

Consolidation Questions

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Example 1

Mixed Groups – Statement of Profit or loss – acquisition during the year

For the year ended 31st March 2020

Amounts in Rs'000

| | A Ltd | B Ltd | C Ltd |
|----------------------------|--------------|--------------|--------------|
| Sales | 3,000 | 1,800 | 4,400 |
| Cost of sales | (1,200) | (700) | (1,400) |
| Gross profit | 1,800 | 1,100 | 3,000 |
| Other income | 600 | 100 | 600 |
| Expenses | (950) | (600) | (1,000) |
| Profit before tax | 1,450 | 600 | 2,600 |
| Tax expense | (400) | (250) | (600) |
| Profit for the year | 1,050 | 350 | 2,000 |
| Retained profit B/F | 5,000 | 2,100 | 1,500 |
| Retained profit C/D | 6,050 | 2,450 | 3,500 |

- On 1-4-2019 A acquired 70% of B for 6,000 when B Ltd's share capital was 3,000
- On 1-10-2019 B acquired 40% for 1,200 and A acquired 20% for 600 in C when C Ltd's share capital was 1,500.

Prepare Group Statement of Profit or loss

Working 1

Acquisition information summary and Group structure

..... Ltd

Statement of Profit or Loss

For the year ended.....

(in Rs')

| | A Ltd | B Ltd | C Ltd | Adjustments | Group |
|---------------|-------|-------|-------|-------------|-------|
| Sales | | | | | |
| Cost of sales | | | | | |
| Gross Profit | | | | | |
| Other income | | | | | |
| Expenses | | | | | |
| | | | | | |

Consolidation Questions

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|-----------------------------|--|--|--|--|--|
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| Profit before tax | | | | | |
| Tax expense | | | | | |
| Profit for the year | | | | | |
| Attributable to | | | | | |
| NCI | | | | | |
| Parent company shareholders | | | | | |

Profit attributable to NCI Calculation

| Item | Entity | | Total |
|---------------------|--------|--|-------|
| | | | |
| Profit for the year | | | |
| <u>Adjustments</u> | | | |
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| Ajusted profit | | | |
| NCI% | | | |
| NCI profit share | | | |
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Working 2 – Consolidation

(In Rs')

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Group Retained earnings |
|-------------|----------------------|-----|----------------------|-----|-------------------------|
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|---|--|--|--|--|--|
| Investment | | | | | |
| | | | | | |
| + Net Assets | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained Earnings of Subsidiary – Post acquisition upto beginning of the year | | | | | |
| | | | | | |
| | | | | | |
| Investment | | | | | |
| | | | | | |
| + NCI | | | | | |
| (-) Net Assets | | | | | |
| Goodwill on acquisition date | | | | | |
| Retained Earnings of Subsidiary – Post acquisition upto beginning of the year | | | | | |
| Retained Earnings of Parent – Balance at beginning of the year | | | | | |
| Profit for the year | | | | | |
| | | | | | |
| | | | | | |
| Balance at year end | | | | | |

Example 2

Acquisition in the current year and associate (*Amounts in Rs'000*)

For the year ended 31st March 2020

| | A Ltd | B Ltd | C Ltd |
|---------------------|--------------|--------------|--------------|
| Sales | 5,000 | 3,000 | 4,000 |
| Cost of sales | (2,400) | (1,600) | (1,900) |
| Gross profit | 2,600 | 1,400 | 2,100 |

| | | | |
|----------------------------|---------------|--------------|--------------|
| Other income | 1,000 | 500 | 600 |
| Expenses | (1,300) | (800) | (1,300) |
| Profit before tax | 2,300 | 1,100 | 1,400 |
| Tax expense | (600) | (200) | (400) |
| Profit for the year | 1,700 | 900 | 1,000 |
| Retained profit B/F | 10,000 | 3,000 | 4,000 |
| Retained profit C/D | 11,700 | 3,900 | 5,000 |

- On 1-4-2019 A acquired 60% of B for 6,000 when B Ltd's retained earnings stood at 3000 and the share capital was 3,000.
- On 1-7-2019 B acquired 40% for 1,000 and A acquired 20% for 500 in C when C Ltd's share capital was 1,500.
- On 1-1-2020 A acquired 40% in D for 3,000 when D had a share capital of 2,000 and a retained earnings value of 1,000. D made a profit of 800 for the year and declared a dividend of 100 in March 2020. A received the dividend and recorded it as other income.
- During the year A sold a land to B at a profit of 200 and on 1-1-2020 B sold a vehicle to C at a profit of 200. The vehicle had a useful life of 5 years.
- A charged a management fee of 20 per month after acquisition from C.

Prepare Group Statement of Profit or loss

Working 1

Acquisition information summary and Group structure

..... Ltd

Statement of Profit or Loss

For the year ended

(in Rs'.....)

| | A Ltd | B Ltd | C Ltd | Adjustments | Group |
|---------------------|-------|-------|-------|-------------|-------|
| Sales | | | | | |
| Cost of sales | | | | | |
| Gross Profit | | | | | |
| Other income | | | | | |
| Expenses | | | | | |

Consolidation Questions

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| Profit before tax | | | | | |
| Tax expense | | | | | |
| Profit for the year | | | | | |
| Attributable to | | | | | |
| NCI | | | | | |
| Parent company shareholders | | | | | |

Profit attributable to NCI Calculation

| Item | Entity | | Total |
|---------------------|--------|--|-------|
| | | | |
| Profit for the year | | | |
| <u>Adjustments</u> | | | |
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| Adjusted profit | | | |
| NCI% | | | |
| NCI profit share | | | |

Working 2

(In Rs'.....)

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Investment In Associate | Group Retained earnings |
|--|----------------------|-----|----------------------|-----|-------------------------|-------------------------|
| Investment | | | | | | |
| + NCI | | | | | | |
| (-) Net Assets | | | | | | |
| Goodwill on acquisition date | | | | | | |
| Retained Earnings of Subsidiary – Post acquisition upto beginning of the year | | | | | | |
| | | | | | | |
| Investment | | | | | | |
| | | | | | | |
| + NCI | | | | | | |
| (-) Net Assets | | | | | | |
| Goodwill on acquisition date | | | | | | |
| Retained Earnings of Subsidiary – Post acquisition upto beginning of the year | | | | | | |
| Retained Earnings of Parent – Balance at beginning of the year | | | | | | |
| Profit for the year | | | | | | |

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|----------------------------|--|--|--|--|--|--|
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| Balance at year end | | | | | | |

Example 3Further acquisitions / inter company sales (*Amounts in Rs''000*)

For the year ended 31st March 2020

| | A Ltd | B Ltd | C Ltd |
|----------------------------|---------------|--------------|--------------|
| Sales | 5,000 | 3,000 | 4,000 |
| Cost of sales | (2,400) | (1,600) | (1,900) |
| Gross profit | 2,600 | 1,400 | 2,100 |
| Other income | 1,000 | 500 | 700 |
| Expenses | (1,300) | (800) | (1,300) |
| Profit before tax | 2,300 | 1,100 | 1,500 |
| Tax expense | (600) | (200) | (400) |
| Profit for the year | 1,700 | 900 | 1,000 |
| Retained profit B/F | 10,000 | 3,000 | 1,000 |
| Retained profit C/D | 11,700 | 3,900 | 2,100 |

- On 1-4-2019 A acquired 60% of B for 6,000 when B Ltd's retained earnings stood at 3000 and the share capital was 3,000. A acquired a further 10% in B on 31-3-2020 for 1,100
- On 1-4-2019 A acquired 80% for 3,000 in C when C Ltd's retained earnings stood at 1,000 and share capital was 1,500. On acquisition date the fair value of the building held by C was 200 above its book value. This had a remaining useful life of 10 years.
- On 1-10-2019 A acquired 30% in D for 1,000 when D had a share capital of 3,000 and a retained earnings value of 1,000. D made a profit of 1000 for the year and declared a dividend of 200 in March 2020. A received the dividend and recorded it as other income.
- Inter company sales and remaining stocks were as follows.

| Seller | Buyer | Amount | Markup | Remaining Stocks |
|--------|-------|--------|--------|------------------|
|--------|-------|--------|--------|------------------|

| | | | | |
|----------|---|-------|-----------------------------|-----|
| A | B | 1,000 | Cost + 20% | 30% |
| B | C | 800 | 10% Margin on selling price | 40% |
| C | A | 500 | Purchased at 400 | 70% |
| A | D | 600 | 20% margin | 60% |
| D | A | 500 | 30% margin | 20% |

- At the year end the properties of all the companies were revalued and resulted in revaluation gains as follows.
 - A – 500
 - B – 200
 - C – 300
 - D – 100
 - Assume that the income and expenses are incurred evenly throughout the year.
- Prepare Group Statement of Comprehensive income and statement of changes in equity



Working 1

Acquisition information summary and Group structure

..... Ltd

Statement of Profit or Loss

For the year ended

(in Rs')

| | A Ltd | B Ltd | C Ltd | Adjustments | Group |
|---------------|-------|-------|-------|-------------|-------|
| Sales | | | | | |
| Cost of sales | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| Gross Profit | | | | | |
| Other income | | | | | |
| Expenses | | | | | |
| | | | | | |
| | | | | | |
| Profit before tax | | | | | |
| Tax expense | | | | | |
| Profit for the year | | | | | |
| Other Comprehensive Income | | | | | |
| <u>Items that are/may be reclassified to P&L</u> | | | | | |
| | | | | | |
| | | | | | |
| <u>Items that will never be reclassified to P&L</u> | | | | | |
| | | | | | |
| | | | | | |
| Total comprehensive Income | | | | | |
| Profit for the year attributable to | | | | | |
| NCI | | | | | |
| Parent company shareholders | | | | | |
| TCI for the year attributable to | | | | | |
| NCI | | | | | |
| Parent company shareholders | | | | | |

Profit attributable to NCI Calculation

| Item | Entity | | Total |
|---------------------|--------|--|-------|
| | | | |
| Profit for the year | | | |

Consolidation Questions

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|--------------------------------|--|--|--|
| <u>Adjustments</u> | | | |
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| Adjusted profit | | | |
| NCI% | | | |
| NCI profit share | | | |
| <u>OCI items</u> | | | |
| | | | |
| | | | |
| | | | |
| TCI attributable to NCI | | | |



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(In Rs'.....)

| Description | Goodwill calculation | NCI | Goodwill calculation | NCI | Investment In Associate | Group Retained earnings | Group Revaluation reserve |
|--|----------------------|-----|----------------------|-----|-------------------------|-------------------------|---------------------------|
| Investment | | | | | | | |
| | | | | | | | |
| + NCI | | | | | | | |
| | | | | | | | |
| (-) Net Assets | | | | | | | |
| Goodwill on acquisition date | | | | | | | |
| Retained Earnings of Subsidiary – Post acquisition upto beginning of the year | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| Investment | | | | | | | |
| | | | | | | | |
| + NCI | | | | | | | |
| (-) Net Assets | | | | | | | |
| Goodwill on acquisition date | | | | | | | |
| Retained Earnings of Subsidiary – Post acquisition upto | | | | | | | |

Consolidation Questions

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|---|--|--|--|--|--|--|--|
| beginning of the year | | | | | | | |
| Retained Earnings of Parent – Balance at beginning of the year | | | | | | | |
| Profit for the year | | | | | | | |
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| Balance at year end | | | | | | | |



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