Ind As 110 CMUX

Company with No Investment in Subs., Associate or JV

Prepare only Individual F/s applying relevant Ind AS.
{No Application of Ind As 27, Ind As 28, Ind As 103, Ind As 110, Ind As 111}

Company with Investment in Subsidiaries, Associate or JV

Inv in Subs. → 1. Prepare SFS applying Ind AS 27 and relevant Ind AS
2. Prepare CFS applying Ind As 103 & 110.

Inv in Associate or JV → 1. Prepare SFS applying Ind As 27 and relevant Ind AS.
2. Prepare CFS applying Ind As 28 (Equity method)

Ind As 27 (SFS)

Measure Inv in Subs., Associate or JV either at :
(i) Cost
(ii) Ind As 109 (FVTPL | FVTOCI)

Ind As 28 (CFS)

Measure Inv in Associate or JV initially at Cost and subsequent at Equity method. 120000

Eg. Cost of 30% Investment = 100000.
CA of INA = 300000, FV of I.N.A. = 400000.
Additional fair value due to one equipment whose remaining life is 5 years.
Post Investment Profit = 35000,
Post Investment Reval. Profit = 12000.
Dividend declared = 15000.

$\frac{100000}{5} = 20000$ ⇓ 30% = 6000

B/Sheet

Capital Reserve (120000 - 100000)	20000	Bank	(100000)
P/L	10500		
OCI (Reval^n Reserve)	3600	Inv in Associates {400000 x 30%}	120000
P/L	(6000)	(+) Sh. of Profit {35000 x 30%}	10500
		(+) Sh. of Reval^n Profit {12000 x 30%}	3600
		(-) Dividend {15000 x 30%}	(4500)
		(-) Add. Dep^n	(6000)
		CA of Investment in Associates	123600
		Dividend Receivable	4500
	34100		34100

Journal

1. Inv in Associates	120000	
To Bank		100000
To Capital Reserve		20000
2. Inv in Ass.	10500	
To P/L		10500
3. Inv in Ass	3600	
To Reval^n Res. (OCI)		3600
4. Div. Receivable	4500	
To Inv in Ass.		4500
5. Dep^n (P/L)	6000	
To Inv in Ass.		6000

Inv in Subs.

1. Prepare Cons. B/Sheet at Acq. Date applying Ind AS 103.
2. Prepare Cons. F/S {Cons B/S, Cons P/L, Cons CFS, SOCE, Notes} at each reporting period end applying Ind AS 110.

	SFS	CFS
1) If Exercised Control {Inv in Subsidiary}	Ind AS 27	Ind AS 103 | 110
2) If Exercised Significant Influence {Inv in Associates}	Ind AS 27	Ind AS 28
3) If Exercised Joint Control {Inv in Joint Venture}	Ind AS 27	Ind AS 28

Dividend Received from Subsidiary, Associate or Joint venture.

(i) Separate F/S.

In case of SFS, Any dividend received/receivable from Subsidiary, Associate or Joint venture is recognised in P/L whether cost or FVTPL/FVTOCI method is applied.

SFS Dividend Received or Receivable.

Dividend Receivable

To P/L

Note → Equity method is not applicable while preparing SFS.

(ii) Cons F/S.

a) In case of CFS, Any Dividend Received or Receivable from Associates or Joint venture is reduced from Investment in Ass/JV because Equity method is applied.

CFS → Dividend Received or Receivable from Associates/Joint venture.

Dividend Receivable

To Inv in Ass/JV

b) In case of CFS, Any Dividend Receivable or Received from Subsidiary relating to Parent Proportion gets eliminated and only NCI part of dividend is recognised.

Journal

NCI

To Dividend Payable (Liab)

Measurement of Income and Expense Of a subsidiary

An Entity includes income and expense of Subs. in CFS from the date it gains control untill it ceases to control the subsidiary.

Income or Expense should be based on Asset / liability recognised in CFS at Acq. date.

E.g. CA of PPE in IFS of subsidiary 500000, fair value = 600000

At Acq. date → PPE recognised in CFS = 600000

At Reporting Period End

Dep^n in books of subs = $\frac{500000}{5}$ = 100000 {Assume life = 5 yrs}

Dep^n in CFS = $\frac{600000}{5}$ = 120000. {i.e. Add. Dep^n = 20000}

Eg. CA of inventories = 200000, fair value = 240000.

At Acq. date → Inventories recognised at fair value = 240000. (20% Premium)

At Reporting Period End → 50% of old inventories sold and CA of inventories in books of Subs. = 350000 → 100000 (old) + 250000 (new)

Subs. COGS (old) = 100000

∴ CA of inventories in CFS = (100000 × 1.20) + 250000 = 370000
(old at 20% Prem.) (New)

CFS → COGS (old) Dr. 120000

Old Subs.		CFS	
COGS	100000	COGS	120000
To Inv.	100000	To Inv.	120000

Allocating Share in Profit or loss to NCI

An Entity shall attribute Profit or loss and OCI to owners of parent and NCI even if this results in NCI having a deficit balance.

E.g. Fair value of INA = 1080000, Inv in 70% at cost = 1000000.

∴ NCI at PSNA (1080000 × 30%) = 324000, Goodwill = 1080000 − 324000 − 1000000 = 244000

1st yr loss = ₹ 1500000

Allocated to cons P/L = 1500000 × 70% = (1050000)

Allocated to NCI = 1500000 × 30% = (450000)

∴ NCI Balance at 1st yr End (324000 − 450000) = −126000

Elimination of Intra Group transactions & Balances

While Preparing Group F/S (i.e. CFS), the effect of transaction between Group entities should be eliminated.
Intra group Balances (eg Receivables/Payables) and Intra Group transaction and resulting intra Group Profit (sales/Purchase) should be eliminated in Full.

E.g. Parent Purchased goods from its 80% subsidiary for ₹ 120000 (→ cost 84000). Subs. makes a profit of 30% on sales. Tax rate = 40%. 50% still lying on stock.

Subs. Books

1. COGS 84000
   To Inventories 84000

2. Bank 120000
   To Revenue 120000

P/L Statement

	Revenue	120000
(-)	COGS	(84000)
	G.P.	36000

Parent Books

1. Purchase 120000
   To Bank 120000

For 50% Sales

2. COGS 60000
   To Inventories 60000

3. Bank ?
   To Revenue ?

60000

Exam Purpose

CFS.

1. Cons Revenue (50%) 60000
   To Cons. COGS (50%) 42000
   To Inventories 18000

2. DTA 5400
   To P/L 5400

⇓

CA of Inventories (60000 − 18000) 42000
TB of inventories 60000
} DTA = 18000 × 30%
= 5400

Statement of Cons P/L

Revenue	(60000)
COGS	42000
G.P.	(18000)

The red^n of Profit is allocated bet^n Parent & NCI in the Ratio of their Holdings.

Suppose in above case, if it is the Parent that makes the sale, then all Accounting will be same except one thing :-

In such case, the reduction of intra group Profit will be allocated entirely to Parent.

Illustration 18: Property, plant and equipment (PPE) sold by parent to subsidiary V.V.Imp.

A Ltd. (which is involved in the business of selling capital equipment) a parent company sold a capital equipment costing ₹ 100 lakh to its 80% subsidiary B Ltd. At ₹ 120 lakh. The capital equipment is recorded as PPE by B Ltd. The useful life of the PPE on the date of transfer was 10 years.

Show the necessary adjustment in the consolidated financial statements (CFS).

Profit = 20 l / 10 = 2 l

CA in the books of Subsidiary	= 120 l	CA in CFS at 0th yr	= 100 l
(-) One year Dep^n	= (12 l)	(-) One year Dep^n	= (10 l)
C.A. at 1st yr End	= 108 l	C.A. in CFS at 1st yr End	90 l

∴ Reduction in PPE = 108 − 90 = 18 l

∴ Unrealised profit to be Eliminated = 18 l (instead of 20 l)

Cons. Revenue	120 l	
To Cons. COGS		100 l
To PPE		18 l
To ~~Cons P/L~~ Dep^n		2 l

Dep^n credited {means credit to P/L}

→ 12 lakh Dep^n charged in IFS but 10 l should be charged in CFS.

Change in the Proportion held by Controlling & Non Controlling Interest

Eg: Fair Value of INA = 8000000, NCI measured at Fair Value.
Acquired 70% interest for ₹ 7000000

INA	8000000	
Goodwill (Full G/W)	2000000	
To NCI (FV) {7000000 / 70% × 30%}		3000000
To Bank		7000000

Reporting Period End, Profit earned by Subsidiary ₹ 500000

INA of subsidiary increased by ₹ 500000.
Cons P/L increased by ₹ 350000
NCI increased by ₹ 150000

INA	500000	
To Cons P/L		350000
To NCI		150000

∴ C.A. of INA = 8000000 + 500000 = 8500000
C.A. of NCI = 3000000 + 150000 = 3150000 (30%)
C.A. of Goodwill = 2000000

→ NCI se nikalo Proportionate

Case I: if Parent Co. Purchase another 15% for ₹ 1700000

NCI {3150000 × 15% / 30%}	1575000	
Other Equity	125000	
To Bank		1700000

→ INA & Goodwill se nikalo Prop.

Case II: if Parent Co. Sold 15% stake for ₹ 1700000

Bank	1700000	
To NCI {10500000 × 15%}		1575000
To Other Equity		125000

Case III → If Parent Sold 30% interest for ₹ 3500000 and Control lost

Assume fair value of Remaining 40% interest = ₹ 4533000

B/sheet

NCI derecognised	3150000	INA derecognised	(8500000)
P/L	683000	Goodwill	(2000000)
		Bank (30%)	3500000
		Inv in Ass (40%) fair value	45,33,333

Journal

30%	NCI Dr.	3150000	
30%	Bank Dr.	3500000	
40%	Inv in Ass Dr.	4533000	
100% {	To INA		8500000
	To Goodwill		2000000
	To Gain on sale (P/L)		683000

Cal^n of Gain or loss

Bank (30%)	3500000
Inv in Associates (40%)	4533000
NCI	3150000
Total	11183000
(-) INA & Goodwill derecog. {85L + 20L}	10500000
Gain	683000

Note

If Control is lost → 1. Derecognise Asset & liab including Goodwill & NCI
2. Recognise remaining interest held at fair value.
3. Difference in P/L

Suppose in above Eg, NCI measured at PSNA

INA	8000000	
Goodwill (Partial)	1400000 → Parent G/W	
To NCI (PSNA)	2400000 →	8000000 × 30%
To Bank	7000000	

Reporting Period End, Profit earned by Subsidiary ₹ 500000

INA of Subsidiary increased by ₹ 500000.
Cons P/L increased by ₹ 350000
NCI increased by ₹ 150000

INA 500000
To Cons P/L 350000
To NCI 150000

∴ C.A. of INA = 8000000 + 500000 = 8500000
C.A. of NCI = 2400000 + 150000 = 2550000 (30%)
C.A. of Goodwill = 1400000

→ NCI se nikalo proportionate

Case I If Parent Co. Purchase another 15% for ₹ 1700000

	Dr	Cr
NCI {2550000 × 15%/30%}	1275000	
Other Equity	425000	
To Bank		1700000

→ INA & Goodwill se nikalo Prop.

Case II If Parent Co. Sold 15% stake for ₹ 1700000

	Dr	Cr
Bank	1700000	
To NCI {8500000 × 15%}		1275000
To Other Equity		425000

Illustration 30: Subsidiary issues shares to a third party and parent loses control ✶✶

In March 20X1 a group had a 60% interest in subsidiary with share capital of 50,000 ordinary shares. The carrying amount of goodwill is ₹ 20,000 at March 20X1 calculated using the partial goodwill method. On 31 March 20X1, an option held by the minority shareholders exercised the option to subscribe for a further 25,000 ordinary shares in the subsidiary at ₹ 12 per share, raising ₹ 3,00,000. The net assets of the subsidiary in the consolidated balance sheet prior to the option's exercise were ₹ 4,50,000, excluding goodwill. Invv in P&S {30000 Sh × 12} = 360000

Calculate gain or loss on loss of interest in subsidiary due to option exercised by minority shareholder.

A (Parent) holds 60% = 30000 Shares = 30000 Shares ⇒ 40% Sh.
B (NCI) holds 40% = 20000 Shares + 25000 Shares = 45000 Shares ⇒ 60% Sh.

50000 Shares | 75000 Shares

Before Exercise of option

360000

I.N.A.	=	450000	
Goodwill	=	20000	(Partial)
NCI (40%)	=	180000	{450000 × 40%}

After Exercise of option, Control is lost

INA derecognised, Goodwill Derecognised & NCI Derecognised

Journal Entries

Particulars	Dr	Cr
NCI	180000	
Investment in Associates	360000 → 30000 Sh. × 12	
To INA		450000
To Goodwill		20000
To Gain (P/L)		70000

Uniform Accounting policies

An Entity shall prepare CFS using Uniform Accounting policies for like transaction and other events in similar Circumstances.

If a member of a group uses different Accounting Policies other than those adopted in CFS, appropriate adjustment are made to that Group member's F/s in preparing CFS.

Eg. Parent Company A applies Ind AS for preparation of F/s.
Subsidiary B applies US GAAP.

∴ While Preparing CFS, Subsidiary B F/s should be appropriately adjusted to convert US GAAP F/s to Ind AS F/s.

Note

i) Change in Depriciation method {say SLM to WDV} is a change in Accounting Estimates and not a change in Accounting policies.

ii) Change in Cost Formula from FIFO to Weighted Average is a change in Accounting policy. All members of Group shall use same cost formula for all inventories having similar nature or use. For inventories having different nature or use, different cost formula may be justified.

Reporting Period of Parent and Subsidiary.

Suppose, Parent's F.Y. Ends on 31.3.2001 {1.4.2000 – 31.3.2001}
Subsidiary F.Y. " " 31.12.2000 {1.1.2000 – 31.12.2000}

For consolidation purpose, the Subsidiary prepares additional Financial Info. as of the same date as the F/s of the parent {i.e. 31.3.2001} unless Impracticable.

If Impracticable, the Parent shall consolidate Financial Info of Subsidiary using most recent Financial statement of Subsidiary adjusted for the effects of significant transaction or events that occur between date of those F/s and date of those F/s and date of CFS {i.e. Betn 1.1.2001 to 31.3.2001}

In any case, the difference shall be no more than 3 months.

Accounting of Potential Voting Rights held in a Subsidiary

E.g. A Ltd holds 60% shares of B Ltd. A Ltd holds 20% Potential Voting Rights.
↳ Say Currently Exercisable & substantive.

Shares outstanding of B Ltd is 100000 shares.

Profit during the year of B Ltd = ₹ 500000

∴ To Assess Control, we will consider (60% + 20%) 80% shares of B Ltd.

CASE 1	CASE 2
The terms of the Contract do not provide that Investor will get return on Potential shares for prior period (i.e. before actual exercise of Right.	The terms of the Contract provide that Investor will get return on Potential shares even for prior period (i.e. before actual exercise of Potential voting rights.
Then, Profit allocated to A Ltd = 500000 × 60% = 300000	Then, Profit allocated to A Ltd = 500000 × 80% = 400000

Business combination Achieved (i.e. Control obtained) Without transfer of Consideration

1. The Acquiree repurchases sufficient number of its own shares from an existing investor to control

1.4.2001 — Balance sheet (Jagat Ltd)

X Ltd — 4500 sh. 45% – No control (80000)

Y Ltd — 4400 sh. 44% – No control

Z Ltd — 1100 sh. 11% – No control

10000 sh.

1.4.2004 (After 3 years)

Jagat Ltd repurchased 1100 shares of Z Ltd and cancelled it.

Now, Total sh. o/s of Jagat Ltd.

X Ltd – 4500 sh. (50.56%) → CA of Investment = 80000 (say) Equity method.

Y Ltd – 4400 sh. (49.44%)

8900 sh.

Since X Ltd automatically obtained control on 1.4.2004, X Ltd should apply Ind AS 103 to prepare CFS at acquisition date. (i.e. 1.4.2004)

At Acquisition date, we need to determine Fair Value of shares already held by X Ltd which we will be taken as Deemed Purchase Consideration.

Suppose Fair Value per share of Jagat Ltd on 1.4.2004 = ₹ 25

∴ Deemed P.C. = 4500 × 25 = 112500

2. Minority veto Rights lapses that Previously kept the Acquirer from controlling an Acquiree in which Acquirer held majority voting Rights (Same Accounting as Above)

3. The Acquirer and Acquiree agree to Continue their businesses by Contract Alone.

1. Reversal of Dividend Adjustment.

2. Acquisition date Fair value adjustment & Pre & Post Allocation.

Steps to Prepare Cons. B/sheet at Cons. Date.

1. Calⁿ of P.C.
2. Calⁿ of Pre & Post (including fair value Adjustment)
3. Calⁿ of NCI (Pre Acq. & Post Acq. Share of NCI)
4. Calⁿ of Goodwill or Capital Reserve.
5. Calⁿ of other Equity.
6. Prepare B/sheet. (NCI, G/W or C/R, OE from working note)
   - (i) Share Capital & other Equity of Subs. in B/sheet is ignored.
   - (ii) Inv in Subs. is ignored.
   - (iii) All Assets & liabilities of Parent & Subs. are merged
   - (iv) Assets & liab. of Subs. are added after fair value adjustment.