

Disposal of Subsidiaries

Mr. Imraz Iqbal

Example 1

Full disposal – Basics (Amounts in Rs'000)

Statements of Financial Position As at 31-3-2019

| <u>Assets</u> | P Ltd | S Ltd | T Ltd |
|-------------------------------------|---------------|--------------|--------------|
| PPE | 9,000 | 7,000 | 4,000 |
| Investment in S Ltd | 6,000 | - | - |
| Investment in T Ltd | 3,000 | | - |
| Current assets | 2,000 | 300 | 1,700 |
| Total Assets | 20,000 | 7,300 | 5,700 |
| <u>Equity and Liabilities</u> | | | |
| Stated Capital | 9,000 | 2,000 | 4,000 |
| Retained Earnings | 7,000 | 2,500 | 1,000 |
| Current liabilities | 4,000 | 2,800 | 700 |
| Total Equity and liabilities | 20,000 | 7,300 | 5,700 |

- On 1-4-2016 P acquired 75% of S for 6,000 when S Ltd.'s retained earnings stood at 1000.
- On 1-4-2017 P acquired 60% in T for 3,000 when T ltd.'s retained earnings stood at 600
- On 31-3-2019 P disposed its holding in T for 3,600. The sales proceeds from the sale of shares is yet to be received by P and was not recorded



Working 1

Acquisition information summary and Group structure

..... Ltd
 Statement of financial position
 As at (in Rs.....)

| Assets | | |
|---|--|--|
| Non – current Assets | | |
| Property, Plant and Equipment | | |
| Goodwill | | |
| | | |
| Current assets | | |
| | | |
| Total assets | | |
| Equity | | |
| Stated Capital | | |
| Retained earning | | |
| | | |
| Equity attributable to parent company shareholders | | |
| Non – Controlling Interest | | |
| Total equity | | |
| Liabilities | | |
| | | |
| Total equity and Liabilities | | |



Working 2

Consolidation

(in Rs.....)

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Group Retained |
|--|----------------------|-----|----------------------|-----|----------------|
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| | | | | | |
| | | | | | |
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| Retained earnings of Parent – Year end | | | | | |
| | | | | | |
| | | | | | |
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| Balance at year end | | | | | |

Example 2

Subsidiary disposal with investment status retained (Amounts in Rs'000)
Statements of Financial Position As at 31-3-2019

| Assets | P Ltd | S Ltd | T Ltd |
|-------------------------------------|---------------|--------------|--------------|
| PPE | 6,800 | 7,000 | 4,000 |
| Investment in S Ltd | 8,200 | - | - |
| Investment in T Ltd | 3,000 | | - |
| Current assets | 2,000 | 300 | 1,700 |
| Total Assets | 20,000 | 7,300 | 5,700 |
| Equity and Liabilities | | | |
| Stated Capital | 11,000 | 2,000 | 4,000 |
| Retained Earnings | 5,000 | 2,500 | 1,000 |
| Current liabilities | 4,000 | 2,800 | 700 |
| Total Equity and liabilities | 20,000 | 7,300 | 5,700 |
| PPE | 6,800 | 7,000 | 4,000 |
| Investment in S Ltd | 8,200 | - | - |

- On 1-4-2016 P acquired 75% of S for 8,200 when S Ltd's fair values of identifiable net assets were 3,500. Any increase can be considered as increase in value of land. The NCI on this date was valued at 2,000. S Ltd retained earnings was 1000
- On 1-4-2017 P acquired 60% in T for 3,000 when T Ltd's identifiable net assets stood at 5,000. Any increase in fair value can be considered as increase in value of land. The NCI on this date was valued at 2,100. T Ltd retained earnings was 200
- On 31-3-2019 P disposed 45% of share holding in T for 3,500. The fair value of the remaining shares held by P was valued at 1,100
- The sales proceeds from the sale of shares is yet to be received by P and was not recorded



Working 1

Acquisition information summary and Group structure

..... Ltd

Statement of financial position

As at (in Rs.....)

| Assets | | |
|---|--|--|
| Non – current Assets | | |
| Property, Plant and Equipment | | |
| Goodwill | | |
| | | |
| Current assets | | |
| | | |
| Total assets | | |
| Equity | | |
| Stated Capital | | |
| Retained earning | | |
| | | |
| Equity attributable to parent company shareholders | | |
| Non – Controlling Interest | | |
| Total equity | | |
| Liabilities | | |
| | | |
| Total equity and Liabilities | | |



Working 2

Consolidation

(in Rs.....)

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Group Retained |
|--|----------------------|-----|----------------------|-----|----------------|
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| | | | | | |
| | | | | | |
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| Retained earnings of Parent – Year end | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Balance at year end | | | | | |

Example 3

Subsidiary disposal where associate status is retained (Amounts in Rs'000)
Statements of Financial Position As at 31-3-2019

| Assets | P Ltd | S Ltd | T Ltd |
|-------------------------------------|---------------|--------------|--------------|
| PPE | 8,550 | 7,000 | 4,000 |
| Investment in S Ltd | 8,200 | - | - |
| Investment in T Ltd | 1,250 | | - |
| Current assets | 2,000 | 300 | 1,700 |
| Total Assets | 20,000 | 7,300 | 5,700 |
| Equity and Liabilities | | | |
| Stated Capital | 11,000 | 2,000 | 4,000 |
| Retained Earnings | 5,000 | 2,500 | 1,000 |
| Current liabilities | 4,000 | 2,800 | 700 |
| Total Equity and liabilities | 20,000 | 7,300 | 5,700 |

- On 1-4-2016 P acquired 75% of S for 6,000 when S Ltd's fair values of identifiable net assets were 4,800. Any increase can be considered as increase in value of land. The NCI on this date was valued at 2,000. S Ltd retained earnings was 800
- On 1-4-2017 P acquired 60% in T for 3,000 when T Ltd's identifiable net assets stood at 5,000. Any increase in fair value can be considered as increase in value of land. The NCI on this date was valued at 1,900. T Ltd retained earnings was 300
- On 31-3-2019 P acquired another 15% shareholding in S at a value of 2,200.
- On 31-3-2019 P disposed 35% of share holding in T for 3,500. The fair value of the remaining shares held by P was valued at 2,400.
- The parent has recorded the gain on the disposal in its books based on the carrying amount of the investment at that date



Working 1

Acquisition information summary and Group structure

..... Ltd

Statement of financial position

As at (in Rs.....)

| Assets | | |
|---|--|--|
| Non – current Assets | | |
| Property, Plant and Equipment | | |
| Goodwill | | |
| | | |
| Current assets | | |
| | | |
| Total assets | | |
| Equity | | |
| Stated Capital | | |
| Retained earning | | |
| | | |
| Equity attributable to parent company shareholders | | |
| Non – Controlling Interest | | |
| Total equity | | |
| Liabilities | | |
| | | |
| Total equity and Liabilities | | |



Working 2

Consolidation

(in Rs.....)

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Group Retained |
|--|----------------------|-----|----------------------|-----|----------------|
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| | | | | | |
| | | | | | |
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| Retained earnings of Parent – Year end | | | | | |
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| | | | | | |
| | | | | | |
| Balance at year end | | | | | |

Example 4

Subsidiary partial disposal without loss of control – with NCI at fair value (Amounts in Rs'000)

Statements of Financial Position as at 31-3-2019

| <u>Assets</u> | P Ltd | S Ltd | T Ltd |
|-------------------------------------|---------------|--------------|--------------|
| PPE | 12,000 | 7,000 | 4,000 |
| Investment in S Ltd | 6,000 | - | - |
| Investment in T Ltd | 3,000 | | - |
| Current assets | 7,000 | 300 | 1,700 |
| Total Assets | 28,000 | 7,300 | 5,700 |
| <u>Equity and Liabilities</u> | | | |
| Stated Capital | 13,000 | 2,000 | 4,000 |
| Retained Earnings | 9,000 | 2,500 | 1,000 |
| Current liabilities | 6,000 | 2,800 | 700 |
| Total Equity and liabilities | 28,000 | 7,300 | 5,700 |

- On 1-4-2016 P acquired 75% of S for 6,000 when S Ltd's retained earnings stood at 1000. The NCI on this date was valued at 2,000
- On 1-4-2017 P acquired 60% in T for 3,000 when T Ltd's retained earnings stood at 600. The NCI on this date was valued at 1,900
- At the year end the Goodwill of S was impaired by 400
- On 31-3-2019 P disposed its holding in T for 3,600.
- On 31-3-2019 P disposed 20% shareholding in S at a value of 2,200.
- The sales proceeds from the sale of shares is yet to be received by P and was not recorded

Working 1

Acquisition information summary and Group structure

..... Ltd
 Statement of financial position
 As at (in Rs.....)

| Assets | | |
|---|--|--|
| Non – current Assets | | |
| Property, Plant and Equipment | | |
| Goodwill | | |
| | | |
| Current assets | | |
| | | |
| Total assets | | |
| Equity | | |
| Stated Capital | | |
| Retained earning | | |
| | | |
| Equity attributable to parent company shareholders | | |
| Non – Controlling Interest | | |
| Total equity | | |
| Liabilities | | |
| | | |
| Total equity and Liabilities | | |



Working 2

Consolidation

(in Rs.....)

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Group Retained |
|--|----------------------|-----|----------------------|-----|----------------|
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| | | | | | |
| | | | | | |
| Investment | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained earnings of Subsidiary – Post acquisition | | | | | |
| Retained earnings of Parent – Year end | | | | | |
| | | | | | |
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| Balance at year end | | | | | |