

Figure 21.11 Consolidation worksheet showing NCI and the effects of intragroup transactions

Financial statements	Seal Ltd	Swan Ltd	Adjustments				Group	Non-controlling interest			Parent	
			Dr	Cr	Dr	Cr						
Sales revenue	720 000	530 000	8	23 000			1 209 000					
			10	18 000								
Other revenues	240 000	120 000	6	8 000								
			7	12 000								
			11	1 000			339 000					
	960 000	650 000					1 548 000					
Cost of sales	(610 000)	(410 000)			21 500	8						
					16 000	10	(978 500)					
					4 000	12	(391 000)					
Other expenses	(230 000)	(160 000)	1	4 000	1 000	11						
					2 000	16						
	(840 000)	(570 000)					(1 369 500)					
Profit before tax	120 000	80 000					178 500					
Tax expense	(40 000)	(25 000)	12	1 200	1 200	1	(64 550)					
			16	600	600	10						
					450	8						
Profit	80 000	55 000					113 950	5	10 440	210	9	102 880
								13	560			
								17	280			
Retained earnings (1/7/16)	200 000	112 000	1	12 000	3 600	1	3	10 000	560	13	224 960	
			2	45 600	2 000	16	4	10 720	2 800	15		
			12	2 800			17	280				
			14	14 000								
			16	600								
	280 000	167 000					242 600					
Dividend paid	(20 000)	(10 000)			8 000	6	(22 000)					
Dividend declared	(25 000)	(15 000)			12 000	7	(28 000)		2 000	5	(20 000)	
									3 000	5	(25 000)	
	(45 000)	(25 000)					(50 000)				(45 000)	
Retained earnings (30/6/17)	235 000	142 000					306 550					282 840
Share capital	600 000	500 000	2	400 000			700 000	3	100 000			600 000
General reserve	80 000	100 000	2	64 000			116 000	3	16 000			96 000
Business combination valuation reserve	0	0	2	11 200	14 000	1	2 800	4	4 000			0
	915 000	742 000						3	4 200	1 400	4	0
							1 125 350					978 840

Figure 21.11 (continued)

Financial statements	Seal Ltd	Swan Ltd	Adjustments			Group	Non-controlling interest		Parent		
			Dr	Cr	Dr		Cr				
asset revaluation surplus (1/16)	35 000	50 000	1	16 000		69 000	3 4	4 000 6 000	59 000		
Gains/losses on asset revaluation	(15 000)	10 000				(5 000)	5	2 000	(7 000)		
asset revaluation surplus (30/6/17)	20 000	60 000				64 000			52 000		
Total equity: parent							5	2 000	134 200	3	1 030 840
Total equity: NCJ							5	3 000	19 320	4	158 510
							9	210	10 440	5	
							1	2 800	2 000	5	
							5		560	17	
	935 000	802 000				1 189 350		182 370	182 370		1 189 350
Total equity	25 000	15 000	7	12 000		28 000					
Dividend payable	25 000	25 000	1	4 800	6 000	1	51 200				
Other liabilities	50 000	40 000				79 200					
Total liabilities	985 000	842 000				1 268 550					
Total equity and liabilities	80 000	30 000			12 000	6	98 000				
Receivables	100 000	170 000			1 500	8	266 500				
Inventory					2 000	10					
Plant and equipment	200 000	500 000			20 000	1	660 000				
Accumulated depreciation	(115 000)	(88 000)	1	40 000	16 000	1	(175 000)				
			16	4 000							
Land	100 000	80 000							180 000		
Shares in Swan Ltd	540 000	0			540 000	2	0				
Deferred tax asset	50 000	40 000	8	450	1 200	16	95 850				
			10	600							
			14	6 000							
Goodwill	0	0	2	3 200					3 200		
Other assets	30 000	110 000							140 000		
Total assets	985 000	842 000		705 050	705 050		1 268 550				

STUDENT ACTIVITY SECTION

The consolidated financial statements for Seal Ltd and its subsidiary, Swan Ltd, for the year ended 30 June 2017 are as shown in figure 21.12(a), (b) and (c).

**SEAL LTD**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the year ended 30 June 2017

Revenue:	\$ 1 209 000
Sales	339 000
Other	<u>1 548 000</u>
Total revenue	
Expenses:	(978 500)
Cost of sales	(391 000)
Other	<u>(1 369 500)</u>
Total expenses	178 500
<b>Profit before tax</b>	<u>(64 550)</u>
Income tax expense	\$ 113 950
<b>Profit for the period</b>	
Other comprehensive income	
Revaluation decreases	\$ (5 000)
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>\$ 108 950</u>
Profit attributable to:	
Owners of the parent	\$ 102 880
Non-controlling interest	<u>11 070</u>
	<u>\$ 113 950</u>
Comprehensive income attributable to:	
Owners of the parent	\$ 95 880
Non-controlling interest	<u>13 070</u>
	<u>\$ 108 950</u>

**Figure 21.12(a)** Consolidated statement of profit or loss and other comprehensive income

**SEAL LTD**  
**Consolidated Statement of Changes in Equity**  
for the year ended 30 June 2017

Share capital	Retained earnings	General reserve	Asset revaluation surplus	Business combination valuation reserve	Total: Owners of the parent	Non-controlling interest	Total equity
\$600 000	\$224 960	\$96 000	\$59 000	0	\$ 979 960	\$150 440	\$1 130 400
	102 880		(7 000)		95 880	13 070	108 950
	(20 000)				(20 000)	(2 000)	(22 000)
	(25 000)				(25 000)	(3 000)	(28 000)
<u>\$600 000</u>	<u>\$282 840</u>	<u>\$96 000</u>	<u>\$52 000</u>		<u>\$1 030 840</u>	<u>\$ 158 150</u>	<u>\$1 189 350</u>

statement of changes in equity

**SEAL LTD**  
**Consolidated Statement of Financial Position**  
as at 30 June 2017

**STUDENT ACTIVITY SECTION**

<b>ASSETS</b>	
<b>Current assets</b>	
Receivables	
Inventory	\$ 98 000
<b>Total current assets</b>	<u>266 500</u>
<b>Non-current assets</b>	
Plant and equipment	
Accumulated depreciation	\$ 660 000
Land	(175 000)
Deferred tax asset	180 000
Goodwill	95 850
Other	3 200
<b>Total non-current assets</b>	<u>140 000</u>
<b>Total assets</b>	<u>\$1 268 550</u>
<b>LIABILITIES</b>	
<b>Current liabilities: Dividend payable</b>	
Non-current liabilities	\$ 28 000
<b>Total liabilities</b>	<u>51 200</u>
<b>Net assets</b>	<u>\$ 1 189 350</u>
<b>EQUITY</b>	
Share capital	\$ 600 000
General reserve	96 000
Asset revaluation surplus	52 000
Retained earnings	282 840
<b>Parent interest</b>	<u>\$1 030 840</u>
<b>Non-controlling interest</b>	<u>\$ 158 510</u>
<b>Total equity</b>	<u>\$1 189 350</u>

**Figure 21.12(c)** Consolidated statement of financial position

**B. Consolidation worksheet changes under full goodwill method**

Under the full goodwill method, the acquisition analysis would change as goodwill is calculated by taking into consideration the fair value of the NCI in the subsidiary.

*Acquisition analysis*

Net fair value of the identifiable assets and liabilities of Swan Ltd	= \$500 000 + \$80 000 + \$50 000 + \$20 000 + \$10 000(1 - 30%) (BCVR - inventory) + \$20 000(1 - 30%) (BCVR - plant) = \$671 000
(a) Consideration transferred	= \$540 000
(b) Non-controlling interest in subsidiary	= \$134 500
Aggregate of (a) and (b)	= \$674 500
Goodwill	= \$674 500 - \$671 000 = \$3500
<i>Goodwill of Swan Ltd</i>	
Fair value of Swan Ltd	= \$134 500/20% = \$672 500

Net fair value of identifiable assets and liabilities of Swan Ltd	= \$671 000
Goodwill of Swan Ltd	= \$672 500 - \$671 000
	= \$1500
Goodwill of Seal Ltd	= \$3500
Goodwill acquired	= \$1500
Goodwill of Swan Ltd	
Goodwill of Seal Ltd — control premium	= \$2000

*Consolidation worksheet entries at 30 June 2017*

(1) *Business combination valuation reserve entries*

Because the full goodwill method is used, there will need to an extra business combination valuation entry in relation to the goodwill of the subsidiary:

Goodwill	Dr	1 500	
Business Combination Valuation Reserve	Cr		1 500

(2) *Pre-acquisition entries*

Retained Earnings (1/7/16)	Dr	45 600	
Share Capital	Dr	400 000	
General Reserve	Dr	64 000	
Asset Revaluation Surplus (1/7/16)	Dr	16 000	
Business Combination Valuation Reserve [80% × (\$14 000 + \$1500)]	Dr	12 400	
Goodwill	Dr	2 000	
Shares in Swan Ltd	Cr		540 000

(3) *NCI share of equity at acquisition date, 1 July 2013 (step 1)*

Under the full goodwill method this will change as the business combination valuation reserve in relation to goodwill has been recognised. The NCI share is calculated to be:

Pre-acquisition equity of Swan Ltd	
Retained earnings (1/7/13): 20% × \$50 000	= \$ 10 000
Share capital: 20% × \$500 000	= 100 000
General reserve: 20% × \$80 000	= 16 000
Asset revaluation surplus (1/7/13): 20% × \$20 000	= 4 000
Business combination valuation reserve: 20% × (\$14 000 + \$7000 + \$1500)	= 4 500
	<u>\$134 500</u>

The worksheet entry in the NCI columns is:

Retained Earnings (1/7/16)	Dr	10 000	
Share Capital	Dr	100 000	
General Reserve	Dr	16 000	
Asset Revaluation Surplus (1/7/16)	Dr	4 000	
Business Combination Valuation Reserve	Dr	4 500	
NCI	Cr		134 500

No other changes are required.