

Chapter 24

Example 1

Consolidated Statement of Profit or Loss

Revenue (52,000 + 24,000)	76,000
Cost of sales (12,000 + 10,000)	22,000
Gross Profit	54,000
Expenses (8,000 + 4,000)	12,000
Profit before taxation	42,000
Income tax (12,000 + 3,000)	15,000
Profit for the year	27,000

Profit attributable to:

Owners of the parent (bal. figure)	25,600
Non-controlling interest (20% x 7,000)	1,400
	27,000

Note: movement on retained earnings

Retained earnings brought forward (80,000 + (80% x 20,000))	96,000
Group profit for the year	25,600
Retained earnings carried forward	121,600

Example 2

Consolidated Statement of Profit or Loss

Revenue (85,000 + 31,000)	116,000
Cost of sales (21,000 + 12,000)	33,000
Gross Profit	83,000
Expenses (12,000 + 7,000)	19,000
Profit before taxation	64,000
Income tax (16,000 + 4,000)	20,000
Profit for the year	44,000

Profit attributable to:

Owners of the parent (bal. figure)	40,800
Non-controlling interest (40% x 8,000)	3,200
	44,000

Note: movement on retained earnings

Retained earnings brought forward (120,000 + (60% x (17,000 – 8,000)))	125,400
Group profit for the year	40,800
Retained earnings carried forward	166,200



Example 3**Consolidated Statement of Profit or Loss**

Revenue (120,000 + 110,000 – 28,000 (W1))	202,000
Cost of sales (55,000 + 50,000 – 28,000 (W1) + 2,000 (W2))	79,000
Gross Profit	123,000
Expenses (9,000 + 10,000)	19,000
Profit before taxation	104,000
Income tax (20,000 + 14,000)	34,000
Profit for the year	70,000
Profit attributable to:	
Owners of the parent (bal. figure)	54,700
Non-controlling interest (45% x (36,000 – 2,000 (W2)))	15,300
	70,000

W1 Intra-group sales:

Sales price	140%	28,000
Cost of sales	100%	20,000
Profit	40%	8,000

S will have recorded \$28,000 in sales, and P will have recorded \$28,000 in cost of sales, and so we subtract \$28,000 from both.

(Note: although we need to do this so as to show only sales and purchases from outside the group, this adjustment will not affect the total profit. If all the inter entity sales had subsequently been sold outside the group then no other adjustment would be necessary because all the profit would have been realised).

W2 Unrealised profit:

One quarter of the inter-entity sales remain in inventory and therefore the unrealised profit is $\frac{1}{4} \times \$8,000 = \$2,000$.

We therefore reduce S's inventory by \$2,000 which will increase the cost of sales.

Chapter 25**No examples**