



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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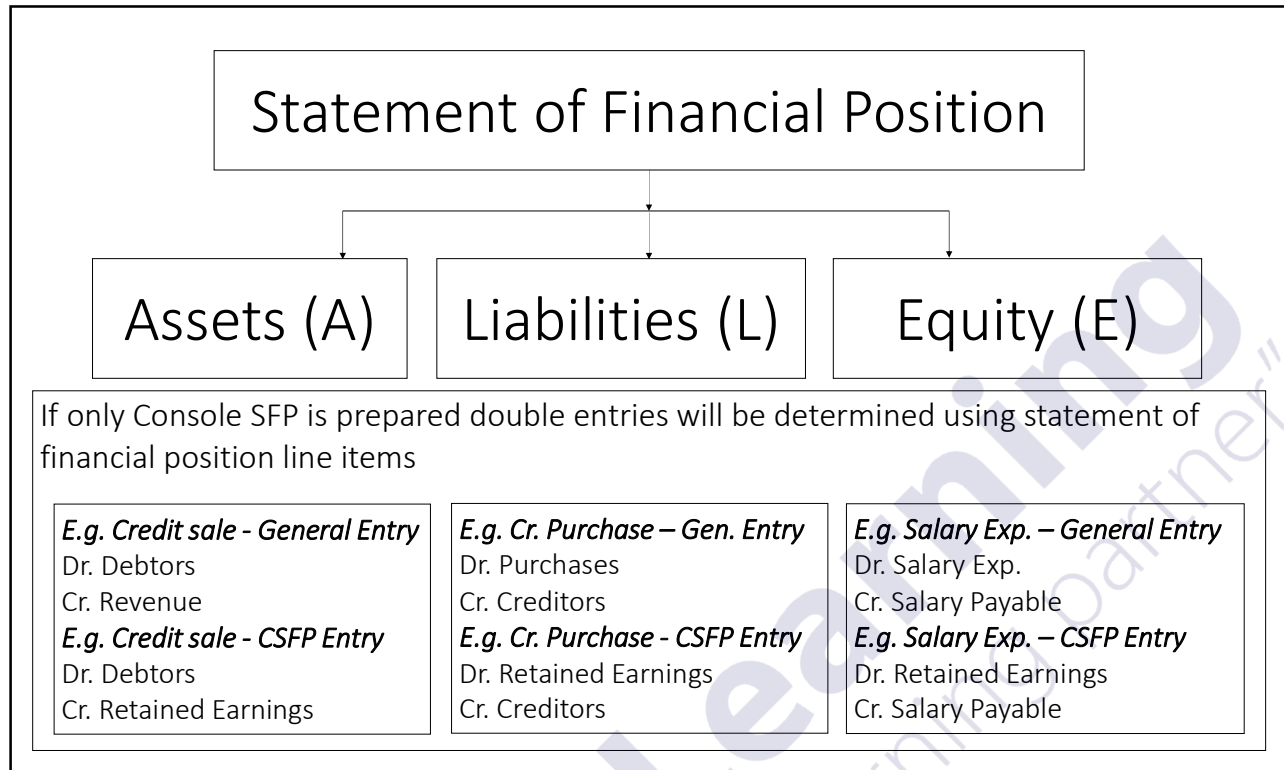
Consolidated Means

Parent (P')

Subsidiary (S')

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

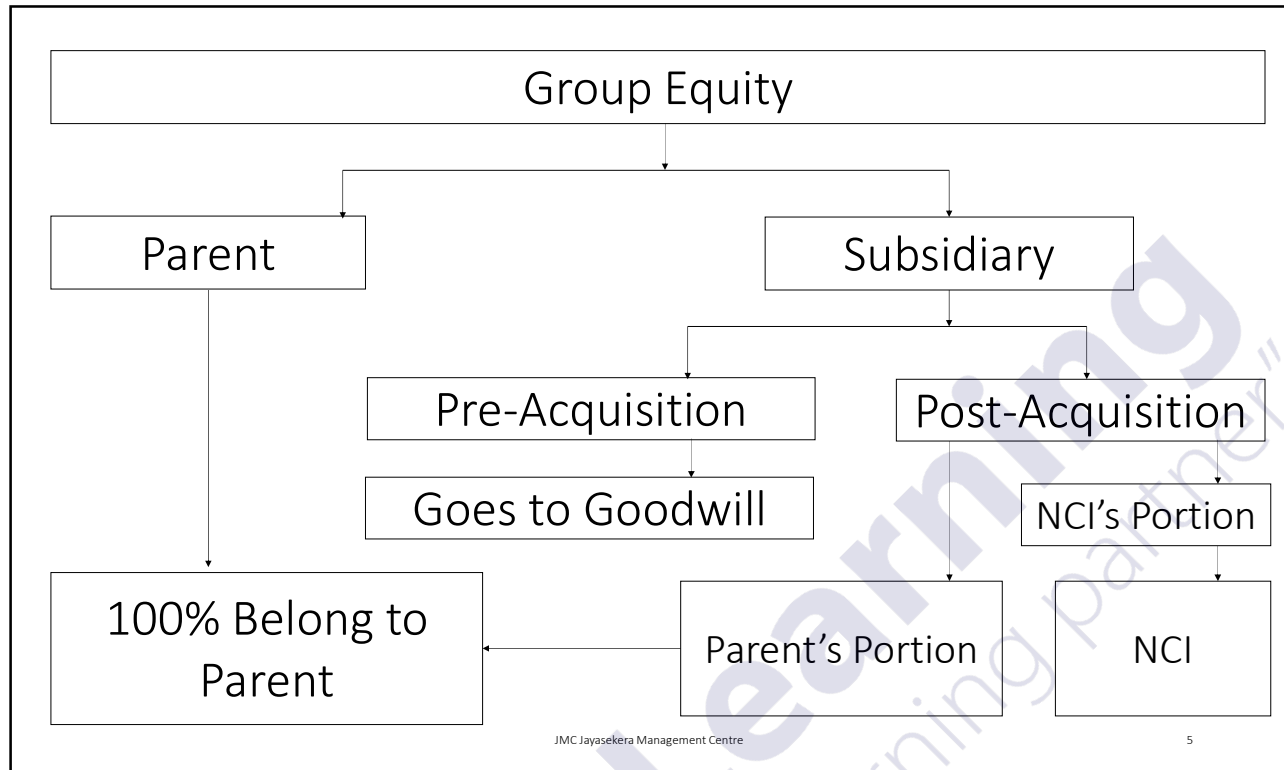
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3

# Who owns the Equity in a Group?

4



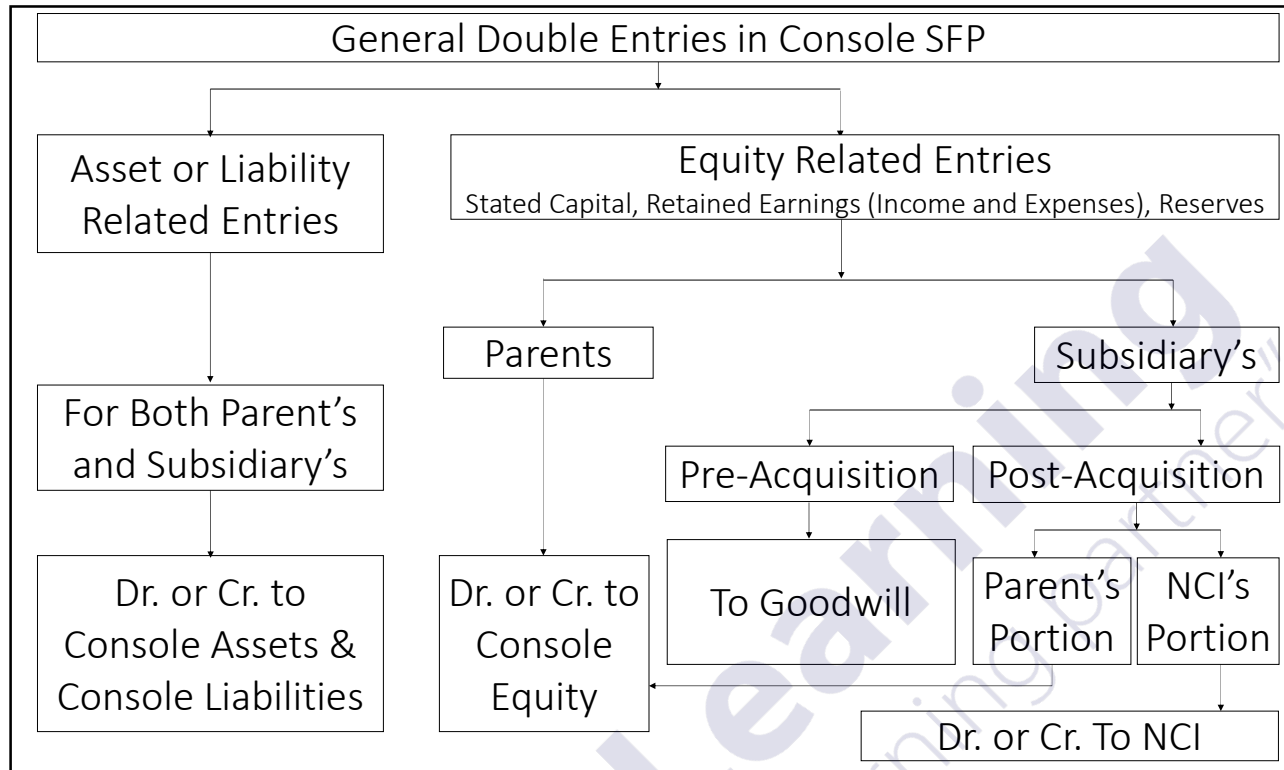
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# Guide to Determine Console Entries

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6

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

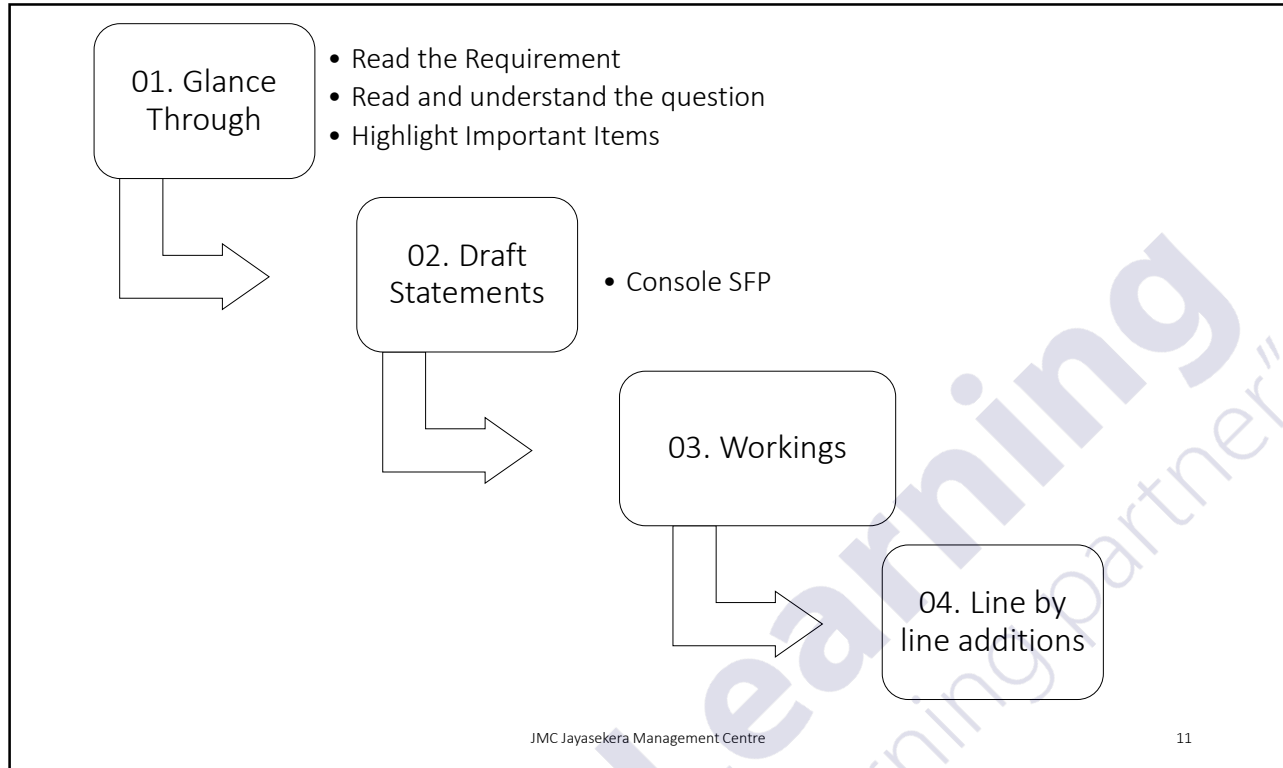
Uniform Accounting Policies shall be applied

Parent and Subsidiary Balances Added in Full

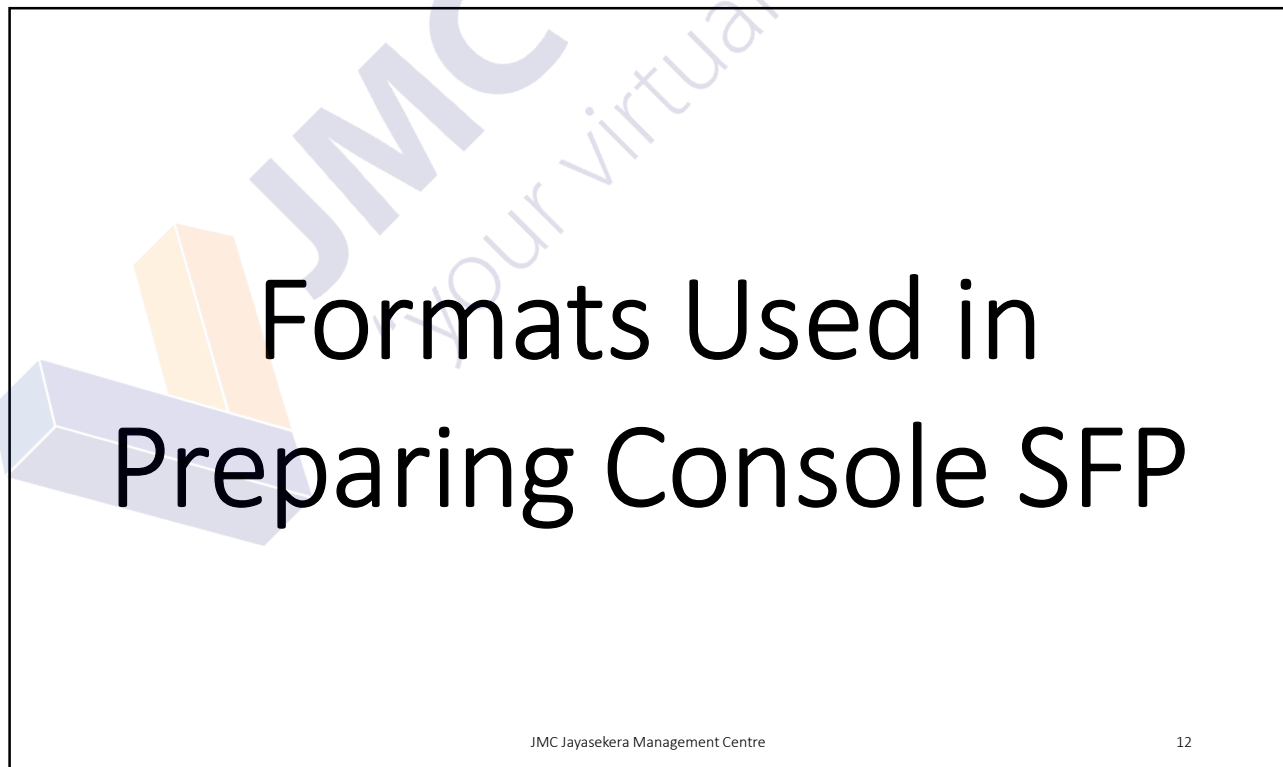
Other Consolidation Adjustments

- Inter-Company Balance Elimination
- Unrealized Profits in Inventory and PPE
- Fair Value Adjustments on Investment in Subsidiary
- Preference Share Investments
- Dividends

# Steps to Prepare the Console SFP



11



12

## Console Statement of Financial Position

[Name of Parent] Group

Consolidated Statement of Financial Position

As at \_\_\_\_\_

Rs.000'

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

13

## Console Statement of Financial Position

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

14

## Question 11

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
<b>Total Assets</b>	<b>3,400</b>	<b>1,650</b>
Equity		
Share capital (Rs)	2,000	750
Retained earnings	1,250	300
Current liabilities	150	600
<b>Total Equity and Liabilities</b>	<b>3,400</b>	<b>1,650</b>

15

15

## Question 11

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

16

16



# Other Consolidation Adjustments

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17

17

# Intercompany Balance Elimination

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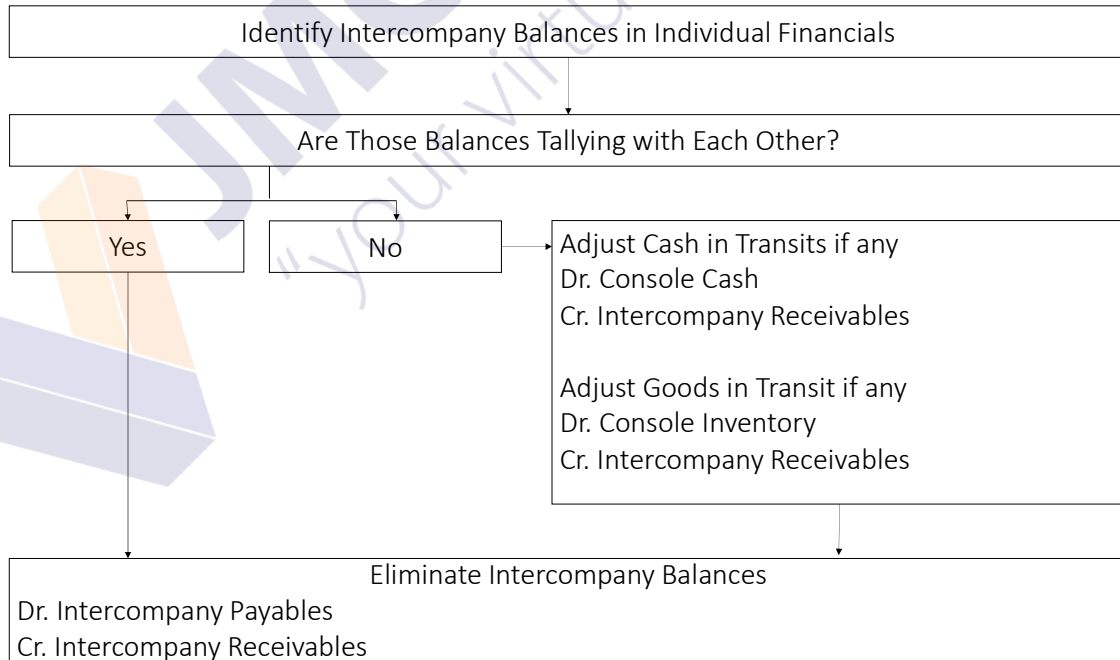
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18

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

19

### Steps to Eliminate Intercompany Balances



20

## 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

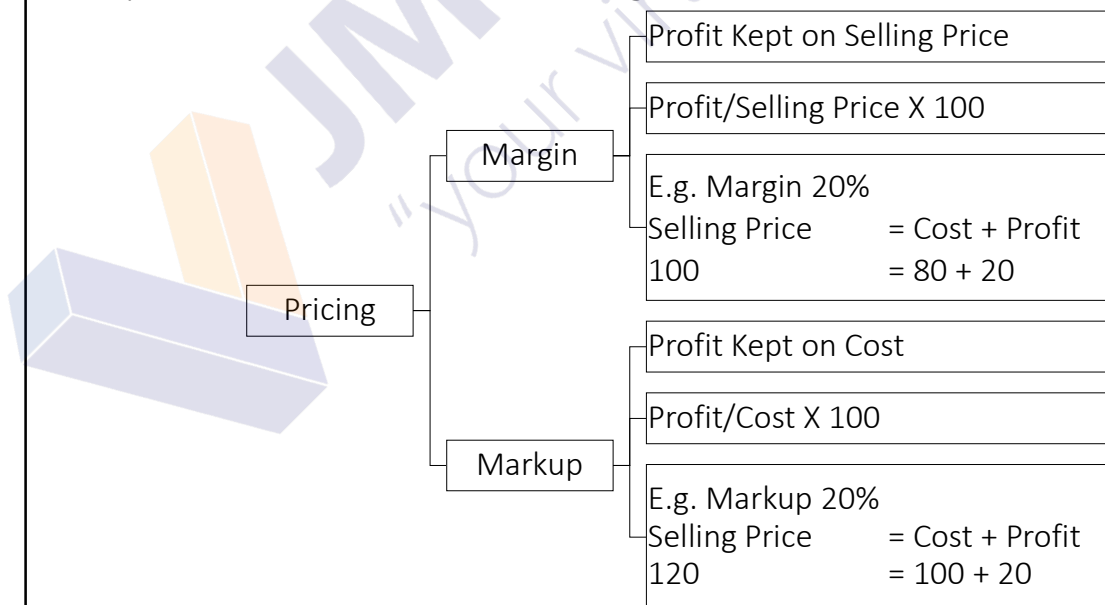
# Unrealized Profits in Inventory

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

23

### Understanding the Concept

Companies use 02 Different Pricing Methods in Transactions



24

**Question 12**

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	-
<b>Current assets</b>		
Inventory	5,750	3,400
Receivables	4,250	2,950
Cash and cash equivalents	2,500	1,450
<b>Total Assets</b>	<b>41,200</b>	<b>18,000</b>
<b>Equity</b>		
Share capital Rs 1	20,000	5,000
Retained earnings	12,600	7,900
<b>Current liabilities</b>		
Payables	8,600	5,100
<b>Total Equity and Liabilities</b>	<b>41,200</b>	<b>18,000</b>

25

25

**Question 12**

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

26

26

# Unrealized Profits in Property Plant and Equipment

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27

27

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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28

28

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

## Subsidiary Dividends

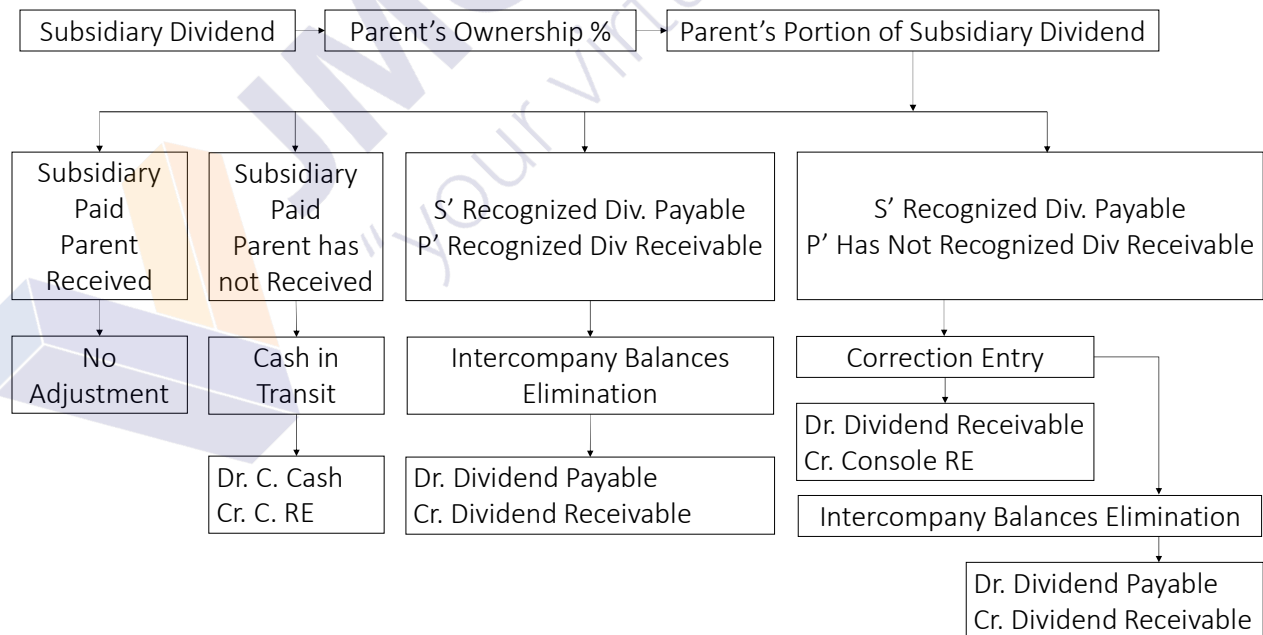
Parent's portion of Subsidiary Dividend Receivable and Payable are Intercompany Balances. This shall be eliminated in full.

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31

31

### Steps to Follow to Eliminate Subsidiary Dividend



32

32



## NCI Portion of Dividends

NCI  
Portion of  
Dividends

Presented  
Separately  
under  
Current  
Liabilities

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33

33

## Parent's Investment in Subsidiary Preference Shares

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34

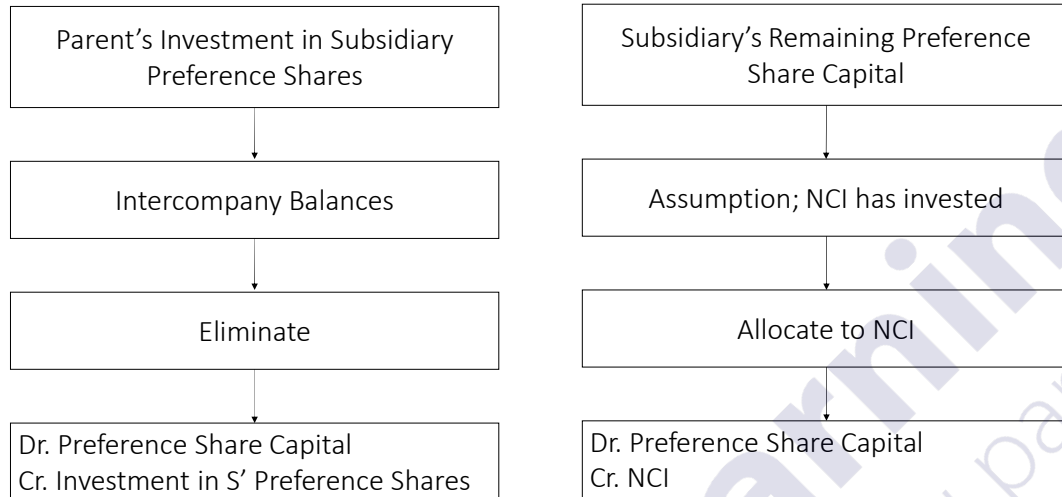
34

Preference Shares does not  
Reflect Ownership!

Do not Consider Preference  
Share Investment as a Part of  
Consideration

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

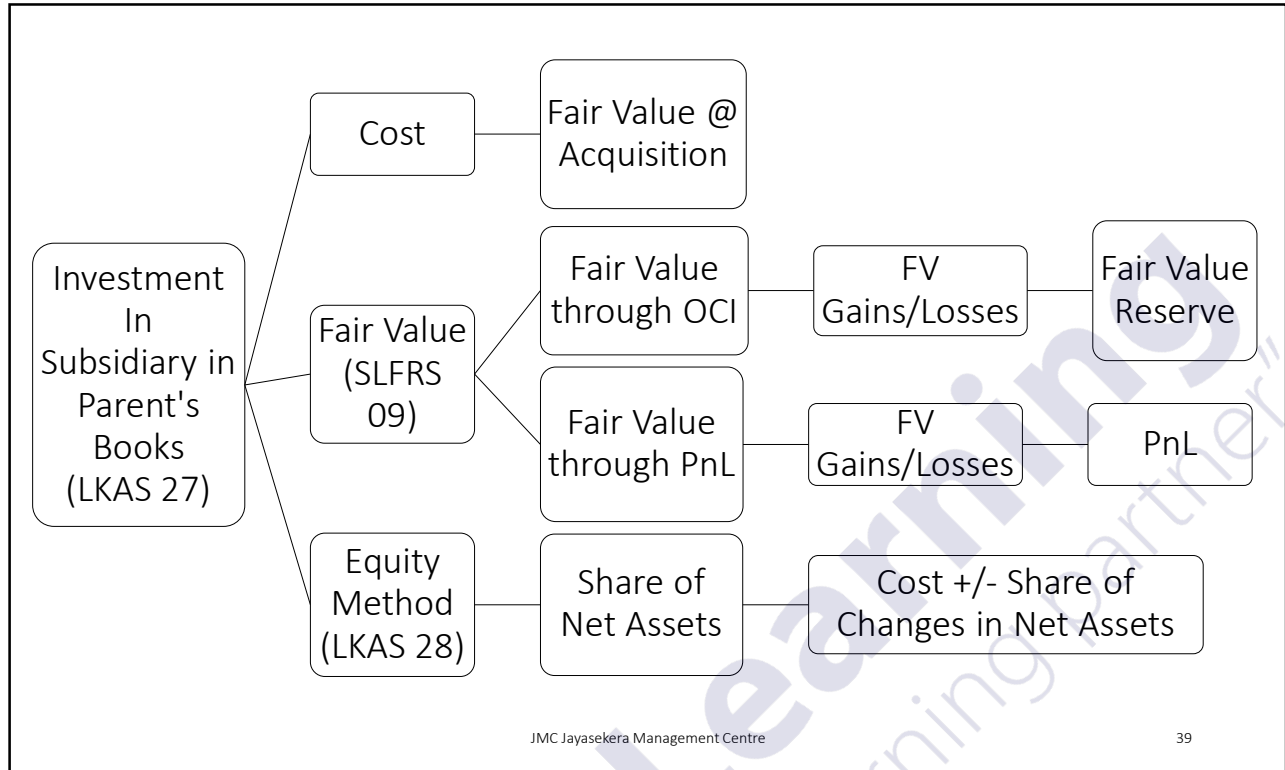
### Steps to Follow to Eliminate Preference Shares Investment by Parent



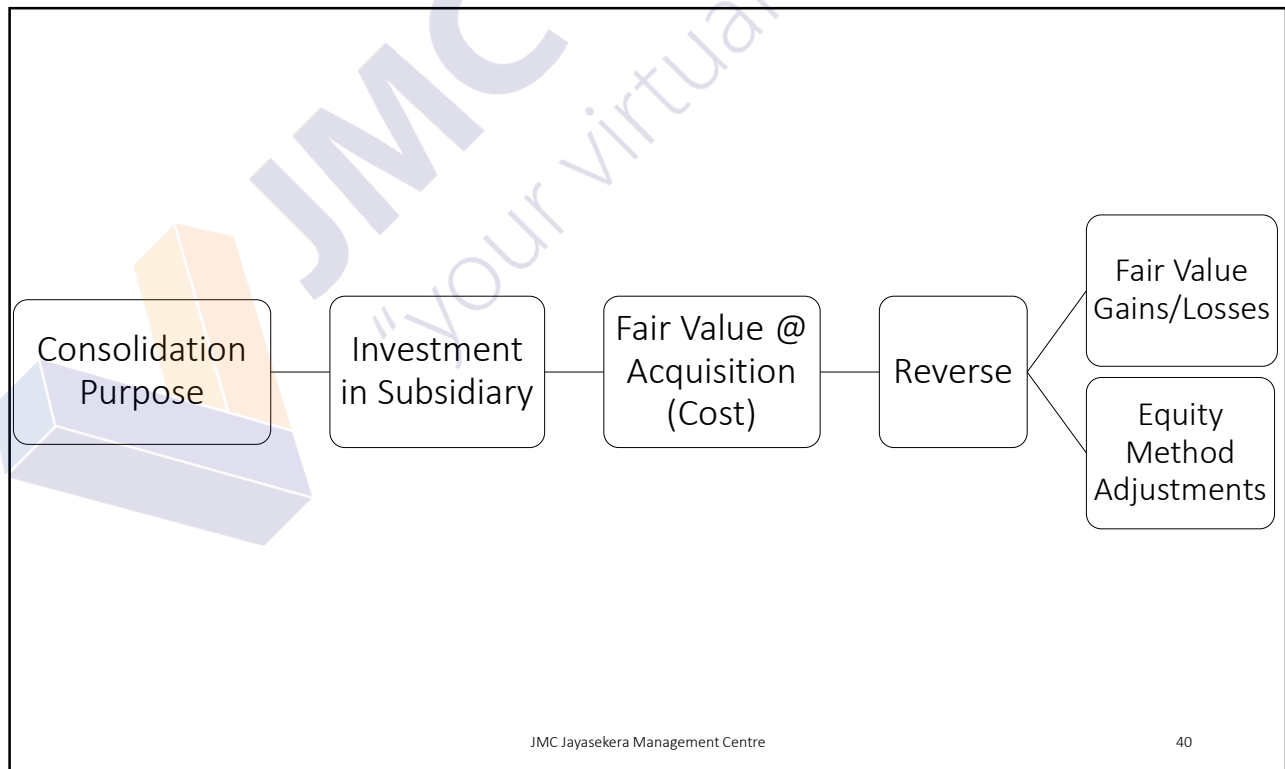
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## Investment in Subsidiary in Parent's Books

38

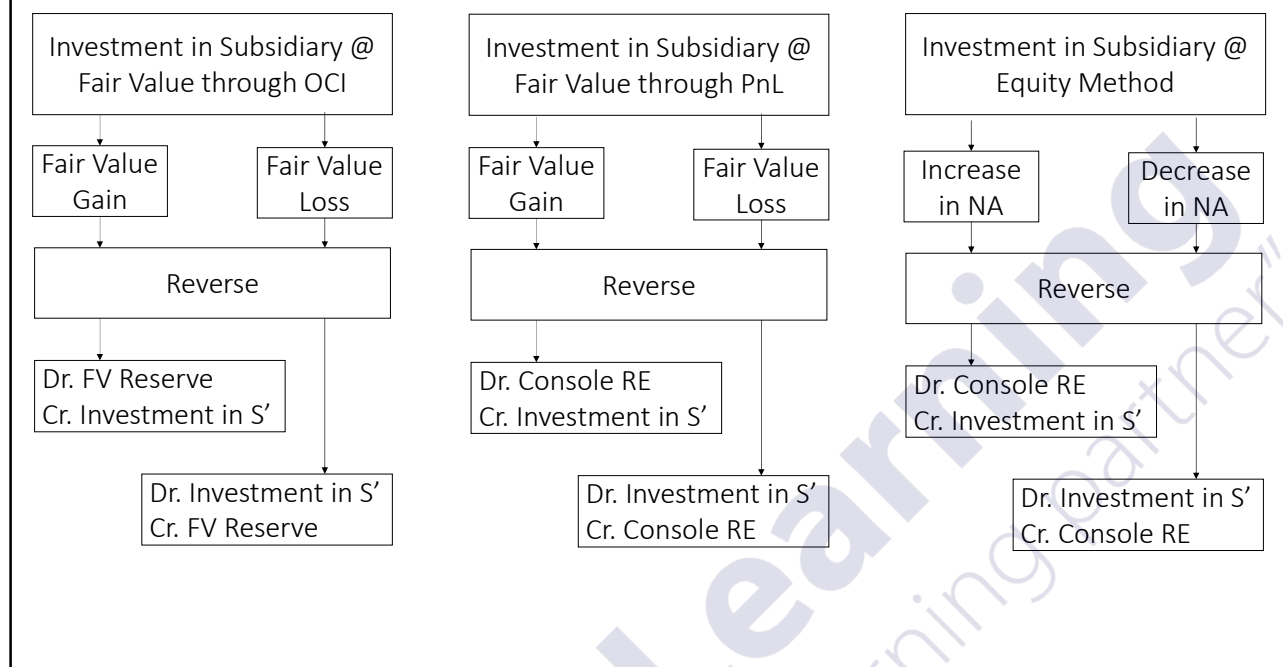


39



40

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



41

### Question 13

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.

42

42

## Question 13

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

43

43

## Question 13

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

44

44

**Question 13**

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. 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.
6. 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.
7. 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%.
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

45

45

**Question 14**

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:

46

46

## Question 14

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

47

47

## Question 14

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

48

48



**Question 14**

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.

49

49

**Question 14**

- (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 of Rs.2Mn was recognized.

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

50

50