co has owned 35% of Arch Co since 1 June 20X7 and it acquired 85% of Strip Co on 1 April 20X8. The statements of profit or loss and other comprehensive income for the year ended 31 December 20X8 are:

	Plank Co	Strip Co	Arch Co
	\$'000	\$'000	\$'000
Revenue	705,000	218,000	256,000
Cost of sales	(320,000)	(81,000)	(83,500)
Gross profit	385,000	137,000	172,500
Distribution costs	(58,000)	(16,000)	(18,500)
Administrative expenses	(92,000)	(28,000)	(29,000)
Investment income	46,000	2,000	-
Finance costs	(12,000)	(14,000)	(11,000)
Profit before tax	269,000	81,000	114,000
Income tax expense	(51,500)	(15,000)	(21,430)
Profit for the year	217,500	66,000	92,570
Other comprehensive income			
Gain on revaluation of land	2,800	3,000	-
Total comprehensive income for the year	220,300	69,000	92,570

The following information is relevant:

(i) A fair value exercise conducted on 1 April 20X8 concluded that the carrying amounts of Strip Co's net assets were equal to their fair values with the exception of an item of machinery which had a fair value of \$8m in excess of its carrying amount. At 1 April 20X8, the machinery had a remaining life of three years. Depreciation is charged to cost of sales

(ii) Since acquisition, Plank Co has sold goods to Strip Co totalling \$39m. Strip Co had one quarter of these goods in inventory at 31 December 20X8. During the year, Plank Co also sold goods to Arch Co for \$26m, all of which Arch Co held in inventory at 31 December 20X8. All of these goods had a mark-up on cost of 30%

(iii) The investment income of Plank Co for the year ended 31 December 20X8 includes dividends from Strip Co and Arch Co (see note (iv)). It also includes \$5m interest receivable on a loan made to Strip Co on 1 April 20X8

(iv) Strip Co paid a dividend to shareholders of \$18m on 31 December 20X8. Arch Co paid a dividend on 31 December 20X8 of \$35m

(v) In Plank Co's consolidated statement of financial position at 31 December 20X7, the carrying amount of Plank Co's investment in Arch Co was \$145,000. This was calculated using equity accounting

(vi) All other comprehensive income occurred after 1 April 20X8. Unless otherwise indicated, all other items in the above statements profit or loss and other comprehensive income are deemed to accrue evenly over the year

(a) Prepare the consolidated statement of profit or loss and other comprehensive income of Plank Co for the year ended 31 December 20X8.

(b) Calculate the carrying amount of the investment in Arch Co in the consolidated statement of financial position of Plank Co as at 31 December 20X8. (2 marks)