

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



Acquisition information summary and Group structure

Otatamant of financial accition				
	ent of financial position	(in Do		
		(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	.00			
Total equity and Liabilities				

Consolidation

(in Rs.....)

Description Goodwill calculation NCI Goodwill calculation NCI Group Retained NCI G						N5)
+ 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 Subsidiary – Post acquisition Retained earnings of Parent – Year end	Description		NCI		NCI	
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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	+ NCI					
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(-) Net Assets Goodwill on acquisition date Retained earnings of Subsidiary – Post acquisition Retained earnings of Parent – Year end				O . (\bigcirc	
Goodwill on acquisition date Retained earnings of Subsidiary – Post acquisition Retained earnings of Parent – Year end	+ NCI					
Goodwill on acquisition date Retained earnings of Subsidiary – Post acquisition Retained earnings of Parent – Year end	(-) Net Assets					
Subsidiary – Post acquisition Retained earnings of Parent – Year end	Goodwill on acquisition			23		
Retained earnings of Parent – Year end	Subsidiary – Post		X Jal			
Balance at year end	Retained earnings of		10			
Balance at year end						
Balance at year end						
Balance at year end		10				
Balance at year end	, , , , , , , , , , , , , , , , , , ,	7				
Dalance at year end	Polonos et voer en d)				
	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



Acquisition information summary ar	•	
	Ltd	
	ent of financial position	
As at		(in Rs)
Assets		
Non – current Assets		
Property, Plant and Equipment		
Goodwill		
Current assets		
Total assets	0.4	
Equity		
Stated Capital		~()
Retained earning		
		(),
Equity attributable to parent		
company shareholders		
Non – Controlling Interest		
Total equity		
Liabilities		
	.00	
Total equity and Liabilities		

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Consolidation

(in Rs.....)

					NS)
Description	Goodwill calculation	NCI	Goodwill calculation	NCI	Group Retained
Investment					
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+ NCI					
(-) Net Assets					
Goodwill on acquisition date					
Retained earnings of					
Subsidiary – Post					
acquisition				×	
					,
				(0.	
Investment				, V	
) ·	
+ NCI			, (. /	
(-) Net Assets					
Goodwill on acquisition	(
date			20		
Retained earnings of					
Subsidiary – Post					
acquisition		~()			
Retained earnings of					
Parent – Year end					
33.1) . (-			
	10				
1	4				
Balance at year end)				
Balarioc 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



Acquisition information summary an	•	
	Ltd	
	ent of financial position	
As at .		(in Rs)
Assets		
Non – current Assets		
Property, Plant and Equipment		
Goodwill		
Current assets		
Total assets	0.4	
Equity		
Stated Capital		()
Retained earning		
		(),
Equity attributable to parent		
company shareholders		
Non – Controlling Interest		
Total equity		
Liabilities		
	.00	
Total equity and Liabilities		

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Consolidation

(in Rs.....)

Description	Goodwill calculation	NCI	Goodwill calculation	NCI	Group Retained
Investment					
+ NCI					
(-) Net Assets Goodwill on acquisition date				C	
Retained earnings of Subsidiary – Post acquisition				X	E
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Investment				10	
+ NCI			.:(9)	
(-) Net Assets			. ()		
Goodwill on acquisition date					
Retained earnings of Subsidiary – Post acquisition		* Ng			
Retained earnings of Parent – Year end					
	7/				
+	10				
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

Assets	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
Equity and Liabilities			
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

Acquisition information summary an	Acquisition information summary and Group structure					
Ltd Statement of financial position As at						
Assets		(11110:::::)				
Non – current Assets						
Property, Plant and Equipment						
Goodwill						
Current assets						
Total assets	•					
Equity						
Stated Capital		×				
Retained earning						
		(0.				
Equity attributable to parent		<				
company shareholders		<u> </u>				
Non – Controlling Interest						
Total equity						
Liabilities						

Total equity and Liabilities

Consolidation

(in Rs.....)

					RS)
Description	Goodwill calculation	NCI	Goodwill calculation	NCI	Group Retained
Investment					
+ NCI					
(-) Net Assets					
Goodwill on acquisition					
date					
Retained earnings of					
Subsidiary – Post					
acquisition				X	`
				100	
Investment				7 7	
				\bigcirc	
+ NCI					
(-) Net Assets					
Goodwill on acquisition date			50,		
Retained earnings of					
Subsidiary – Post		(0.			
acquisition		X			
Retained earnings of					
Parent – Year end		7			
	70				
)				
Balance at year end					