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Consolidated Statement of Financial Position

Mr. Sandeepa Jayasekera

1

Consolidated Means

- Parent (P')
- Subsidiary (S')

Therefore, consolidation principles such as line by line additions will be applicable only for investments in Subsidiaries only.

2

Statement of Financial Position

- Assets (A)
- Liabilities (L)
- Equity (E)

If only Console SFP is prepared double entries will be determined using statement of financial position line items

E.g. Credit sale - General Entry Dr. Debtors Cr. Revenue *E.g. Credit sale - CSFP Entry* Dr. Debtors Cr. Retained Earnings	*E.g. Cr. Purchase – Gen. Entry* Dr. Purchases Cr. Creditors *E.g. Cr. Purchase - CSFP Entry* Dr. Retained Earnings Cr. Creditors	*E.g. Salary Exp. – General Entry* Dr. Salary Exp. Cr. Salary Payable *E.g. Salary Exp. – CSFP Entry* Dr. Retained Earnings Cr. Salary Payable

3

Who owns the Equity in a Group?

4

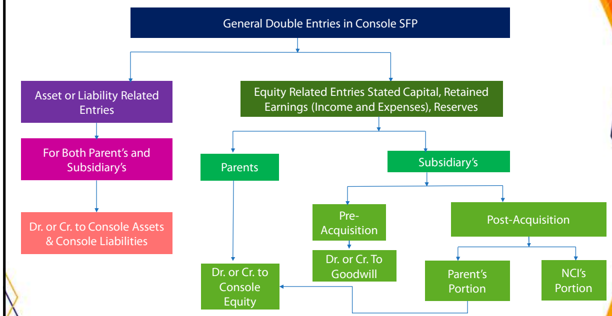
Group Equity

- Parent
  - 100% Belong to Parent
- Subsidiary
  - Pre-Acquisition
    - Credited to Goodwill
  - Post-Acquisition
    - Parent's Portion → 100% Belong to Parent
    - NCI's Portion
      - NCI

5

Guide to Determine Console Entries

6



7

General Rules in Preparing Console Statement of Financial Position

8

- Goodwill as an Intangible Asset
- NCI Presented under Equity
- Share Capital Reflect only Parent's Share Capital
- Uniform Accounting Policies shall be applied
- Parent and Subsidiary Balances Added in Full
- Other Consolidation Adjustments
  - Inter-Company Balance Elimination
  - Unrealized Profits in Inventory and PPE
  - Fair Value Adjustments on Investment in Subsidiary
  - Preference Share Investments
  - Dividends

9

Simple Example of Preparing Console SFP

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Question 12

P acquired 100% of S on 1/4/20X1. The investment was LKR 100. The stated capital of S was LKR 50 and the retained earnings was LKR 30.
The statement of Financial Positions of P and S as at 31/03/20X2 is given below.
Prepare the Consolidated Statement of Financial Position

	P LKR	S LKR
Assets	400	200
Investment in S	100	-
Total Assets	500	200
Equity		
Stated Capital	100	50
Retained Earnings	200	50
Liabilities	200	100
Total Equity and Liabilities	500	200

Pre-Acquisition 30
Post-Acquisition 20

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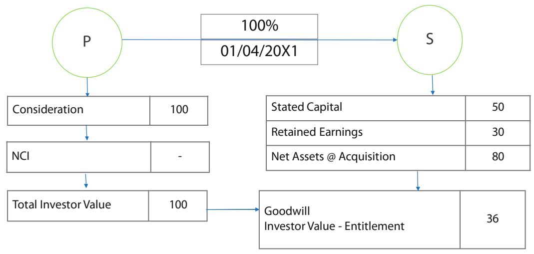
Goodwill Calculation



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Goodwill Double Entries

Investment in Subsidiary by Parent

- Dr. Goodwill LKR 100
- Cr. Investment in Subsidiary LKR 100

Subsidiary Net Assets @ Acquisition

- Dr. Subsidiary Stated Capital LKR 50
- Dr. Subsidiary Retained Earnings LKR 30
- Cr. Goodwill LKR 80

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Consolidated Statement of Financial Position as at 31/03/20X2

	P LKR	S LKR	Inv. In S'	S' Pre-Acq NA	Console
Assets	400	200			
Investment in S	100	-			
Goodwill					
Total Assets	500	200			
Equity					
Stated Capital	100	50			
Retained Earnings	200	50			
Liabilities	200	100			
Total Equity and Liabilities	500	200			

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Question 13

P acquired 80% of S on 1/4/20X1. The investment was LKR 100. The stated capital of S was LKR 50 and the retained earnings was LKR 30.
The statement of Financial Positions of P and S as at 31/03/20X2 is given below.
Prepare the Consolidated Statement of Financial Position

	P LKR	S LKR
Assets	400	200
Investment in S	100	-
Total Assets	500	200
Equity		
Stated Capital	100	50
Retained Earnings	200	50
Liabilities	200	100
Total Equity and Liabilities	500	200

Pre-Acquisition 30
Post-Acquisition 20

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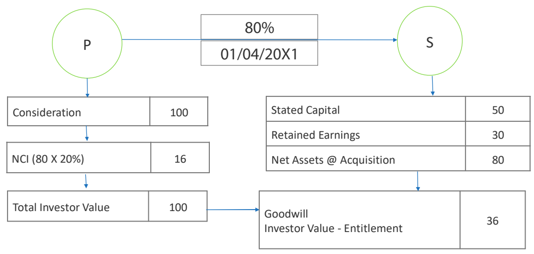
Goodwill Calculation



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Goodwill Double Entries

Investment in Subsidiary by Parent

- Dr. Goodwill LKR 100
- Cr. Investment in Subsidiary LKR 100

NCI

- Dr. Goodwill LKR 16
- Cr. NCI LKR 16

Subsidiary Net Assets @ Acquisition

- Dr. Stated Capital LKR 50
- Dr. Retained Earnings LKR 30
- Cr. Goodwill LKR 80

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Sharing Subsidiary Post-acquisition RE with Parent and NCI

Subsidiary Total RE	**50**
(-) Pre-acquisition RE	30%
Subsidiary Post-acquisition RE	20
Parent's Portion 20x80 %	16
Parent's Portion 20x20 %	4

Double Entry

- Dr. Subsidiary Retained Earnings LKR 20
- Cr. Console Retained Earnings (Parent's Share) LKR 16
- Cr. NCI (NCI Share) LKR 4

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Consolidated Statement of Financial Position as at 31/03/20X2

	P LKR	S LKR	Inv in S'	NCI	NA of S'	S' Post Acq. RE	Console
Assets	400	200					600
Investment in S	100	-	(100)				-
Goodwill			100	16	(80)		36
Total Assets	500	200					636
Equity							
Stated Capital	100	50			(50)		100
Retained Earnings	200	50			(30)	(20) + 16	216
NCI				16		4	20
Liabilities	200	100					300
Total Equity and Liabilities	500	200					636

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Question 14

P acquired 100% of S on 1/4/20X1. The investment was LKR 50. The stated capital of S was LKR 50 and the retained earnings was LKR 30.
The statement of Financial Positions of P and S as at 31/03/20X2 is given below.
Prepare the Consolidated Statement of Financial Position

	P LKR	S LKR
Assets	400	200
Investment in S	50	-
Total Assets	450	200
Equity		
Stated Capital	100	50
Retained Earnings	200	50
Liabilities	150	100
Total Equity and Liabilities	450	200

Pre-Acquisition 30
Post-Acquisition 20

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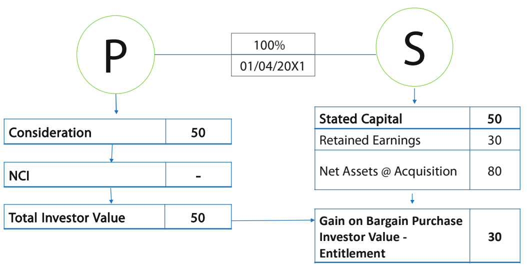
Gain on Bargain Purchase Calculation



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Gain on Bargain Purchase Double Entries

Investment in Subsidiary by Parent
- Dr. Goodwill LKR 50
- Cr. Investment in Subsidiary LKR 50

Subsidiary Net Assets @ Acquisition
- Dr. Stated Capital LKR 50
- Dr. Retained Earnings LKR 30
- Cr. Goodwill LKR 80

Transferring Gain on Bargain Purchase to Parent's Retained Earnings
- Dr. Goodwill LKR 30
- Cr. Console Retained Earnings LKR 30

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Consolidated Statement of Financial Position as at 31/03/20X2

	P LKR	S LKR	Inv. In S'	S' NA	GBP	Console
Assets	400	200				600
Investment in S	50	-	(50)			-
Goodwill			50	(80)	30	-
Total Assets	450	200				600
Equity						
Stated Capital	100	50		(50)		100
Retained Earnings	200	50		(30)	30	250
Liabilities	150	100				250
Total Equity and Liabilities	450	200				600

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Question 15

P acquired 80% of S on 1/4/2019. The investment was LKR 50. The stated capital of S was LKR 50 and the retained earnings was LKR 30.
The statement of Financial Positions of P and S as at 31/03/2020 is given below.
Prepare the Consolidated Statement of Financial Position

	P LKR	S LKR
Assets	400	200
Investment in S	50	-
Total Assets	450	200
Equity		
Stated Capital	100	50
Retained Earnings	200	50
Liabilities	150	100
Total Equity and Liabilities	450	200

Pre-Acquisition 30
Post-Acquisition 20

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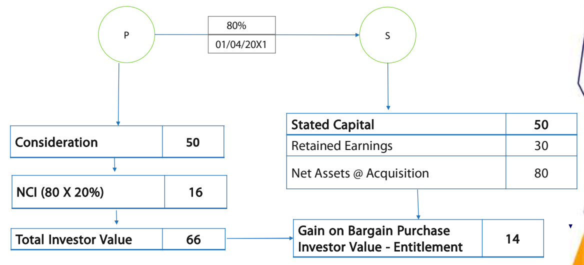
Gain on Bargain Purchase Calculation



Gain on Bargain Purchase Double Entries

Investment in Subsidiary by Parent
- Dr. Goodwill LKR 50
- Cr. Investment in Subsidiary LKR 50

NCI
- Dr. Goodwill LKR 16
- Cr. NCI LKR 16

Subsidiary Net Assets @ Acquisition
- Dr. Stated Capital LKR 50
- Dr. Retained Earnings LKR 30
- Cr. Goodwill LKR 80

Transferring Gain on Bargain Purchase to Parent's Retained Earnings
- Dr. Goodwill LKR 30
- Cr. Console Retained Earnings LKR 30

Sharing Subsidiary Post-acquisition RE with Parent and NCI

Subsidiary Total RE	
(-) Pre-acquisition RE	
Subsidiary Post-acquisition RE	
Parent's Portion	
Parent's Portion	

Double Entry

- Dr. Subsidiary Retained Earnings LKR 20
- Cr. Console Retained Earnings (Parent's Share) LKR 16
- Cr. NCI (NCI Share LKR 4

Consolidated Statement of Financial Position as at 31/03/20X2

	P LKR	S LKR	Inv in S'	NCI @ Acq	S' NA @ Acq	GBP	S' Post Acq. RE	Console
Assets	400	200						600
Investment in S	50	-	(50)					-
Goodwill			50	16	80	14		-
Total Assets	450	200						600
Equity								
Stated Capital	100	50			(50)			100
Retained Earnings	200	50			(30)	14	(20)+16	230
NCI				16			4	20
Liabilities	150	100						250
Total Equity and Liabilities	450	200						600

Steps to Prepare the Console SFP

01. Glance Through
- Read the Requirement
- Read and understand the question
- Highlight Important Items

02. Information Extract
- Calculate Goodwill
- Determine Related Entries

03. Draft Statements
- Console SFP
- Table 01 – Business Combination
- Table 02 – Subsidiary Post Acquisition Reserves

04. Pass Entries Decided @ Info Extract

05. Other Consolidation Adjustments
- Inter-Company Balances
- Unrealized Profits
- Fair Value Adjustments etc.

06. Line by Line Additions
- Table 02 – Subsidiary Post Acquisition Reserves
- Table 01 – Business Combination
- Console SFP

07. Closing Statements

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Formats Used in Preparing Console SFP

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Step 02. Information Extract

P

Step 01
Acquisition Percentage
Acquisition Date

S

Step 02
FV of Consideration

Step 04
Value of NCI

Owner's Value

Step 05
Goodwill

Step 03
Fair Value of Subsidiary Net Assets

	@ Acquisition Date	Post Acquisition Reserves	@ Reporting Date
Share Capital	XX		XX
Retained Earnings	X	(XX-X)	XX
Other Reserves	X	(XX-X)	XX
Book Value of Net Assets	XXX		
Fair Value Adjustments	X		
Fair Value of Net Assets	XXX		

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Step 03. Console Statement of Financial Position

[Name of Parent] Group
Consolidated Statement of Financial Position
As at ________
Rs.000'

Non-Current Assets		
Property plant and equipment		
Intangible assets		
Goodwill on Subsidiary		
Investment in Associate		
Investment in Joint Venture		
Current Assets		
Inventories		
Trade and other receivables		
Cash and cash equivalents		
Total Assets		

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Step 03. Console Statement of Financial Position

Equity and Liabilities		
Equity		
Stated capital		
Retained earnings		
Other components of equity		
Equity attributable to parent company shareholders		
Non-controlling interest		
Total Equity		
Non-Current Liabilities		
Interest bearing loans		
Deferred tax liabilities		
Current Liabilities		
Trade and other payables		
Bank overdraft		
Total Liabilities		
Total Equity and Liabilities		

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Step 03. Table 01 – Business Combination Table

Purpose
- Arrive at Consolidation Balances such as
  - Goodwill
  - NCI
  - Consolidated Retained Earnings
  - Consolidated Reserves
  - Investments in Associates and Joint Ventures

Passing Entries
- If it's an Asset
  - Debits Plus (+)
  - Credits Minus (-)
- If it's an Equity or Liability
  - Credits Plus (+)
  - Debits Minus (-)

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Step 03. Table 01 – Business Combination Table

Description	Goodwill @ Reporting Date	NCI @ Reporting Date	Console RE @ Reporting Date	Investment in Associate/Joint Venture @ Reporting Date
[Debits]	+	(-)	(-)	+
[Credits]	(-)	+	+	(-)
[Entries relevant to items mentioned here will be adjusted to this table]				
Closing Balances				

Step 03. Table 02 – Subsidiary Post Acquisition Reserves

Purpose
- Calculate the Subsidiary Post Acquisition Reserves
- Including Consolidation Adjustments
- Ultimately, to Split the Adjusted Balance among
  - Parent
  - NCI

Passing Entries
- it's an Equity Component
  - Credits Plus (+)
  - Debits Minus (-)

Step 03. Table 02 – Subsidiary Post Acquisition Reserves

Description	S' Post Acquisition Ret. Earnings	S' Post Acquisition Reval Reserve
[Credits]	+	+
[Debits]	(-)	(-)
Book Balance (From Info Extract)		
(+/-) Adjustments		
Closing Balances		

Question 16

The following summarized statements of financial position are provided for Carlos and Levis as at 31 December 20X8:

	Carlos	Levis
	LKR 000	LKR 000
Non-current assets	1,300	1,200
Investment in Levis	1,900	-
Current assets	200	450
Total Assets	3,400	1,650
Equity		
Share capital (Rs)	2,000	750
Retained earnings	1,250	300
Current liabilities	150	600
Total Equity and Liabilities	3,400	1,650

Question 16

1. Carlos purchased 80% of Levis's equity shares on 1 January 20X6 for LKR 1.9 million when Levis's retained earnings were LKR 100,000.
2. It is group policy to measure the non-controlling interests at fair value at acquisition and the fair value of the non-controlling interests in Levis on 1 January 20X6 were LKR 400,000.
3. At this date Levis's non-current assets had a fair value of LKR 900,000/- and the assets had a remaining useful economic life of 5 years. Their book value at the date of acquisition was LKR 750,000.
4. Levis had an internally generated brand name. The valuation experts have assessed a fair value of LKR 100,000 for the brand name and remaining useful life of 10 years as of the acquisition date.
5. As at 31 December 20X8, an impairment loss of LKR 200,000 has arisen on goodwill.

Prepare the consolidated statement of financial position at 31 December 20X8

Answer Q16 – Information Extract (LKR 000')

C — 80% / 01/01/20X6 — L

Investment
1,900

NCI
Value of NCI

Owner's Value

Step 05
Goodwill

Step 03
Fair Value of Subsidiary Net Assets

	@ Acquisition Date	Post Acquisition Reserves	@ Reporting Date
Share Capital	750		750
Retained Earnings	100	200	300
Book Value of Net Assets	850		
	X		
Fair Value of Net Assets	XXX		

Question 17

Big PLC has invested in Medium PLC. The statement of financial position of the two companies as at 31 March 2019 was as follows.

	Big PLC Rs.'000	Medium PLC Rs.'000
Non-Current Assets		
Property, Plant & Equipment	395,000	180,000
Intangible Assets	50,000	15,000
Investments	50,000	-
Total Non-Current Assets	495,000	195,000
Current Assets		
Inventories	85,000	42,000
Trade and Other Receivables	38,000	28,000
Cash & Cash Equivalents	22,000	10,000
Total Current Assets	145,000	80,000
Total Assets	640,000	275,000

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	Big PLC Rs.'000	Medium PLC Rs.'000
Equity		
Stated Capital	200,000	100,000
Retained Earnings	170,000	48,000
Total Equity	370,000	148,000
Non-Current Liabilities		
Long Term Borrowings	150,000	75,000
Debentures	30,000	-
Total Non-Current Liabilities	180,000	75,000
Current Liabilities		
Trade & Other Payables	41,000	30,000
Short Term Borrowings	49,000	22,000
Total Current Liabilities	90,000	52,000
Total Equity and Liabilities	640,000	275,000

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Question 17

The following additional information is also available to you.

1. On 1 April 2017, Big PLC acquired 80% stake of Medium PLC (8 million shares out of the 10 million shares of Medium PLC) for a cash consideration of Rs.50 million.
2. Big PLC agreed to pay Rs.66.55Mn on 1 April 2020. The discount rate was 10% per annum.
3. Big PLC transferred a Building to the previous owners of Medium PLC. The building had a carrying value of Rs.30Mn at the acquisition date with a remaining useful life of 10 years. The market value of the building was Rs.50Mn.
4. Big PLC issued 01 share for every 04 shares acquired. The market price per share as at the date of acquisition Rs.15/- in Big and Rs.25/- in Medium.
5. It was agreed that a further payment of Rs. 6.655 per every share acquired of subsidiary will be made to the previous shareholders of Medium PLC on 1 April 2020 provided the profits of Medium PLC exceed Rs. 10 million per annum over a period of three years starting from year ended 31 March 2018. The probability of achieving the profit target was assumed as 50% as at the date of acquisition. At the end of 31 March 2019, the probability was reassessed. Thereby, it was noted that due to previous two years profitability has increased the set target the subsidiary is more likely to achieve the third-year profit target as well. Therefore, the probability of achieving the target was determined as 90%.

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Question 17

5. Except the cash consideration others have not been recognized by Big PLC.
6. It is the policy of Big PLC to value the non-controlling interest in subsidiaries at the date of acquisition at fair value.
7. The financial statements of Medium PLC showed a retained earnings balance of Rs. 23 million as at 1 April 2017.
8. The directors of Big PLC carried out a fair value exercise to measure the identifiable assets and liabilities of Medium PLC as at 1 April 2017. The following were noted in this exercise.
   I. A property having a carrying value of Rs. 80 million as at 1 April 2017 includes a depreciable amount of Rs. 50 million. This property had a fair value of Rs. 100 million (1 April 2017) of which Rs. 60 million was depreciable. The remaining estimated future economic life of the depreciable amount of the property as at 1 April 2017 was 10 years. This property was still held by Medium PLC as at 31 March 2019.
   II. Part of the inventories held by Medium PLC having a carrying value of Rs.15 million had a market value of Rs. 17 million. Medium PLC has sold this inventory as a cash sale during the financial year 2017/2018.
   III. An intangible asset that had a fair value of Rs.10 million was not recognized by Medium PLC as it was an internally developed asset. The useful life of this asset was estimated as 5 years from 1 April 2017.

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Question 17

IV. A customer of Medium PLC filed a cased against the company on 1 June 2016 for cancellation of contract claiming a compensation of Rs.5Mn. The case was on courts as at the acquisition date as well as on 31 March 2019

9. Goodwill on acquisition was impaired by 25% as at 31 March 2019.

You are required to:

(i) Calculate the goodwill arising on acquisition of Medium PLC.
(ii) Prepare Consolidated Statement of Financial Position of Big PLC group as at 31 March 2019.

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Other Consolidation Adjustments

48

Intercompany Balance Elimination

49

Transactions between group will result in receivables and payables. Such shall be eliminated in full.

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Understanding the Concept

P ← **Transactions** — S
- Sale of Goods
- Rendering of Services
- Providing Loans
- Renting out Premises
- PPE Sale etc.

↓

Inter-Company Balances in Individual Financials

Receivables in One Entity ↔ Payables in Other Entity

↓

ELIMINATED in Consolidated Financial Statements

↓

To Overcome Overstatements in Group Assets and Liabilities → **Logic**
- Group = Parent + Subsidiaries
- Group is a Single Economic Entity
- It Can't have Payables and Receivables to Itself

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Steps to Follow to Eliminate Intercompany Balances

Identify Intercompany Balances in Individual Financials

↓

Are Those Balances Tallying with Each Other?

Yes → Eliminate Intercompany Balances

No → Adjust Cash in Transits if any
Dr. Console Cash
Cr. Intercompany Receivables

Adjust Goods in Transit if any
Dr. Console Inventory
Cr. Intercompany Receivables

→ Eliminate Intercompany Balances
Dr. Intercompany Payables
Cr. Intercompany Receivables

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Transit Items

Cash in Transit
- Cash Sent has not Received to Seller
- Cheque Deposited has not Realized to Seller

Goods in Transit
- Goods Returned has not Received to Seller
- Goods Sent has not Received by Buyer

Note
Goods in Transit includes the unrealized profits. This shall be eliminated in full

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Question 18

P acquired 100% of S five years ago. Extracts from the statements of financial position of P and its subsidiary S at 31 December 2018 are as follows:

	P	S
Current assets		
Inventory	750	140
Receivables	650	95
Cash	400	85
Current liabilities		
Payables	900	200

P and S traded with each other and, at the reporting date, P owed S Rs.25/- This balance is stated after P had recorded that they had sent a cheque for Rs.5/- to S shortly before the year-end which S had not received by the reporting date.

What balances would be shown in P's consolidated statement of financial position at 31 December 2018 for each category of current asset and current liabilities?

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Unrealized Profits in Inventory

55

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

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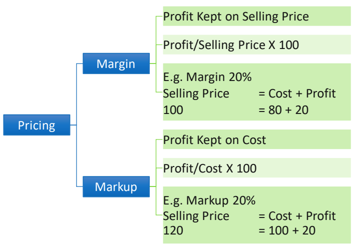
Understanding the Concept

Companies use 02 Different Pricing Methods in Transactions



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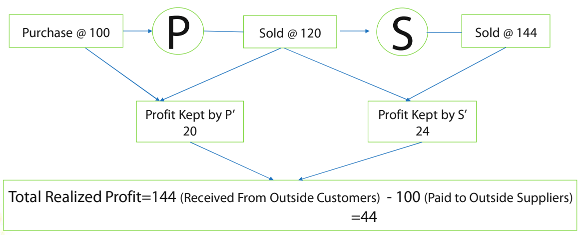
Understanding the Concept – Example 02

Parent purchased an item at Rs.100 and sold it keeping a markup of 20% to Subsidiary. The item still remains in Subsidiary's Inventory



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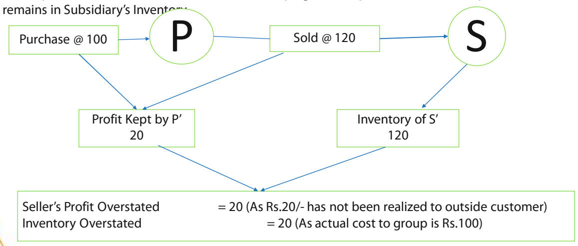
Understanding the Concept – Example 02

Parent purchased an item at Rs.100 and sold it keeping a markup of 20% to Subsidiary. The item still remains in Subsidiary's Inventory



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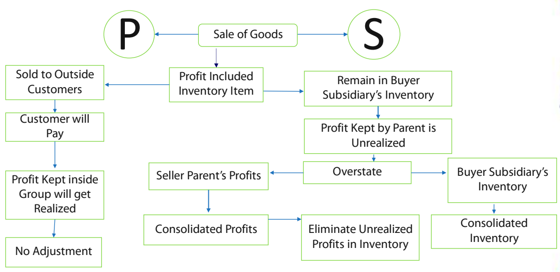
Understanding the Concept



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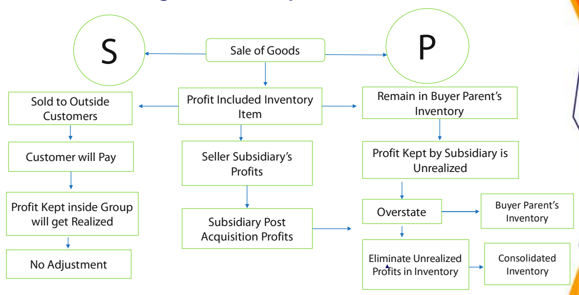
Understanding the Concept



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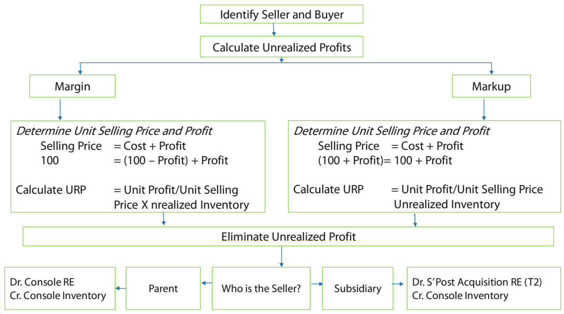
Steps to Follow to Eliminate Unrealized Profits (URP) in Inventory



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Question 19

The following summarized statements of financial position are provided for P and S as at 30 June 2019:

	P Rs 000	S Rs 000
Non-current assets	14,200	10,200
Investment in S	14,500	-
Current assets		
Inventory	5,750	3,400
Receivables	4,250	2,950
Cash and cash equivalents	2,500	1,450
Total Assets	41,200	18,000
Equity		
Share capital Rs 1	20,000	5,000
Retained earnings	12,600	7,900
Current liabilities		
Payables	8,600	5,100
Total Equity and Liabilities	41,200	18,000

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Question 19

1. P acquired 80% of S three years ago for Rs.14,500,000 when the balance on the retained earnings of S was Rs 5,800,000. It is group policy to value NCI at acquisition at the proportionate share of the net assets.
2. P sells goods to S. As a result, at the reporting date S's records showed a payable due to P of Rs. 550,000. However, this disagreed to P's receivables balance of Rs.750,000 due to cash in transit of Rs.100,000 and goods in transit of Rs.100,000 (Markup of 25%)
3. During the current year, P had sold Rs.1,500,000 (selling price) of goods to S of which S still held one third in inventory at the year end. The selling price was based on a mark-up of 25%.
4. During the current year, P had sold Rs 1,000,000 (selling price) of goods to S of which S still held 50% in inventory at the year end. The selling price was based on a margin of 25%.
5. An impairment loss of Rs.1,000,000 should be charged against goodwill at the reporting date.

I. Prepare the consolidated statement of financial position at 30 June 2019.
II. Recalculate the following amounts at 30 June 2019 to reflect what they would have been if S has sold the goods to P instead.
   a) Consolidated retained earnings
   b) Non-controlling interests

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Unrealized Profits in Property Plant and Equipment

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PPE disposals between group will result in Unrealized profits/losses and Depreciation impacts on it. Such shall be eliminated in full.

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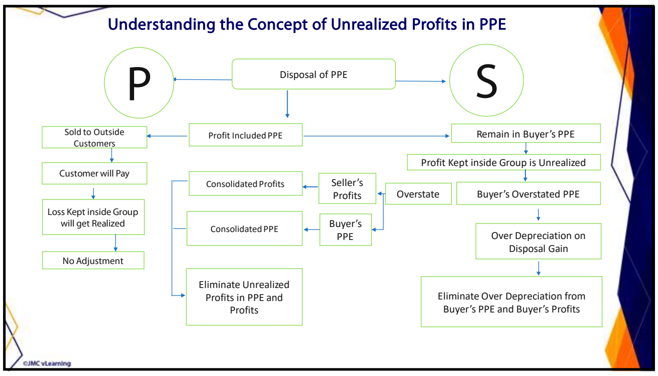

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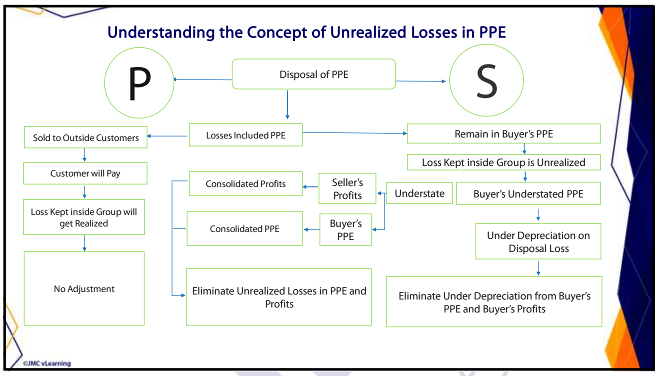

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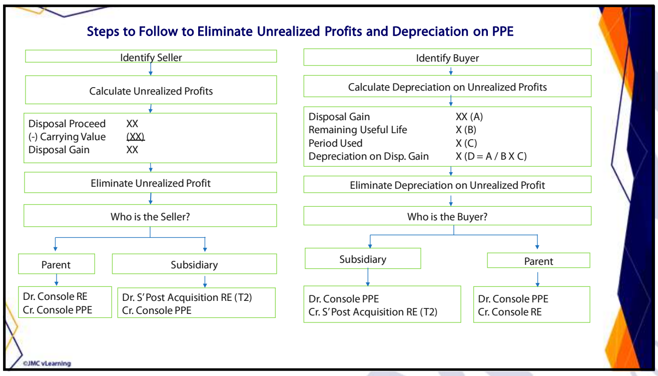

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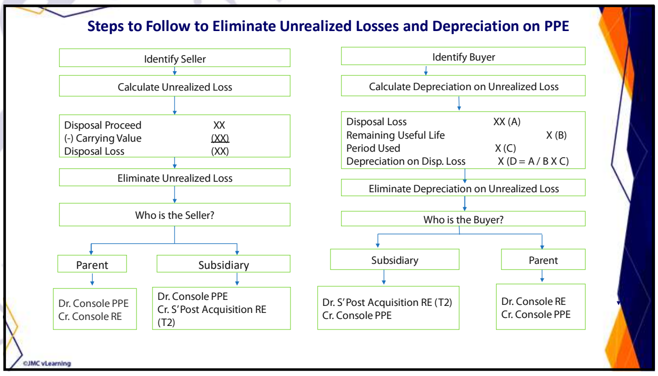


70

If PPE Disposal occurred prior to acquisition, It's a normal transaction between two independent entities. There won't be any unrealized profits/losses

71

Question 16

P acquired 80% of the share capital of S some years ago. P's reporting date is 31 August. P transfers an asset on 1 March 2018 for Rs.75,000 when it's carrying value is Rs.60,000. The remaining useful life at the date of sale is 2.5 years. The group depreciation policy is straight line on a monthly basis.

What adjustment is required in the consolidated financial statements of P for the year ended 31 August 2019?

72

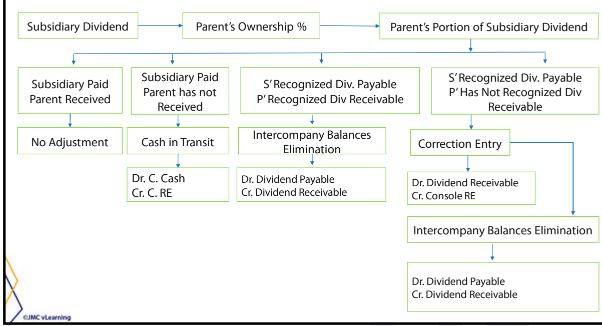
Subsidiary Dividends

73

Parent's portion of Subsidiary Dividend Receivable and Payable are Intercompany Balances. This shall be eliminated in full.

74

Steps to Follow to Eliminate Subsidiary Dividend



75

NCI Portion of Dividends

NCI Portion of Dividends

Presented Separately under Current Liabilities

76

Parent's Investment in Subsidiary Preference Shares

77

Preference Shares does not Reflect Ownership!

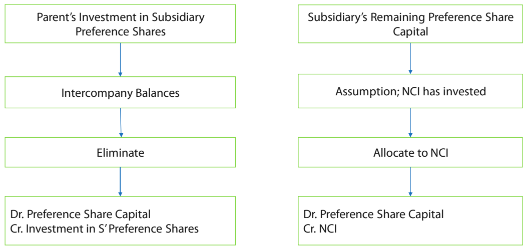
Do not Consider Preference Share Investment as a Part of Consideration

78

Parent's Investment in Subsidiary Preference Shares are Intercompany Balances. This shall be eliminated in full.

79

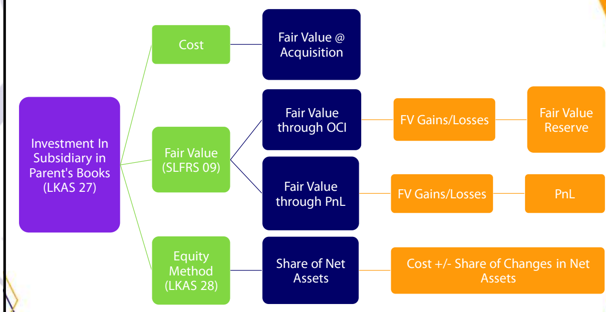
Steps to Follow to Eliminate Preference Shares Investment by Parent



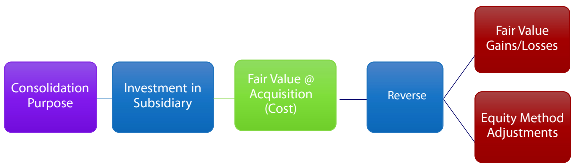
80

Investment in Subsidiary in Parent's Books

81

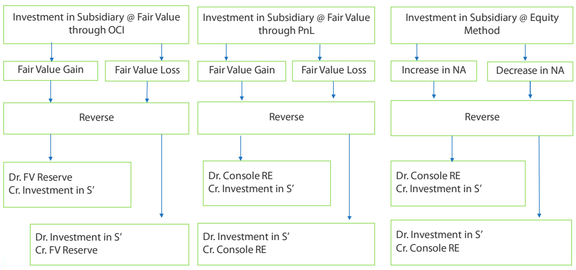


82



83

Steps to Follow to Arrive at Cost of Investment in Subsidiary @ Acquisition



84

Question 17

P Ltd acquired 15,000 shares of S Ltd on 1/4/2016. The number of shares in issue of S Ltd was 20, 000.

As at 1/4/2016 S Ltd Equity include a General reserve of Rs.9, 000/- and Retained earnings balance of Rs.2, 000/-

As at 1/4/2016 the lands of the S ltd was revalued for the purpose of acquisition. Revalued amount of land was Rs.12, 000/- whereas the carrying value was Rs.10, 000/-.

The share of S was trading at Rs.2/- as at 1/4/2016. Non-controlling interest is valued using fair value method.

On the same day P invested Rs.2, 000/- in preference shares issued by the S.

The individual Statements of Financial Positions of P and S as at 31/3/2018 are given below.

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Question 17

	P	S
Non-Current assets		
PPE	43,000	40,000
Investment in subsidiary	25,500	-
Investment in Preference Shares	2,000	
Current Assets		
Inventory	7,000	5,000
Trade Receivables	5,000	6,000
Dividend Receivable	2,250	-
Cash and Bank	5,250	4,000
Total assets	90,000	55,000

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Question 17

	P	S
Equity		
Stated capital	30,000	20,000
General Reserve	21,000	12,000
Retained earnings	4,000	5,000
Non-Current Liabilities		
Preference shares	20,000	10,000
Current Liabilities		
Creditors	6,000	3,000
Proposed dividend	4,600	3,000
Income Tax Payable	4,400	2,000
Total equity and liabilities	90,000	55,000

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Question 17

1. It's estimated that the goodwill has been impaired by Rs.200/- as of 31/3/18.
2. S Ltd sells goods to the P on credit terms. During the year Rs.3, 000/- worth of goods has been sold and P has not settled the amount.
3. Relevant balances are reflected in relevant debtor and creditor balances. Out of the items purchased from S, Rs.2, 000/- worth of items are still remaining in the P's inventory.
4. S keeps 20% profit margin on sales.
5. S purchased a PPE item on 1/4/2017 for Rs.3, 000/-. This item was sold to P on the same date for Rs.2, 500/-. PPE depreciation rate used by the group is 20%.
6. During the year P sold Rs.5,000/- worth of items to S keeping a profit markup of 25%. Of those goods 50% is still remaining in inventory of S.
7. P sold an equipment to S on 1/10/2017 at a value of Rs.4,000/-. The equipment had a carrying value of Rs.3,000/- and a remaining useful life of 04 years.
8. S Ltd proposed and accrued an interim dividend of Rs.0.15/- per share to its ordinary shareholders for the year 2017/18. P Ltd has taken their portion as dividend receivable.

You are required to:

Prepare the Consolidated Statement of Financial Position of P Limited Group as at 31 March 2018

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Question 18

On 01 April 2017, Polar Limited acquired 75% of the equity of Solar Limited for a consideration of Rs. 102Mn.

On the date of the acquisition fair value of net assets of Solar Limited was ascertained as Rs. 80Mn.

The retained earnings balance of Solar Limited stood at Rs. 20Mn at the date of acquisition.

The stated capital of the Solar Limited is comprised of 3,200,000 numbers of shares.

The non-controlling interest as at the date of acquisition should be valued at Rs. 40/- per share.

The summarized Statements of Financial Positions of Polar Limited and Solar Limited as at 31 March 2018 are given below:

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Question 18

	Polar Rs.000	Solar Rs.000
Non-Current Assets		
Property, Plant and Equipment (PPE)	147,200	97,400
Investments in Solar Ltd	100,000	-
Other Investments	-	10,000
Current Assets		
Inventories	72,000	38,800
Trade Receivables	65,200	32,000
Cash & Cash Equivalents	20,400	12,200
Total Assets	404,800	190,400

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Question 18

	Polar Rs.000	Solar Rs.000
EQUITY		
Stated Capital	165,200	44,000
Retained Earnings	70,400	29,000
Non-Current Liabilities		
Debentures	3,000	2,000
Bank Loans	3,200	800
Current Liabilities		
Trade Payables	52,800	23,400
Short term Loan	110,200	91,200
Total Equity & Liabilities	404,800	190,400

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Question 18

The following information is relevant for the preparation of the Group Consolidated Statement of Financial Position

(1) It was decided that any variation of carrying value and fair value of net assets of Solar Limited as at the date of Acquisition is due to increase in PPE which is subject to the depreciation at 20% p.a. on Straight line basis

(2) Impairment test carried out on 31 March 2018 revealed that the goodwill on consolidation has been impaired by Rs.5Mn.

(3) Inventories of Solar Limited as at 31 March 2018 includes goods transferred from Polar Limited of Rs.22Mn. Polar Limited retained a margin of 25%.

(4) Polar Limited transferred a plant which had a written down value of Rs.8Mn to Solar Limited for Rs.20Mn on 01 October 2017. Solar Limited estimated the plant to have a useful life of 5 years. Solar Limited depreciates its assets on the Straight-Line basis.

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Question 18

(5) Solar Limited sold a furniture which had a written down value of Rs.2Mn to Polar Limited for Rs.1Mn on 01 April 2017. Polar Limited estimated that the furniture has a useful life of 4 years. Polar Limited depreciates its assets on the Straight-Line basis.

(6) A reconciliation of the current accounts which are included in accounts receivables and payables of the two companies showed that Solar Ltd has an amount payable balance to Polar of Rs.14Mn, whereas Polar Ltd has a receivable from Solar Ltd of Rs.24Mn. The reasons for the difference was Cash in transit of Rs.6Mn and Goods in transit of Rs.4Mn.

(7) The investment in Solar was fair valued by Polar on 31/3/18 and a fair value loss or Rs.2Mn was recognized.

Prepare the Consolidated Statement of Financial Position of Polar Limited Group as at 31 March 2018

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