

Disposal of Subsidiaries

Mr. Imraz Iqbal

Example 1

Full disposal – Basics (Amounts in Rs'000)

Statements of Financial Position As at 31-3-2019

Assets	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
Equity and Liabilities			
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					
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
<u>Equity and Liabilities</u>			
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					
Balance at year end					

Example 4

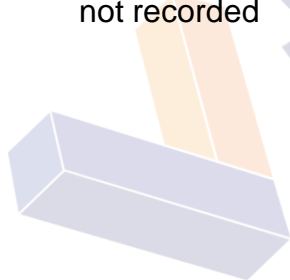
Subsidiary partial disposal without loss of control – with NCI at fair value (Amounts in

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.....)

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(-) 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					