

Chapter 20

No examples

Chapter 21

No examples

Chapter 22

Example 1

Consolidated Statement of Financial Position

Non-current assets (25,000 + 12,000)	37,000
Current assets (8,000 + 9,000)	17,000
	54,000
Share capital	25,000
Retained earnings (15,000 + 8,000)	23,000
Current liabilities	6,000
	54,000

Example 2

Consolidated Statement of Financial Position

Non-current assets (55,000 + 25,000)	80,000
Current assets (18,000 + 14,000)	32,000
	112,000
Share capital	60,000
Retained earnings (w)	45,000
Current liabilities	7,000
	112,000

Workings – retained earnings:

P	38,000
S	15,000
Less: pre-acquisition	8,000
	7,000
	45,000



Example 3**Consolidated Statement of Financial Position**

Non-current assets (82,000 + 27,000 + 9,000)	118,000
Goodwill arising on consolidation (W1)	26,000
Current assets (20,000 + 12,000)	32,000
	176,000

Share capital	50,000
Retained earnings (W2)	123,000
Current liabilities	3,000
	176,000

W1 Goodwill arising on consolidation:

Consideration	60,000
Less:	
Share capital	10,000
Pre-acquisition profits	15,000
Fair value adjustment	9,000
	34,000
	26,000

W2 Retained earnings:

P	110,000
S	28,000
Less: pre-acquisition	15,000
	13,000
	123,000



Example 4**Consolidated Statement of Financial Position**

Non-current assets (76,000 + 18,000 + 6,000)	100,000
Goodwill arising on consolidation (W1)	8,000
Current assets (12,000 + 9,000)	21,000
	129,000

Share capital	40,000
Retained earnings (W2)	84,000
Current liabilities	5,000
	129,000

W1 Goodwill arising on consolidation:

Consideration	25,000
Less:	
Share capital	5,000
Pre-acquisition profits	6,000
Fair value adjustment	6,000
	17,000
	8,000

W2 Retained earnings:

P	70,000
S	20,000
Less: pre-acquisition	6,000
	14,000
	84,000



Chapter 23

Example 1

Consolidated Statement of Financial Position

Non-current assets	45,000
Current assets	13,000
	58,000
Share capital	25,000
Retained earnings (W1)	21,400
	46,400
Non-controlling interest (W2)	3,600
Total equity	50,000
Current liabilities	8,000
	58,000
W1 retained earnings	
P	15,000
80% share of S	8,000 x 80%
	6,400
	21,400
W2 non-controlling interest	
Share capital – 20% x 10,000	2,000
Post-acquisition earnings – 20% x 8,000	1,600
	3,600

Example 2

Goodwill arising on consolidation:

Consideration transferred	40,000
Fair value of NCI	30,000
	70,000
Share capital	20,000
Pre-acquisition retained earnings	6,000
	26,000
Goodwill arising on consolidation	44,000

Example 3

Non-controlling interest

Fair value of the NCI at the date of acquisition	30,000
NCI's share of post-acquisition profits (40% x (16,000 – 6,000))	4,000
	34,000



Example 4**Retained earnings**

Retained earnings of P		44,000
Retained earnings of S	16,000	
Less: pre-acquisition profits	6,000	
Post-acquisition profits of S	<u>10,000</u>	
P's share of post-acquisition profits of S (60% x 10,000)		<u>6,000</u>
		<u>50,000</u>

Example 5**Consolidated Statement of Financial Position**

Non-current assets	80,000
Goodwill arising on consolidation	44,000
Current assets	<u>26,000</u>
	<u>150,000</u>
Share capital	50,000
Retained earnings	<u>50,000</u>
	100,000
Non-controlling interest	<u>34,000</u>
Total equity	134,000
Current liabilities	<u>16,000</u>
	<u>150,000</u>

Example 6**Extract from the Consolidated Statement of Financial Position:**

Receivables (50,000 + 30,000 – 8,000)	72,000
Payables (35,000 + 40,000 – 8,000)	67,000



Example 7**Consolidated Statement of Financial Position**

Non-current assets	75,000
Inventory (W1)	18,800
Other current assets (W2)	10,000
	103,800

Share capital	45,000
Retained earnings (W4)	40,350
	85,350
Non-controlling interest (W5)	8,450
Total equity	93,800
Current liabilities (W6)	10,000
	103,800

Provision for unrealised profit in inventory:

The selling price of the inventory is \$6,000 and therefore the unrealised profit is $25/125 \times \$6,000 = \$1,200$.

We must reduce the inventory by this amount, and must also reduce S's retained earnings (because it is S who sold the goods and will have taken credit for the profit in its own accounts).

W1 Inventory:

Inventory in P	13,000
Inventory in S	7,000
Provision for unrealised profit	(1,200)
	18,800

W2 Other current assets:
 $10,000 + 6,000 - 6,000 = \$10,000$

W3 Current liabilities:
 $13,000 + 3,000 - 6,000 = \$10,000$

W4 Retained earnings:

P's retained earnings	30,000
P's share of S's retained earnings:	
$75\% \times (15,000 - 1,200)$	10,350
	40,350

W5 Non-controlling interest:

Share capital: $25\% \times 20,000$	5,000
Retained earnings:	
$25\% \times (15,000 - 1,200)$	3,450
	8,450

Note: there is no goodwill arising on consolidation because the shares were acquired on incorporation at cost.

