

∴ Settlement Amount (lower) = ₹ 180000/-

∴ Settlement loss = Amount paid to settle liability - CA of liability
 = 180000 - 150000
 = 30000

Journal Entry

| | | |
|-----------------------|--------|--------|
| Unamortised liability | 150000 | |
| Settlement loss (PL) | 30000 | |
| To Bank | | 180000 |

| | |
|------------|------------------|
| I.N.A. | = 5000000 |
| +) Licence | = 450000 |
| INA | = <u>5450000</u> |
| P.C. | = (9820000) |
| GLW | = <u>4370000</u> |

| | |
|---|--------------------|
| Amount of Purchase consideration | = 1,00,00,000 |
| (-) Amount paid to settle pre-existing relationship | = (1,80,000) |
| Net Purchase consideration | = <u>98,20,000</u> |

But as per ICAI (Contractual Pre Existing Relationship) Ratio

Settlement gain or loss

1. Amount by which contract is Favourable / Unfavourable compared with current market terms $\langle 450000 - 150000 \rangle$ i.e. 300000

2. Amount of any stated settlement provision to whom contract is unfavourable $\langle 150000 + 20\% \rangle$ i.e. 180000

whichever is lower

↳ But it should be $\langle 180000 - 150000 \rangle$ i.e. 30000 as per Pratik Sapati

→ lower of 30000 or 180000

∴ 180000 is settlement loss which is to be reduced from purchase consideration as per ICAI.

On the date of Acquisition, Acquired Right measured at fair value of ₹ 450000 and will form part of Acquiree's Identifiable Net Asset.

Purchase consideration taken as ₹ 9820000 instead of 1 crore.

Determining Acquisition Date — Date on which it obtains control.

(Generally the Date on which Acquirer transfers consideration, acquires assets and assumes liabilities i.e. closing date)

However the Acquisition Date may be earlier or later than the closing date in case of a written Agreement.

Note: If Regulatory approval is necessary — Acquisition Date will be the Date on which approval is obtained.

Measurement Period

Ind AS 103 provides a measurement period window wherein if all reqd. info is not available on the acquisition date then entity will be required to do purchase price allocation on a provisional basis.

During measurement period, the acquirer shall **retrospectively** adjust the provisional amounts recognised at the acquisition date to reflect new info obtained about facts and circumstances that existed at acquisition date and if known would have affected amount recognised earlier at Acq. date.

During the measurement period, Acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed at acquisition date.

Any change in the Net Assets during measurement period is adjusted against goodwill.

The measurement period ends — (whichever is Earlier)

1. When Acquiree receives info it was ^{seeking} about facts and circumstances that existed at the acquisition date AND learns that No more Info is obtainable.
2. Measurement Period exceeds one year from Acquisition date.

Illustration 40

Calculation of Purchase Consideration

1. Shares issued $(40000 \times 40\% \times 1/2)$ i.e. 14000 Sh. of ₹ 10 face value @ ₹ 40 = 560000
 Share Capital = 14000 Sh. \times 10 = 140000
 Securities Premium = 14000 Sh. \times 30 = 420000
2. Provision for Liability $\left\{ \frac{3500000}{(1.10)^2} \right\}$ = 2893000
3. SBP Replacement Award (Part of P.C.) = $\frac{250000}{8743000}$

Calcⁿ of DTA/DTC

CA of PPE = 350, TB of PPE = 500 \Rightarrow CA < TB of Asset \therefore DTA = $150 \times 30\% = 45$
 CA of Liab = 5, TB of Liab = 0 \Rightarrow CA > TB of Liab \therefore DTA = $5 \times 30\% = 1.5$
Fair value is the new CA of Acquirer
Fair value is the new CA of Acquiree

\therefore Total DTA = 46.5

| | Cons B/sheet | | |
|--|--------------|-------------------------------|--------|
| Share Capital $(500 + 14^*)$ | = 514 | Assets $(2000 + 1230 + 46.5)$ | 3276.5 |
| Other Equity $(810 + 42^* + 2.5^* + 274.12^*)$ | = 1128.62 | | |
| NCE $(0 + 154.95)$ | = 154.95 | | |
| Liabilities $(690 + 755 + 5 + 28.93^*)$ | = 1498.93 | | |

* indicates P.C.

$$\begin{aligned} \text{I.N.A. of Acquiree} &= \text{All Assets} + \text{DTA} - \text{All Liab} - \text{Pro. bono suit Damages} \\ &= 1230 + 46.5 - 755 - 5 \\ &= 516.5 \end{aligned}$$

$$\therefore \text{NCE} = 516.5 \times 30\% = 154.95$$

$$\begin{aligned} \therefore \text{Goodwill on Capital Reserve} &= \text{I.N.A.} - \text{NCE} - \text{P.C.} \\ &= 516.5 - 154.95 - 87.43 = 274.12 \text{ (Capital Reserve)} \end{aligned}$$

Working

① Calc of Goodwill on gain on Bargain purchase

| | | |
|----------------------------------|-------------------------|----------------|
| I.N.A Acquired | $1230 + 465 - 755 - 57$ | $= 516.5$ |
| (-) NCE at Prop. | $1516.5 \times 30\%$ | $= 454.95$ |
| \therefore Share of Net Assets | | <u>361.55</u> |
| (-) P.C. paid | | <u>(87.43)</u> |
| \therefore Gain on B/P (CR) | | <u>274.12</u> |

② Calc of other Equity

| | | |
|--------------------|---|----------------|
| Parent's Equity | = | 810 |
| Securities Premium | = | 42 |
| SBPR | = | 2.5 |
| Capital Reserve | = | <u>274.12</u> |
| | | <u>1128.62</u> |

Where you will make mistakes

1. DTA calc on PPE as well as Prov. for suit Damages. *
2. Prov. for suit Damages to be included in Prov. for Liability on Cons B/S. *
3. NCE inclusion in B/sheet
4. Also SBPR to be included in other Equity as part of P.C. *

NCA

| | | | |
|-----------------|-----|-------|-----|
| PPE | 300 | + 350 | 650 |
| Financial Asset | | | |
| Investment | 400 | + 100 | 500 |

CA

| | | | |
|---------------------|-----|-------|-----|
| Inventories | 250 | + 150 | 400 |
| Financial Asset | | | |
| Trade Receivables | 450 | + 300 | 750 |
| Cash | 200 | + 100 | 300 |
| Other Current Asset | 400 | + 230 | 630 |

| | | | | | |
|---------------|-----|----------|-----------|--------------------------|---------|
| Share Capital | 500 | + 14 P.C | | 514 | |
| Other Equity | 810 | + 42 P.C | + 2.5 P.C | + 274.12 Capital Reserve | 1128.12 |
| NCE | 0 | + 154.95 | | | 154.95 |

NCL

Financial Liab

| | | | | |
|--------------------------|-----|-------|---------|--------|
| Long term Borrowings | 250 | + 200 | p.c. | 450 |
| Long term Provisions | 50 | + 70 | + 28.93 | 148.93 |
| Deferred tax <u>Liab</u> | 40 | + 35 | - 46.5 | 28.5 |

CL

Financial Liab

| | | | | |
|-----------------------|-----|-------|--|-----|
| Short term Borrowings | 100 | + 150 | | 250 |
| Trade Payables | 250 | + 300 | | 550 |
| Short term Prov | - | + 5 | | 5 |

Test your knowledge B2 - Reverse Acquisition

Here, A is the legal Acquirer and B is the legal acquiree.

But, After Acquisition

Total no. of shares of S = 100 shares + 150 shares (60 x 2.5 each) = 250 shares

Shares held by A's shareholders in merged Entity = 100 shares

" " " B's " " " " = 150 shares

∴ This is a case of Reverse Acquisition where Entity B will be the accounting acquirer and Entity A will be accounting acquiree.

Shares issued by A to B = 2.5 sh. per every 1 share (2.5:1)

∴ Shares that would have been issued by B to A = 1 share per every 2.5 share
= (1:2.5) or (1:4:1)

∴ B issued shares to A = 100 x 1/4 = 40 shares

Fair value of B's share = 40

∴ Purchase consideration = 40 sh. x 40 = 1600

| | | <u>B/sheet</u> | | |
|-------------------|------|----------------|------|----------------------------|
| Goodwill | | | 300 | 300 |
| Non Current Asset | 3000 | + | 1500 | 4500 |
| Current Asset | 700 | + | 500 | 1200 |
| | | | | <hr style="width: 100%;"/> |
| | | | | 6000 |
| Share Capital | 600 | + | 1600 | 2200 |
| Other Equity | 1400 | | | 1400 |
| Non Current Liab. | 1100 | + | 400 | 1500 |
| Current Liability | 600 | + | 300 | 900 |
| | | | | <hr style="width: 100%;"/> |
| | | | | 6000 |

Calc of Goodwill

$$\begin{aligned}
 \text{N.A. acquired } (1500 + 500 - 400 - 300) &= 1300 \\
 \text{P.C. Paid } (1600 + 400) &= (1600) \\
 \text{Goodwill} &= \underline{\underline{300}}
 \end{aligned}$$

Test Your Knowledge Q.10

Common Control Business Combination

E.g. merger between Fellow subsidiaries, merger of subsidiary with parent, Acquisition of an entity from an entity within the same group.

Method of Accounting for Common Control

⇓

Pooling of Interest method

1. Assets and Liabilities of Combining Entities reflecting at their Carrying Amounts.
2. No Recognition of any new assets or liabilities.

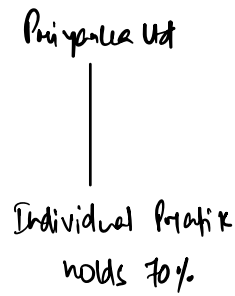
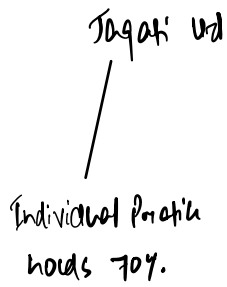
The Consideration may consists of ÷

1. Securities - measure of Nominal value. (Not Fair Value)
2. Cash - " " Cash Paid.
3. Other Assets - " " Fair Value.

The Balance of Retained Earnings of Transferor aggregated with Balance of Retained Earnings of transferee

Also, General Reserve, Revaluation Reserve, Capital Reserve of transferor becomes General Reserve, Revaluation Reserve, Capital Reserve of transferee.

No Goodwill is recognised in case of Common Control Business Combination. It is adjusted with Capital Reserve even if Negative.



Hence, Both Jagati Ltd and Priyanka Ltd is controlled by common Individual Mr. Pratik.

If Jagati Ltd acquires/merges with Priyanka Ltd.
 it is common control Business combination

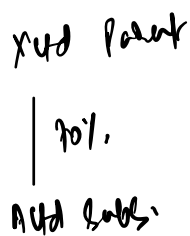
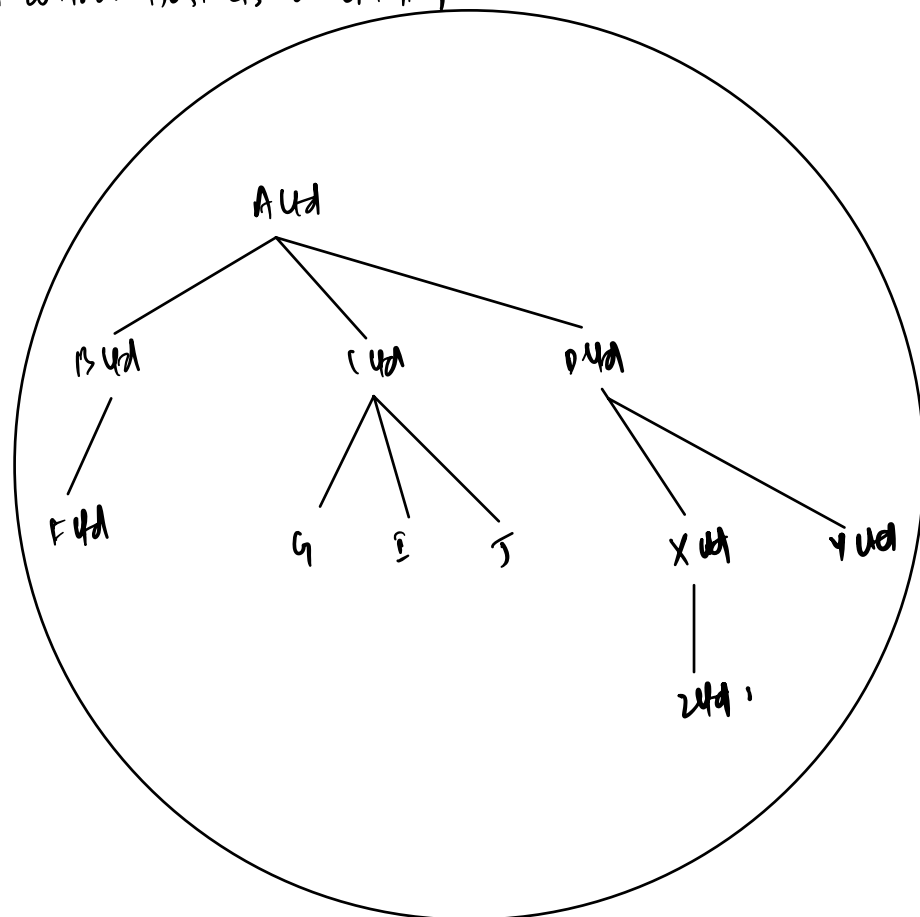


Illustration 38 (Common Control)

Assets

000

NEA

PPE 8500 + 7500 16000

Financial Asset

Investment 1050 + 550 1600

CA

Inventories 1250 + 2750 4000

Financial Asset

Trade Receivables 1800 + 4000 5800

Cash & Cash Eq. 450 + 400 850

28250

Equity and Liabilities

Equity

Share Capital (1300 sh. of £10 each) 6270 + 6730 13000 ✓

Other Equity 3050 + 2700 5750

NCL

Financial Liab.

Borrowings 3000 + 4000 7000

CL

Financial Liab

Trade Payables 1000 + 1500 2500

28250

Calc of Net Asset Acquired

| | <u>AX</u> | <u>BX</u> |
|-------------------|-------------|-------------|
| PPE | 8500 | 7500 |
| Investment | 1050 | 550 |
| Inventories | 1250 | 2750 |
| Trade Receivables | 1800 | 4000 |
| Bank | 450 | 400 |
| Borrowings | (3000) | (4000) |
| Trade Payables | (1000) | (1500) |
| Net Assets | <u>9050</u> | <u>9700</u> |

1300 (000) shares allocated to AX and BX Ltd in the ratio of Net Assets Acquired.

$$AX = 1300 \times \frac{9050}{18750} = 627 (000) \text{ shares of } \pounds 10 \text{ each} = 6270$$

$$BX = 1300 \times \frac{9700}{18750} = 673 (000) \text{ shares of } \pounds 10 \text{ each} = 6730$$

13000

Notes to Accounts

1. Share Capital

1300 (000) shares of $\pounds 10$ each

2. Other Equity

General Reserve (1500 + 2000)

Profit & loss (1000 + 500)

Investment Allowance Reserve (500 + 100)

Expend Profit Reserve (50 + 100)

'000

3500

1500

600

150

'000

13000

5750

Illustration 38 2nd case

NCA

Goodwill (10100 - 11000)

PPE 7500 + 9500 ^{⇒ Fair value} 17000

Financial Asset

Investment 550 + 1050 1600

CA

Inventories 2750 + 1300 ^{⇒ Fair value} 4050

Financial Asset

Trade Receivables 4000 + 1800 5800

Cash & Cash Eq. 400 + 450 850

Equity and Liabilities

Equity

Share Capital 7000 + 5500

Other Equity 2700 + 5500

NLL

Financial Liab.

Borrowings 4000 + 3000 7000

CL

Financial Liab

Trade Payables 1500 + 1000 2500

B/Sheet

| | | | |
|---------|------|-----|-------|
| Sh. Cap | 5500 | TNA | 10100 |
| S. Prem | 5500 | GW | 900 |

Calcⁿ of IWA Acquired

$$4500 + 1050 + 1300 + 1800 + 450 - 3000 - 1000 = 10100$$

Calcⁿ of P.C.

$$\text{Fair Value of Business} = 11000$$

$$\therefore \text{Goodwill} = 11000 - 10100 = \underline{900}$$

'000

$$\text{Fair Value of Business of BX Ltd} = 14000$$

$$\text{No. of Shares} = 700$$

$$\therefore \text{Fair Value/Sh} = \frac{14000}{700} = 20/\text{sh.}$$

$$\therefore \text{No. of Shares Issued to AX by BX} = \frac{11000}{20} = 550 \text{ Shares}$$



$$\text{Share Capital } (550 \times 10) = 5500$$

$$\text{Securities Premium } (550 \times 10) = \underline{5500}$$
$$\underline{11000}$$

Notes to Accounts

| | | | |
|------------------|------------------------|-------------|--------------|
| 1. Share Capital | (700 sh of £ 10 each) | 7000 | |
| | (550 sh. of £ 10 each) | <u>5500</u> | <u>12500</u> |

2. Other Equity

| | | |
|----------------------|-------------|-------------|
| General Reserve (BX) | 2000 | |
| PL | (BX) | 500 |
| I.A.R. | (BX) | 100 |
| E.P.R. | (BX) | 100 |
| S. Premium (BX) | <u>5500</u> | <u>8200</u> |

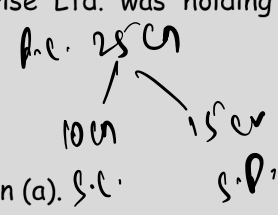
Illustration 36

Enterprise Ltd. has 2 divisions Laptops and Mobiles. Division Laptops has been making constant profits while division Mobiles has been invariably suffering losses.

On 31st March, 20X2, the division-wise draft extract of the Balance Sheet was: (₹ in crores)

| | Laptops | Mobiles | Total |
|--|---------|---------|-------|
| Property, Plant and Equipment cost | 250 | 500 | 750 |
| Depreciation | (225) | (400) | (625) |
| Net Property, Plant and Equipment (A) | 25 | 100 | 125 |
| Current assets: | 200 | 500 | 700 |
| Less: Current liabilities | (25) | (400) | (425) |
| Net Current Asset (B) | 175 | 100 | 275 |
| Total (A+B) | 200 | 200 | 400 |
| Financed by: | | | |
| Loan funds | - | 300 | 300 |
| Capital : Equity ₹ 10 each | 25 | - | 25 |
| Surplus | 175 | (100) | 75 |
| Total | 200 | 200 | 400 |

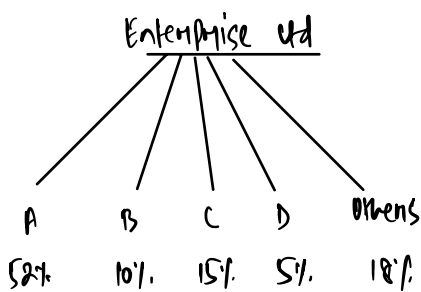
Division Mobiles along with its assets and liabilities was sold for ₹ 25 crores to Turnaround Ltd. a new company, who allotted 1 crore equity shares of ₹ 10 each at a premium of ₹ 15 per share to the members of Enterprise Ltd. in full settlement of the consideration, in proportion to their shareholding in the company. One of the members of the Enterprise Ltd. was holding 52% shareholding of the Company.



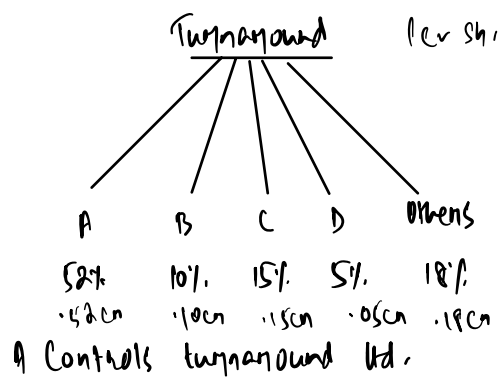
Assuming that there are no other transactions, you are asked to:

- Pass journal entries in the books of Enterprise Ltd.
- Prepare the Balance Sheet of Enterprise Ltd. after the entries in (a).
- Prepare the Balance Sheet of Turnaround Ltd.

Illustration 36



Here, A controls Enterprise Ltd



A controls turnaround Ltd.

Since one member holds 52% interest, therefore this is a case of common control demerger.

$$\begin{array}{r}
 1000 + -100 \\
 -25 \\
 \hline
 125 \\
 \hline
 \end{array}$$

Balance sheet of Enterprise (after Demerger)

| | | |
|-------------------------------|-------------|------------|
| <u>NCA</u> | | |
| PPE | {125 - 100} | 25 |
| <u>CA</u> | | |
| Current Asset | {700 - 500} | 200 |
| | | <u>225</u> |
| <u>Equity and Liabilities</u> | | |
| Share Capital | {25} | 25 |
| Other Equity | {75 + 100} | 175 |
| <u>NEL</u> | | |
| Financial Liab | | |
| Loan Funds | {300 - 300} | 0 |
| <u>CL</u> | | |
| Current Liab | {425 - 400} | 25 |
| | | <u>225</u> |

Balance sheet of Turnaround (New)

| | |
|-------------------------------|--------------------|
| <u>NCA</u> | |
| PPE | 100 |
| <u>CA</u> | |
| Current Asset | 500 |
| | <u>600</u> |
| <u>Equity and Liabilities</u> | |
| Share Capital | 10 |
| Other Equity | {15 - 125} |
| | ↓ S.P. ↓ C.R. |
| | (110) |
| <u>NEL</u> | |
| Financial Liab | |
| Loan Funds | 300 |
| <u>CL</u> | |
| Current Liab | 400 |
| | <u>600</u> |

| | |
|------------------|-----|
| Loan | 300 |
| Current Liab | 400 |
| ✓ To PPE (net) | 100 |
| To Current Asset | 500 |
| To Surplus | 100 |

As per ICAI

| | |
|------------------|-----|
| Loan | 300 |
| Current Liab | 400 |
| Depreciation | 400 |
| To PPE (gross) | 500 |
| To Current Asset | 500 |
| To Surplus | 100 |

Notes to Accounts (Enterprise after Demerger)

Other Equity

| | |
|---------------------|------------|
| Surplus | 75 |
| (+) Capital Reserve | 100 |
| | <u>175</u> |

Notes to Accounts (Turnaround)

Other Equity

| | |
|--------------------|--------------|
| Securities Premium | 15 |
| Capital Reserve | (125) |
| | <u>(110)</u> |

PPE & CA 600

Capital Reserve 125

To Liab 700

To Sh:Cap 10

To S:Prem 15

| | | | |
|-----------------------|-----------------|-----|--------------|
| | <u>1/1/2021</u> | | |
| Sh:Cap 10 | | INA | (100) |
| S:Prem 15 | | | |
| Capital Reserve (125) | | | |
| | <u>(100)</u> | | <u>(100)</u> |

In case of common control ~~merger~~ Demerger, transaction (i.e. Acquiree) share capital and other Equity not to be considered.

Illustration 37

MAXI MINI LTD

MINI Ltd

| | Akter Penerimaan | Residual Demenggen |
|---|---------------------|-----------------------|
| <u>NCA</u> | | |
| PPE {300 - 200} | 100 | 300 |
| <u>CA</u> | | |
| Other Current Asset {700 - 300} | 400 | 700 |
| <u>Equity and Liabilities</u> | | |
| Share Capital 50 | 50 | 50 |
| Other Equity {650 - 300} <i>deficit</i> | 350 | 650 |
| <u>NEL</u> | | |
| Financial Liab | | |
| Loan Funds {100 - 100} | - | 100 |
| <u>CL</u> | | |
| Other Current Liab {200 - 100} | 100 | 200 |

| | |
|-------------------------------|-----|
| <u>NCA</u> | |
| PPE | 200 |
| <u>CA</u> | |
| Other Current Asset | 300 |
| <u>Equity and Liabilities</u> | |
| Share Capital {50000} | 50 |
| Other Equity | 250 |
| <u>NEL</u> | |
| Financial Liab | |
| Loan Funds | 100 |
| <u>CL</u> | |
| Other Current Liab | 100 |

MAXI MINI

MINI

Journal

| | | |
|----------------------------|-----|---|
| Loan Funds | 100 | ✓ |
| Current Liab | 100 | ✓ |
| Prov. bon Dep ⁿ | 100 | ✓ |
| Capital Reserve | 300 | ✓ |
| To PPE (gross) | 300 | ✓ |
| To Current Asset | 300 | ✓ |

Journal

| | |
|--------------------|-----|
| PPE | 200 |
| CA | 300 |
| To Loan Funds | 100 |
| To Current Liab | 100 |
| To Share Capital | 50 |
| To Capital Reserve | 250 |

(B) ↓
Maxi Mini Ltd

Pre Demerger

$$\begin{aligned} \text{NAV} &= \frac{\text{Total Net Asset}}{\text{No. of Sh.}} \\ &= \frac{300 + 700 - 100 - 200}{500} = \frac{700}{500} \\ &= 140/\text{sh.} \end{aligned}$$

Post Demerger

$$\begin{aligned} \text{NAV} &= \frac{100 + 400 - 0 - 100}{500} = \frac{400}{500} \\ &= 80/\text{share.} \end{aligned}$$

Mini Ltd
After Demerger

$$\begin{aligned} &= \frac{200 + 300 - 100 - 100}{500} = \frac{300}{500} \\ &= 60/\text{sh.} \end{aligned}$$

'c) Demerger into two companies has had no impact on "net asset value" of shareholding. Pre- demerger, it was ₹ 140 per share. After demerger, it is ₹ 80 plus ₹ 60 i.e., ₹ 140 per original share. It is only yield valuation that is expected to change because of separate focusing on two distinct businesses whereby profitability is likely to improve on account of demerger.

Definition of Business

End AS 103 defines Business as an **Integrated set of activities** and asset that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income or other income.

Elements of Business

1. Input

Any Economic resources that has ability to create outputs when process is applied.

Eg: Non current assets
(Including Intangible asset)

2. Process

Any system, standard, protocol, convention or rule when applied to inputs, create outputs
Eg: Organised workforce having necessary skills and experience.

Also includes Strategic management Process, operational Process

3. Outputs

Results of Input and Process providing return in the form of dividends, lower costs or other Economic benefits.

Eg: Profits from business.

Note: Accounting, Billing, Payroll and other administrative system typically are not processes used to create outputs.

Concentration test (optional)

Test is met

Not a Business

No Further assessment is needed.

Test is not met

Further Assessment to be made.

| | | <u>B/sheet</u> | |
|-------------|------------|----------------|-------------------------------|
| Liabilities | 800 cr | land | - 900 cr (Fair value 1000 cr) |
| DTL | 10 cr | DTA | - 20 cr |
| | <u>810</u> | Cash | - 200 cr |

Fair Value of consideration transferred = 300 cr

∴ Gross Asset Acquired

| | |
|--|--------------------|
| Fair value of consideration + bch. | = 300 cr (P.C.) |
| (+) Liabilities assumed $\langle 810 - 10 \rangle$ | = <u>800 cr</u> |
| | 1100 cr |
| (-) Cash | (200 cr) |
| (-) DTA | (20 cr) |
| | <u>880 cr</u> |

→ NCE, P.C.
 P.C. (100%)
 (+) Debt (9 and 10%)
 (-) Cash of Acquired
 (-) DTA
Gross Asset Acquired

FV of Gross Asset Acquired

Fair Value of Gross Asset Acquired

| | |
|--|---------------|
| Fair value of consideration transferred (50%) | } <u>P.C.</u> |
| (+) Fair value of NCE (30%) | |
| (+) Fair value of previously held interest (20%) | |

(+) Fair value of liabilities assumed (Excl. DTL)

(-) Cash and cash equivalents

(-) DTA

Fair value of GROSS ASSETS Acquired

Suppose land acquired whose Fair value = 900 cr

∴ 90% $\langle \frac{900}{1000} \rangle$ of value of GROSS ASSETS acquired is concentrated into single identifiable Assets.

Eq.

| | |
|-------------------|-------------------|
| I. Asset Acquired | = 1000 cr |
| (-) Liab assumed | = <u>(900 cr)</u> |
| Int | 300 cr |
| Goodwill | 50 cr |
| P.C. Paid | <u>350 cr</u> |

| B/S sheet | |
|-------------|-----------|
| Asset | 1000 Cr |
| Liab | 700 Cr |
| goodwill | 50 Cr |
| G-Asset | 1050 Cr ✓ |
| Cash (P.C.) | (350 Cr) |

Calcⁿ of FV of Gross Asset Acquired

| | |
|------------------------|---------|
| P.C. Paid | 350 Cr |
| (+) Liab Assumed | 700 Cr |
| FV of Gross Asset Acq. | 1050 Cr |

Example:1

Entity A holds 20% interest in Entity B. Subsequently Entity A, further acquires 50% share in Entity B by paying ₹ 300 Crores. The fair value of assets acquired and Liabilities assumed are as follows:

| | | | |
|-------------------------|--------------|--------|---------------|
| Building | 300 Cr (50%) | 500 Cr | ₹ 1,000 Crore |
| Cash & Cash Equivalents | 80 Cr (20%) | | ₹ 200 Crore |
| | 120 Cr (30%) | | |
| Financial Liabilities | 500 Cr | | ₹ 800 Crore |
| DTL | | | ₹ 150 Crore |

Fair value of Entity B is ₹ 400 Crores and Fair value of NCI is ₹ 120 Crores ($400 \times 30\%$)

Fair value of Entity A's previously held interest is ₹ 80 Crores ($400 \times 20\%$) Entity A needs to determine whether acquisition is an asset acquisition as per concentration test:

- Fair value of consideration transferred (including fair value of NCI and fair value of previously interest held) = $300 + 120 + 80 = ₹ 500$ Crores
- Fair value of liability assumed (excluding deferred tax) - ₹ 800 crores
- Cash and cash equivalent - ₹ 200 crores.
- Fair value of gross assets acquired - ₹ 1,100 Crores

Fair value of consideration transferred (incl NCI & Previously held Interest)

$$80 Cr + 300 Cr + 120 Cr = 500 Cr$$

(+) Liabilities Assumed (Excl DTL) (950 - 150)

$$\frac{800 Cr}{1300 Cr}$$

(-) Cash and cash equivalents

$$(200 Cr)$$

(-) DTA (not given)

Fair Value of Gross Assets Acquired

1100 cr

Fair Value of Building = 1000 cr (which is 91% of Gross Assets acquired)

∴ Substantial Portion of Gross assets acquired is concentrated in a single Identifiable Assets: i.e. Land

∴ This is not a case of Business combination.

