

THE CONSOLIDATED BALANCE SHEET

(W1) Group Structure

- (a) Show any dividends not yet accounted for here
- (b) If mid year acquisition and dividend has been declared by subsidiary , need to decide whether dividend is paid out of pre or post acquisition profits

Time apportion dividend between pre and post acquisition elements

Pre Acquisition Dividend

Dr	Bank	X	
Cr	Cost of Investment in S	X	

Post Acquisition Dividend

Dr	Bank	X	
Cr	P @ L a / c		X

With the **PARENT'S** share of the dividend receivable

(W2) Net Assets of Subsidiary

	At Acquisition Date	At Balance Sheet Date
Share Capital	X	X
Share Premium	X	X
Profit and Loss Account Reserve :		
At start of year	X	
Profit to acquisition (time apportion)	X	
Profit at year end		X
Fair Value Adjustment		
Fixed Assets -- cost	X	X
Additional dep'n on fair value surplus	-	(X)
	<u>XX</u>	<u>XX</u>

N.B.

Remember to adjust for any proposed dividends declared by subsidiary not yet adjusted for

(W3) Unrealised Profit on Stock

(a) P sells to S

Dr	group p & l a/ c (in sch 3)	X
Cr	closing stock (b/s)	X

With the profit element included within closing stock
(calculate using margin / mark up)

(b) S sells to P

Dr	group p & l a/ c (in sch 3)	X
	minority interest	X
Cr	closing stock (b/s)	X

With the profit element included within closing stock
(calculate using margin / mark up)

(W4) Cash in Transit

Dr	Bank (b/s)	X
Cr	Inter co debtor	X

With the amount of the cash in transit
(the difference between the inter co accounts)

CONSOLIDATION SCHEDULES

(1) Goodwill

Cost of investment	X
less : pre acquisition dividend	(X)
less :	
Share of net assets of S acquired	(X)
Goodwill	X
less : amortised to date	(X)
Intangible Asset	<u>XX</u>

(2) Minority Interest

$$MI = X\% \times \text{net assets of S at balance sheet date}$$

(3) Consolidated Profit and Loss Account Reserve

H Ltd	X
S Ltd :	
Share of post - acquisition profits	X
less : goodwill amortised to date	(X)
less : unrealised profit on stock	(X)
less : group share of additional dep'n on fair value surplus	(X)
	<u>XX</u>

N.B.

Calculate other consolidated reserves (e.g. share premium , revaluation reserve) in the same way

CONSOLIDATED BALANCE SHEET

Add together parent's and subsidiary's balance sheet , eliminating any inter group balances

- Fixed Assets -- remember to add on fair value surplus remaining at balance sheet date
- Stocks -- deduct unrealised profit on stock
- Cash at Bank -- add on cash in transit
- Creditors -- creditor for proposed dividends will be that of the parent's plus the element of the subsidiary's dividend payable to the minority shareholders
- Share Capital -- parent company's only