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4. Several years ago Ezmee, a public limited company, acquired 25% of the equity shares of one of its main competitors, Stoe. The purchase consideration was $4 million. The other 75% of shares have been held ever since by a single investor so that Ezmee had no influence over Stoe's operating activities. Ezmee accounts for such investments at fair value through other comprehensive income.

On 30 April 2013, Ezmee acquired a further 45% of Stoe for $13 million cash and gained control. At that date the carrying value of Ezmee's initial investment in Stoe was $5 million and the fair value of Stoe's identifiable net assets was $25 million. It has been estimated that, due to the entity gaining control, Stoe had to pay a premium of 8% to acquire the additional 45% shareholding.

Ezmee includes non-controlling interest in its consolidated financial statements at fair value.

Required
Advise the Ezmee's directors of the figures to be included in the entity's consolidated financial statements for goodwill and non controlling interest and explain how the initial holding of 25% should be accounted for as at 30 April 2013.

When measuring the fair values of Stoe's identifiable net assets at 30 April 2013 a number of provisional figures were used. During the year ended 30 April 2014 the following information became available:

- At 30 April 2013 Stoe held a passive investment at a fair value of $2 million in Pan, a mining company. During February 2014, as a result of Pan's discovery of a new deposit of minerals, the fair value of Stoe's investment increased to
$3m.
- Stoe owned a property which was surplus to requirements as at 30 April 2013. Stow was actively looking for a buyer at that date and included the property in the financial statements at a carrying value of $1 million. Stoe eventually disposed of the property in July 2013 for $1.4 million.
- At 30 April 2013 Stoe had six months outstanding on a contract to service equipment. On gaining control, Ezmee assumed responsibility for the service contract.The customer had paid an annual fee of $2.4 million and Stoe therefore carried deferred revenue of $1.2 million in its year end financial statements. During June 2013 it was finally agreed that companies similar to Stoe would incur costs of $0.9 million to fulfill the contract and would expect to earn a profit mark-up for that effort of 20%.
- At the date Ezmee gained control of Stoe, one of Stoe's identifiable net assets was a brand name, Diga. As Ezmee owned a similar product, it did not intend to market Diga post-control. Ezmee discontinued sales of the Diga product thereby enhancing sales of its own product and the value of its own brand name. As the future cash flows from sales of Diga were expected to be nil, Ezmee included it as an intangible asset in Stoe's identifiable net assets at a fair value of zero. During the following year it became known to Ezmee that other companies within the industry would have been willing to acquire the name Diga for $1 million at 30 April 2013 and to continue to sell the product.

Required
Advise Ezmee's directors of the effect, if any, the above information will have on the remeasurement of goodwill as at 30 April 2013. Explain your advice.**[10 marks]**