

# Consolidated Statement Profit or Loss

## AAT Level III FAR - Financial Reporting

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ACA, B.Sc. (Accounting) Sp. Hons., ACMA (SL), SAT, CIMA Passed Finalist,  
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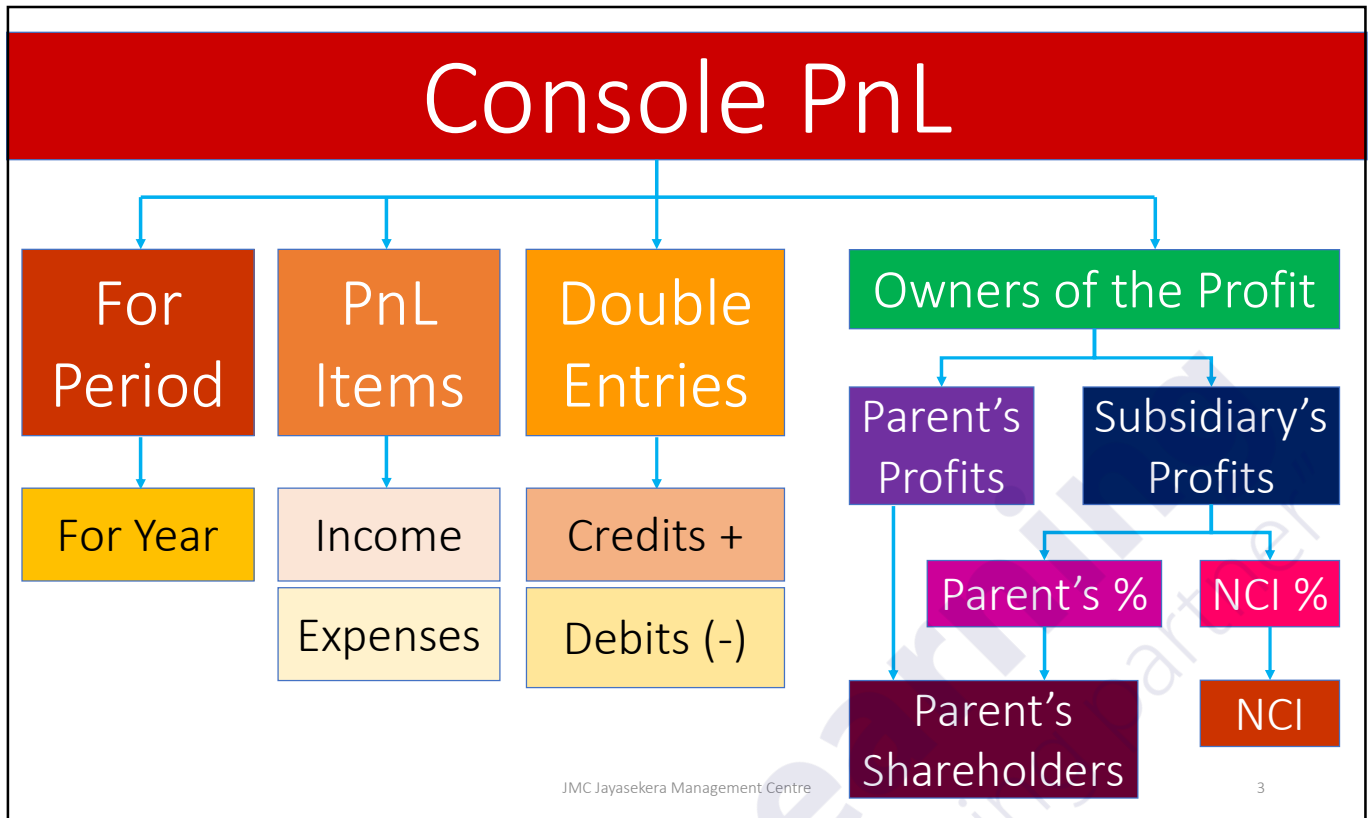
## AAT Level 03

# Financial Accounting and Reporting

Sandeepa Jayasekera

B.Sc. (Acct.) Hons. Gold Medal Winner, ACA, SAT, ACMA (UK), CGMA (UK), CA Prize Winner for AFR subject in Strategic Level II, CA First in Order of Merit Prize Winner in CAB II Level, CIMA Strategic Level Aggregate Prize Winner, Reading for MBA (PIM-SJP).

# Consolidated Statement Profit or Loss



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Dr	PnL	Cr
Cost of Sales	XX	Revenue
Admin Expenses	X	Other Income
Marketing Expenses	X	XXX
		X

Credit

Debit

Profit

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# Consolidation Principles in C.SFP Remain the Same in C.SPnL

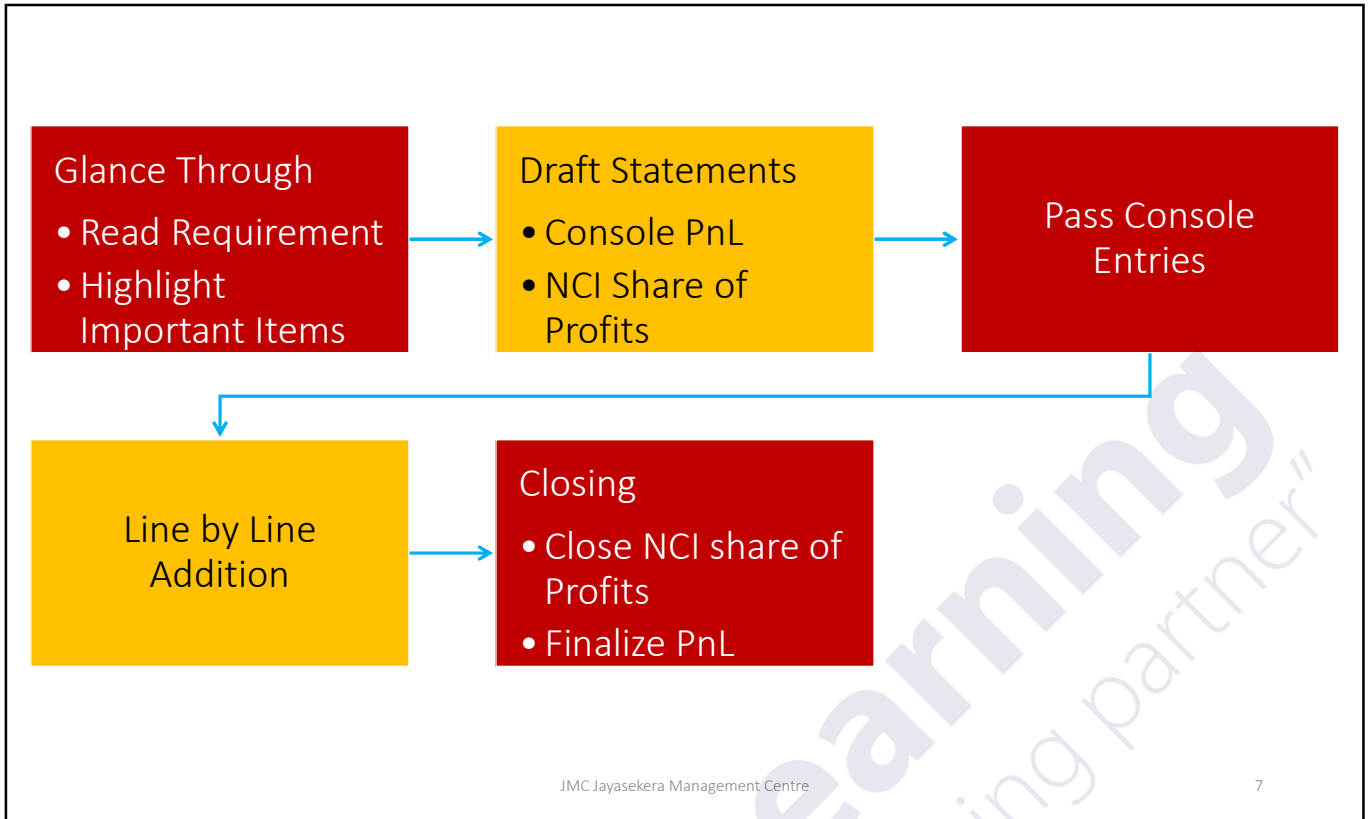
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# Steps to Follow in preparing Console PnL

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# Formats Used in Preparing Console PnL

## Consolidated Statement of Profit or Loss

[Name of Parent] Group

Consolidated Statement of Profit or Loss

As at \_\_\_\_\_

Rs.000'

Revenue		
Cost of Sales		
Gross Profits		
Other Income		
Administration Expenses		
Selling and Distribution Expenses		
Finance Expenses		
Profit Before Tax		
Taxation		
Profit After Tax		
Profit Attributable to Parent		
Profit Attributable to NCI		

Arrived by  
Deducting Profit  
Attributable to  
NCI from Profit  
After Tax

Obtained from  
NCI share of  
Profits

## Consolidated Statement of Profit or Loss Continued. .

Other Comprehensive Income		
Total Comprehensive Income		
Total Comprehensive Income Attributable to Parent		
Total Comprehensive Income Attributable to NCI		

Arrived by  
Deducting TCI  
Attributable to  
NCI from Total  
Comprehensive  
Income

Obtained from  
NCI Share of  
Profits

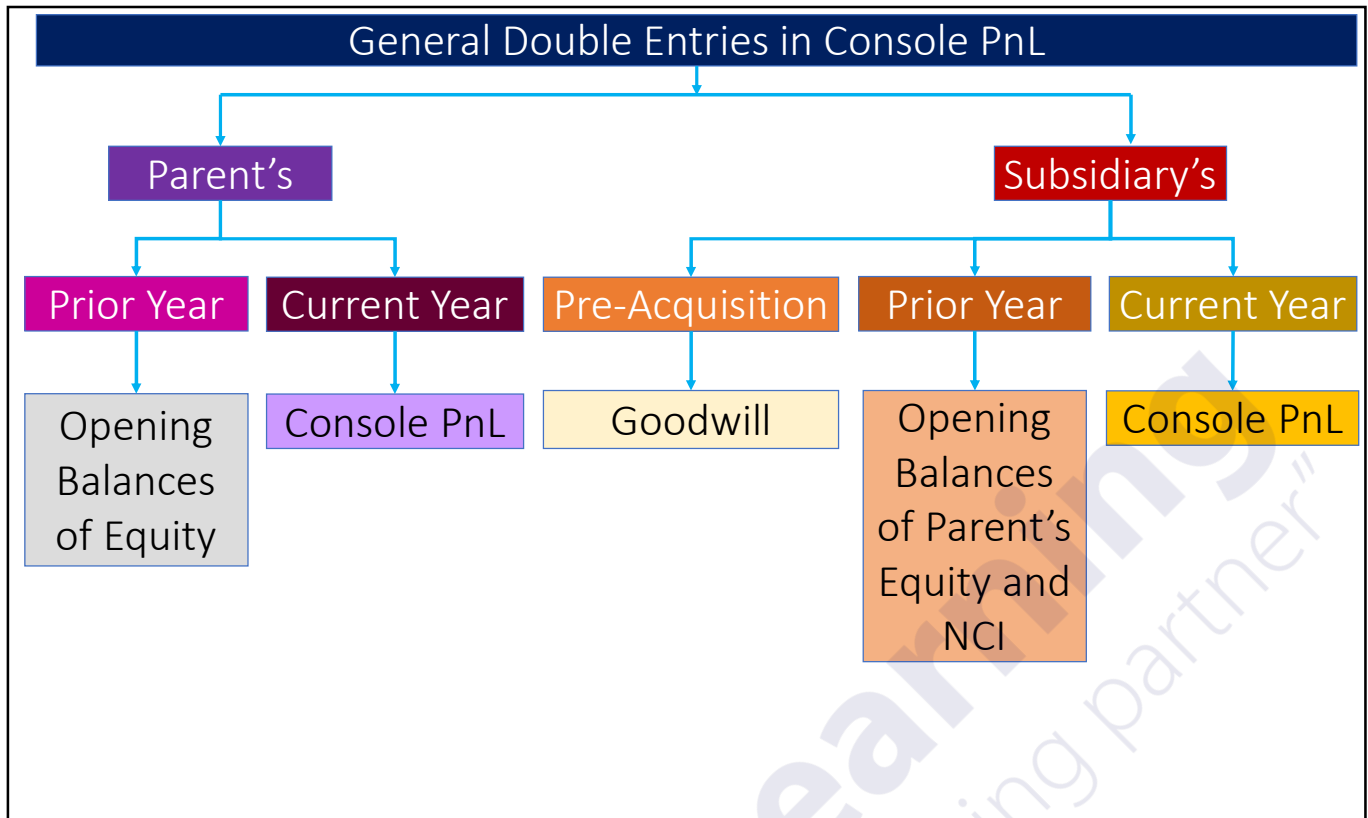
## NCI Share of Profits



Description	NCI Share of Profit	NCI Share of Other Comprehensive Income
Book Balance		
(+/-) Adjustments		
Unrealized Profits If Subsidiary is Seller		
Depreciation if Subsidiary is Owner or Buyer		
Closing Balances		

NCI Share of Total Comprehensive Income

# Guide to Determine Console PnL Entries



# Other Consolidation Adjustments



# Intercompany Balance Elimination

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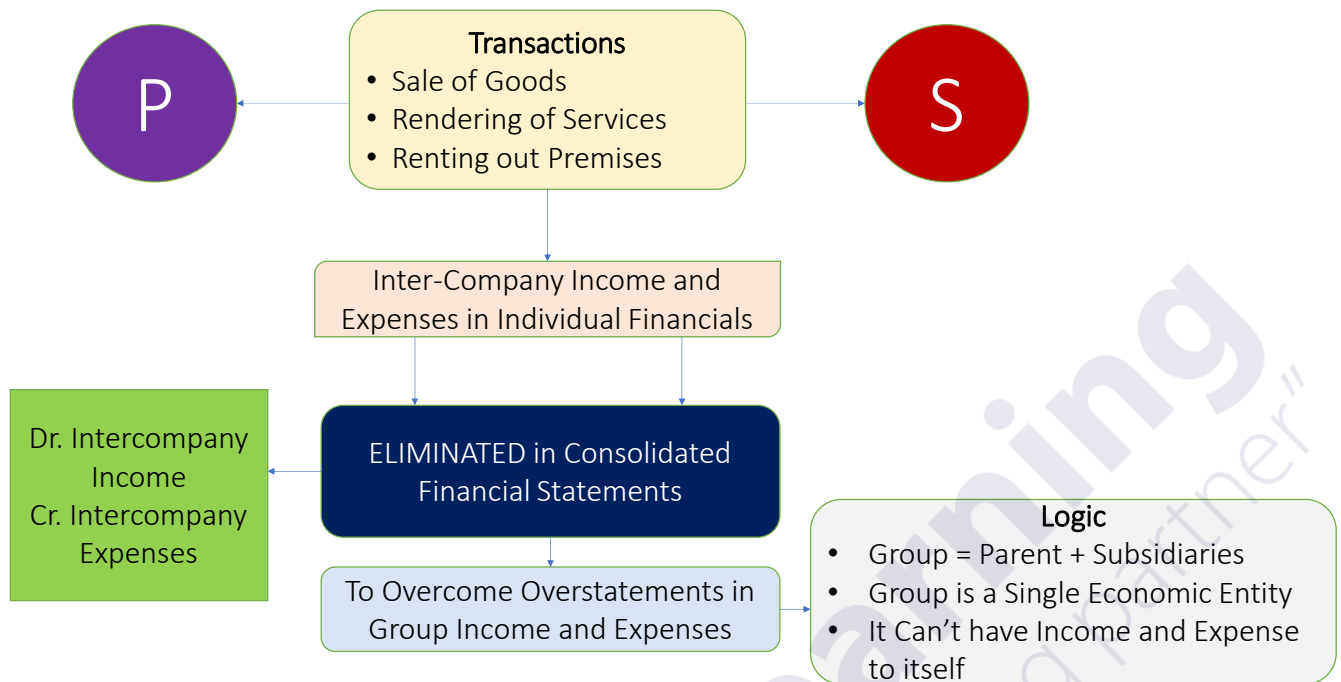
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Transactions between group will result in Income and Expenses. Such shall be eliminated in full.

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## Understanding the Concept

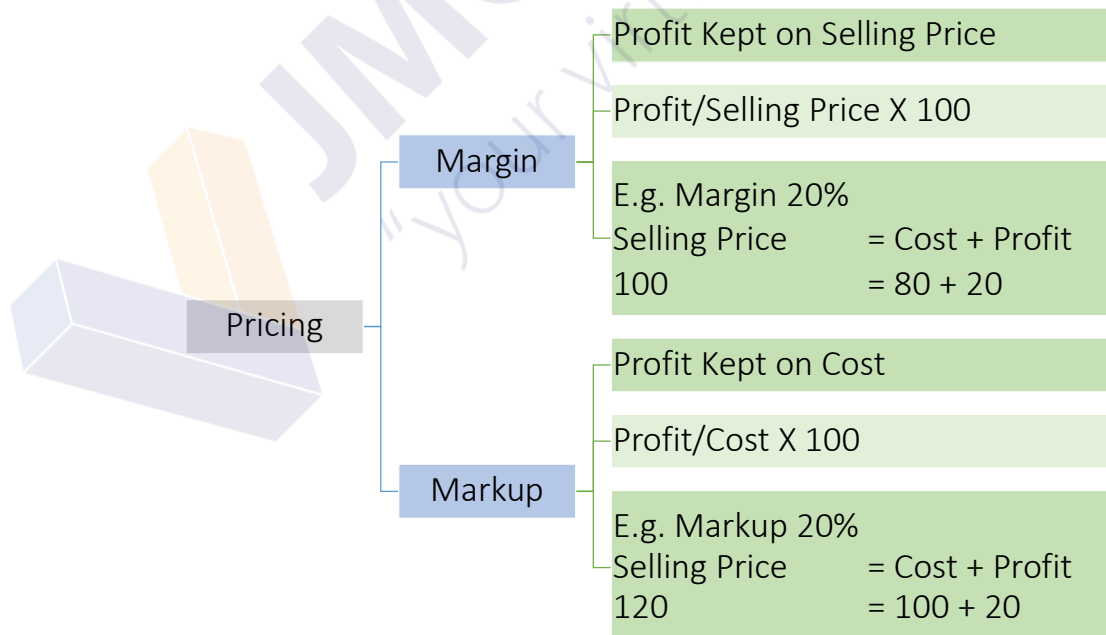


## Unrealized Profits in Inventory

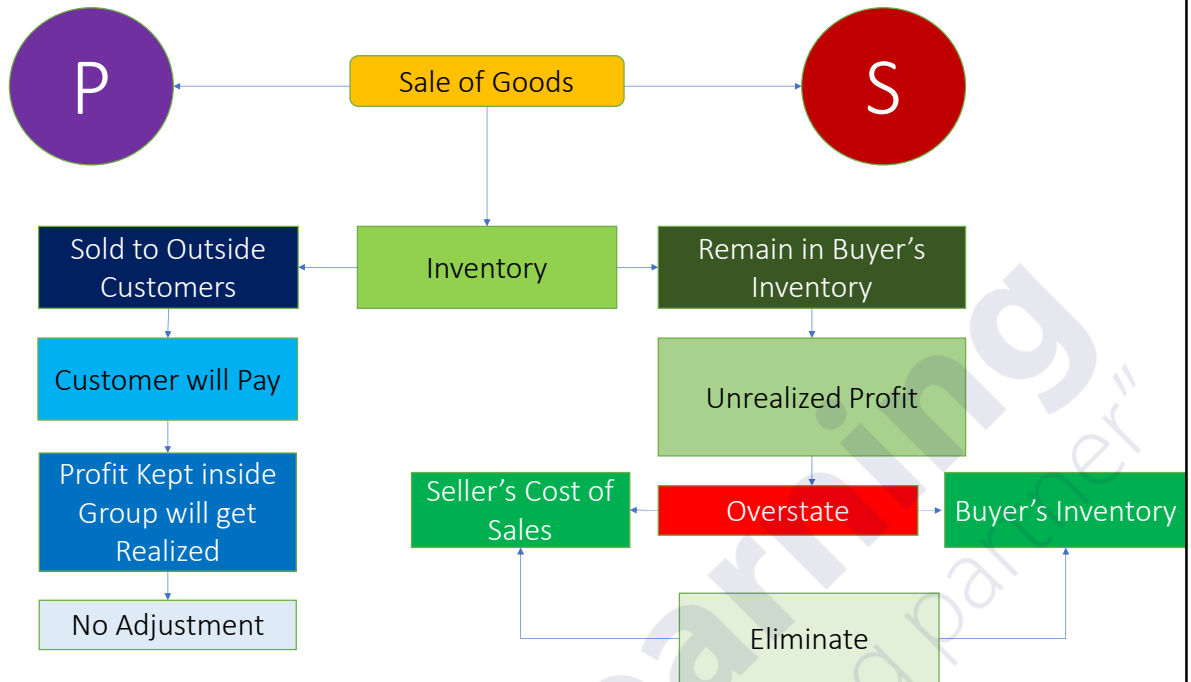
Unsold items in an inventory from a Sale of Goods between group will result in Unrealized profits. Such shall be eliminated in Full.

## Understanding the Concept

Companies use 02 Different Pricing Methods in Transactions



### Understanding the Concept



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### Steps to Follow to Eliminate Unrealized Profits (URP) in Inventory

Identify Who is the Seller and Buyer

Calculate Unrealized Profits

Margin

Markup

Determine Unit Selling Price and Profit  
 Selling Price = Cost + Profit  
 100 = (100 - Profit) + Profit

Determine Unit Selling Price and Profit  
 Selling Price = Cost + Profit  
 (100 + Profit) = 100 + Profit

Calculate URP = Unit Profit/Unit Selling Price X Unrealized Inventory

Calculate URP = Unit Profit/Unit Selling Price X Unrealized Inventory

Eliminate Unrealized Profit

Dr. Console Cost of Sales  
 Cr. Console Inventory

Parent

Who is the Seller?

Subsidiary

Dr. Console Cost of Sales (Adjust to NCI % of Profits)  
 Cr. Console Inventory

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# Unrealized Profits in Property Plant and Equipment

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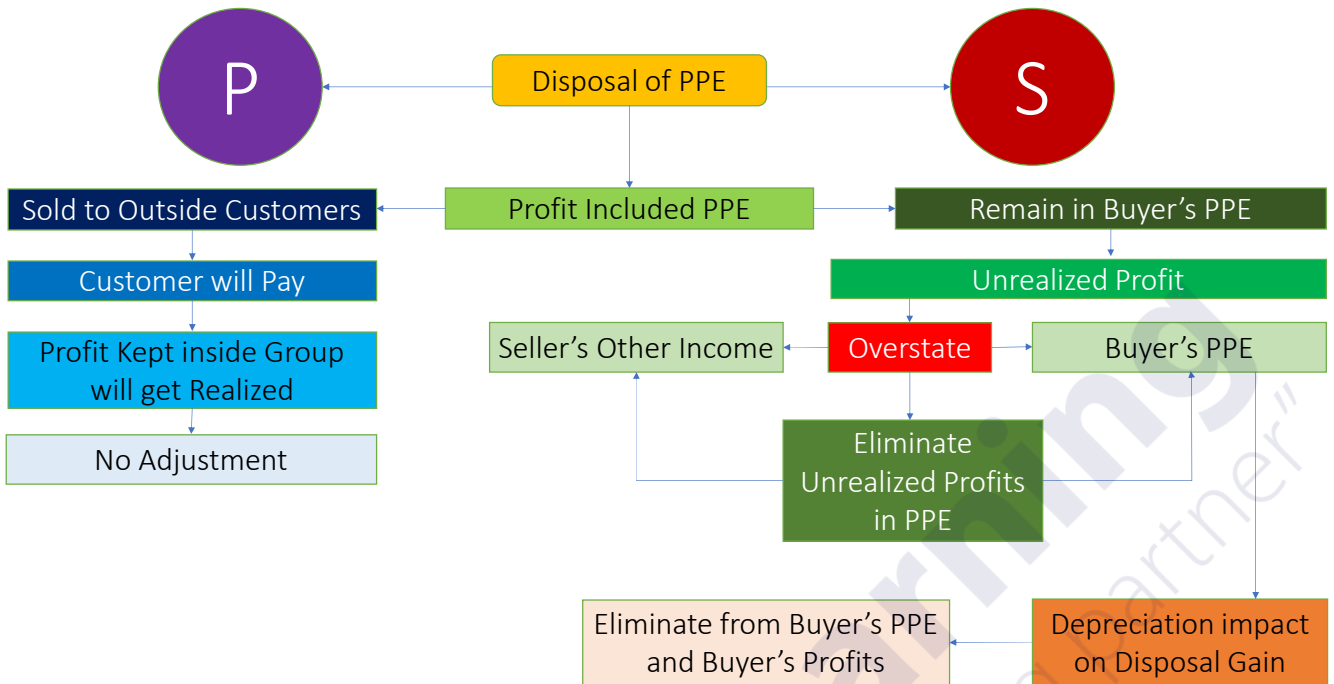
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PPE disposals between group will result in Unrealized profits/losses and over depreciation on unrealized profit. Such shall be eliminated in full.

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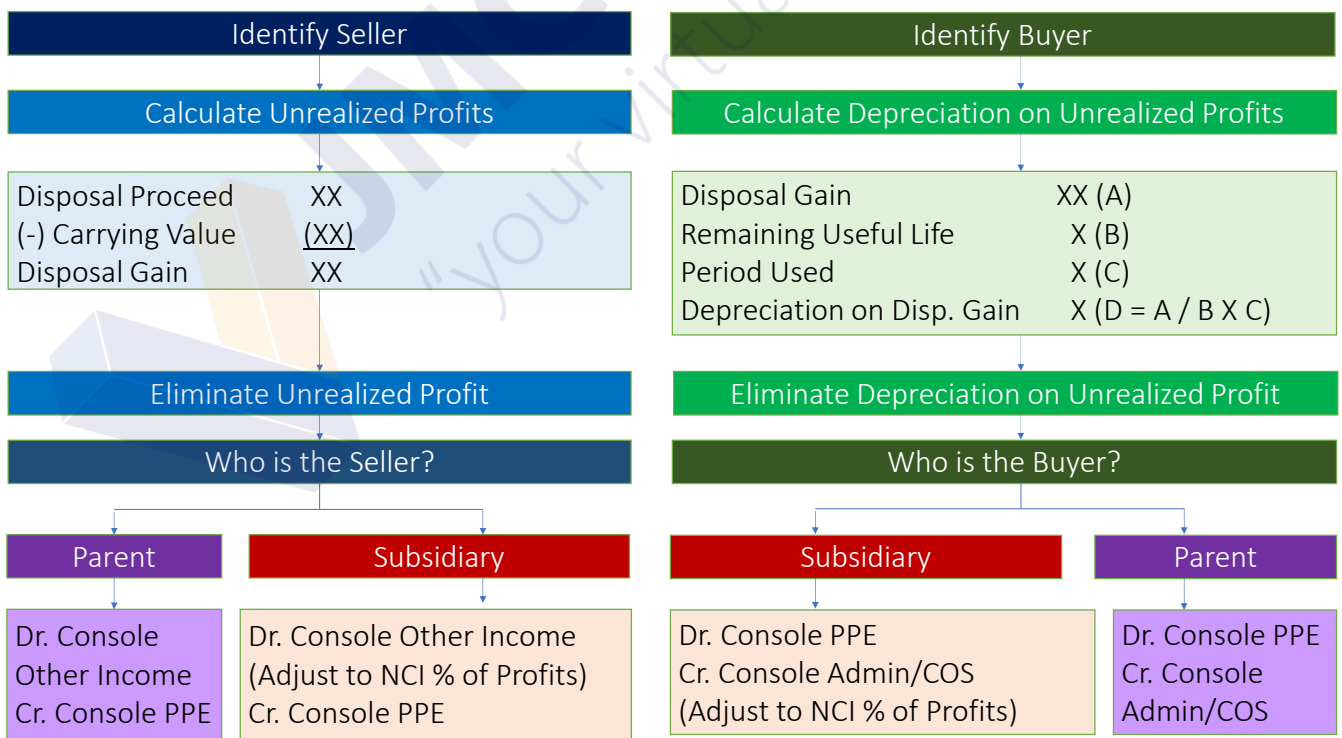
### Understanding the Concept of Unrealized Profits in PPE



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### Steps to Follow to Eliminate Unrealized Profits and Depreciation on PPE



# Subsidiary Dividends

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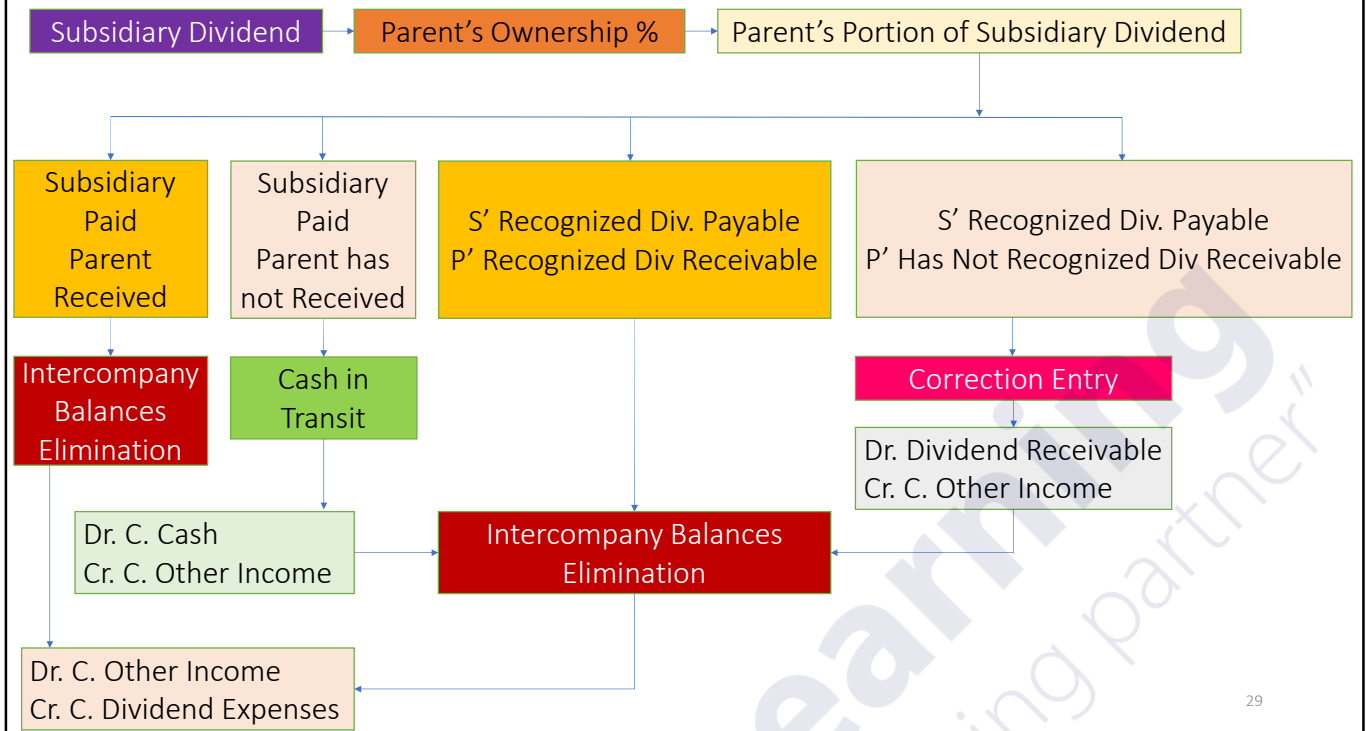
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Parent's portion of Subsidiary Dividend Income and Expense are Intercompany Balances. These shall be eliminated in full.

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## Steps to Follow to Eliminate Subsidiary Dividend



### Question 01

On 1/4/20X8 Gota acquired 80% of the equity shares of Sajith. The following statements of profit or loss are being produced by Gota and Sajith for the year ended 31/03/20X9.

	Gota	Sajith
Revenue	1000	500
Cost of sales	(500)	(250)
Gross profit	500	250
Other income	100	20
Operating expenses	(200)	(80)
Operating expenses	(100)	(20)
Profit before tax	300	170
Income tax expense	(50)	(20)
Profit for the year	250	150
Other comprehensive income	100	50
Total comprehensive income	300	200



The following additional information is also provided:

- (1) During the year Gota sold Rs.200 worth of goods to Sajith keeping a profit on cost of 25%. Of those items 50% is remaining at Sajith's inventory.
- (2) During the year Sajith sold Rs.100 worth of goods to Gota keeping a profit on selling price of 25%. Of those items 75% is remaining at Gota's inventory.
- (3) Gota has given the premises on a rental basis for Sajith charging Rs.20 per annum.
- (4) Sajith has sold a computer to Gota on 01/10/X8 at a value of Rs.30. The carrying value of the computer was Rs.20. It had a remaining useful life of 5 years.
- (5) Sajith has paid a Rs.20 dividend on 01/03/X9. Gota has received the dividend share.
- (6) The goodwill has been impaired by Rs.10. The non-controlling interest was measured using fair value.

**You are required to:**

**Prepare** the Consolidated Comprehensive Income Statement of **Gota PLC** for the year ended 31<sup>st</sup> March 20X9.

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## Question 02 – January 2021 Q09

**Alpha PLC** acquired 80% of the ordinary share capital of **Beeta PLC** on 01<sup>st</sup> January 2020 for Rs. 85 million. On that day, the fair value of identifiable net assets of Beeta PLC was Rs. 95 million and fair value of the non-controlling interest was Rs. 25 million.

The Statement of Comprehensive income of **Alpha PLC** and **Beeta PLC** for the year ended 31<sup>st</sup> December 2020 were as follows.

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Rs.000	Alpha PLC	Beeta PLC
Sales	325,000	140,000
Cost of Sales	(180,000)	(60,000)
Gross Profit	145,000	80,000
Other Income:		
Rent Income	600	-
Other Income	500	500
Expenses:		
Distribution Expenses	(26,000)	(12,800)
Administration Expenses	(48,000)	(24,000)
Finance Expenses	(2,500)	(1,800)
Profit before Tax	69,600	41,900
Income Tax	(8,500)	(6,000)
Profit for the year	61,100	35,900
Other Comprehensive Income	-	-
Total Comprehensive Income	61,100	35,900

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The following additional information is also provided:

- (1) **Alpha PLC** has sold goods for Rs. 6,000,000/- to **Beeta PLC** during the year with a profit margin of 25% on cost. As at 31<sup>st</sup> December 2020, 1/3 of goods remained unsold at the premises of **Beeta PLC**.
- (2) On 31<sup>st</sup> October 2020, **Beeta PLC** sold a land costing of Rs. 5,000,000/- to **Alpha PLC** for Rs. 5,500,000/-.
- (3) **Beeta PLC** has paid monthly rent of Rs. 50,000/- to **Alpha PLC** for usage of stores.

**You are required to:**

- (a) **Calculate** the goodwill arising from the consolidation. (04 marks)
- (b) **Prepare** the Consolidated Comprehensive Income Statement for the year ended 31<sup>st</sup> December 2020. (09 marks)

(Total 13 marks)

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## Question 04 – July 2019 Q09

On 01<sup>st</sup> April 2018 **Sigma PLC** acquired 75% of **Beta PLC's** 1,000,000 ordinary shares for Rs. 290 million. On the date of acquisition, the fair value of the identifiable net asset of **Beta PLC** was Rs. 340 million. The market value of a share as at 01<sup>st</sup> April 2018 of **Beta PLC** was Rs. 365/-.

The statements of Comprehensive Income of **Sigma PLC** and **Beta PLC** for the year ended 31<sup>st</sup> March 2019 are as follows:

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Rs.000	Sigma PLC	Beta PLC
Sales	250,000	150,000
Cost of Sales	(150,000)	(90,000)
Gross Profit	100,000	60,000
Other Income:		
Interest Income	1,200	950
Dividend Income	500	-
Other Income	150	1,250
	101,850	62,200
Expenses:		
Distribution Expenses	(12,000)	(7,000)
Administration Expenses	(60,000)	(46,000)
Finance Expenses	(6,000)	(4,000)
Profit before Tax	23,850	5,200
Income Tax Expense	(6,500)	(1,550)
Profit for the Year	17,350	3,650
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	17,350	3,650

The following additional information is also provided:

- (1) During the year, **Sigma PLC** sold goods costing Rs. 5,000,000/- to **Beta PLC** with a profit margin of 10% on cost. As at 31<sup>st</sup> March 2019, the closing inventory of **Beta PLC** included Rs. 1,100,000/- worth of goods purchased from **Sigma PLC**.
- (2) Two years ago, **Beta PLC** invested Rs. 5,000,000/- on debentures issued by **Sigma PLC** which will be matured in 05 years and annual interest rate is 10%. Interest income of **Beta PLC** included the interest received for the year on debentures.
- (3) **Sigma PLC** has occupied the stores belongs to **Beta PLC** from 01<sup>st</sup> April 2018 and annual rent of Rs. 50,000/- was paid by **Sigma PLC** to **Beta PLC**.
- (4) On 01<sup>st</sup> April 2018, **Beta PLC** sold a machine to **Sigma PLC** for Rs. 5,000,000/-. The machine had a carrying value of Rs. 4,000,000/- in **Beta PLC's** books on that date. The useful life of the machine as at 01<sup>st</sup> April 2018 was 10 years.

**You are required to:**

- (a) **Calculate** the Goodwill arising on acquisition. (05 marks)
- (b) **Prepare** the Consolidated Comprehensive Income Statement of **Sigma PLC** for the year ended 31<sup>st</sup> March 2019. (14 marks)

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## Question 05 – January 2018 Q09

The Statements of Comprehensive Income of Gamunu PLC and Beema Ltd. for the year ended 31st March 2017 are as follows:

Rs.000	Gamunu	Beema
Sales	250,000	110,000
Cost of Sales	(140,000)	(72,000)
Gross Profit	110,000	38,000
Other Income:		
Interest Income	800	250
Dividend Income	1,600	45
Other Income	1,550	-
	113,950	38,295
Expenses:		
Distribution Expenses	(40,000)	(13,500)
Administration Expenses	(10,000)	(3,000)
Finance Expenses	(8,000)	(2,000)

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## Question 05 – January 2018 Q09

Profit before Tax	55,950	19,795
Income Tax Expense	(14,500)	(2,000)
Profit for the Year	41,450	17,795
Other Comprehensive Income	-	-
Total Comprehensive Income for the year	41,450	17,795

The following additional information is also provided:

- (1) During the year, Gamunu PLC has sold inventory for Rs.2,000,000/- to Beema Ltd. with a profit margin of 25% on cost. As at 31st March 2017, the closing inventory of Beema Ltd. included Rs.500,000/- worth of goods purchased from Gamunu PLC.
- (2) Beema Ltd. paid Rs.50,000/- per month from 01st April 2016 to Gamunu PLC as the rent for the stores of Beema Ltd. located at the factory premises of Gamunu PLC.

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## Question 05 – January 2018 Q09

- (3) Beema Ltd. has obtained a loan of Rs.5,000,000/- on 31st March 2016 from Gamunu PLC at a rate of 12% per annum. The Interest for the year 2016/17 has been fully paid to Gamunu PLC. No capital repayment was made for the loan during the year.
- (4) Dividend income of Gamunu PLC includes interim dividend of Rs.500,000/- received from Beema Ltd. and dividends were paid by Beema Ltd. using the profit of the year.
- (5) On 01st January 2017 Gamunu PLC sold a land costing Rs.1,000,000/- to Beema Ltd. for Rs.1,400,000/-.

You are required to:

Prepare the Consolidated Comprehensive Income Statement for the year ended 31<sup>st</sup> March 2017. (14 marks)

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## Question 06 – July 2021 Q09

The following statements of Comprehensive Income were extracted from Sindu Ltd. (SDL) and Bindu Ltd. (BDL) for the year ended 31st March 2021:

	SDL	BDL
Sales	57,400	13,602
Cost of Sales	(36,200)	(7,248)
Gross Profit	21,200	6,354
Other Income:		
Consultancy Service Income	300	-
Other Income	1,200	1,000
Expenses:		
Distribution Expenses	(7,200)	(1,170)
Administration Expenses	(4,680)	(2,580)
Finance Expenses	(690)	(210)
Profit before Tax	10,130	3,394
Income Tax	(180)	(30)
Profit for the Tax	9,950	3,364

## Question 06 – July 2021 Q09

The following additional information is also provided.

- (1) **SDL** acquired 80% of the ordinary share capital of **BDL** on 01<sup>st</sup> April 2020 for Rs. 42 million. On that day, the fair value of the identifiable net assets of **BDL** was Rs. 45 million, and fair value of the non-controlling interest was Rs. 6 million.
- (2) During the year, **BDL** has sold goods costing of Rs, 8 million to **SDL** at a profit margin of 25% on cost. As at 31<sup>st</sup> March 2021, inventory worth of Rs. 4 million remained unsold at the store of **SDL**.
- (3) During the year, **SDL** has provided consultancy services to **BDL** at Rs. 25,000/- per month.

## Question 06 – July 2021 Q09

(4) On 01<sup>st</sup> April 2020, **BDL** sold a machinery to **SDL** for Rs. 4,000,000/-, which had a carrying value of Rs. 3,000,000/- in **BDL's** books on that date. The remaining useful life of the machinery as at 01<sup>st</sup> April 2020 was 5 years.

You are required to:

- (a) **Calculate** the goodwill arising from the consolidation. (04 marks)
- (b) **Prepare** the Consolidated Comprehensive Income Statement for the year ended 31<sup>st</sup> March 2021. (09 marks) (Total 13 marks)

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