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IFRS® Standard 10 Consolidated Financial Statements

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IFRS® Standard 10 Consolidated Financial Statements

Scope and Key Definitions

In May 2011, IASB issued a package of five standards that set out requirements for group accounting: consolidation, accounting for joint agreements, and associates. These standards are known as "consolidation package" including:

- IFRS Standard 10 Consolidated Financial Statements
- IFRS Standard 11 Joint Arrangements
- IFRS Standard 12 Disclosure of Interests in Other Entities
- IAS Standard 27 Separate Financial Statements
- IAS Standard 28 Investments in Associates and Joint Ventures

A group of companies is an economic entity formed by a set of companies controlled by the same company or the controlling company itself. Consolidated financial statements are crucial to decision-makers, as they are primary sources of information used by stakeholders to decide on corporate groups.

IFRS 10 requires a parent entity to present consolidated financial statements. A parent is defined as 'An entity that controls one or more entities." Consolidated financial statements are defined as 'the financial statements of a group, in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity.

IFRS 10 provides a methodology for preparing and presenting consolidated financial statements. Besides the consolidation methodology, IFRS 10 comprises guidance on how to figure out the level of control over the investee.

IFRS 10 requires a parent entity to present a consolidated financial statement that reflects the financial position and performance of both the parent and the subsidiaries as a whole. A subsidiary is "an entity that is controlled by another entity". A group is a parent and its subsidiaries. The level of power over the investee is the key criteria in determining control. Power is defined as "existing rights that give the current ability to direct the relevant activities" and the relevant activities are "activities of the investee that significantly affect the investee's returns".

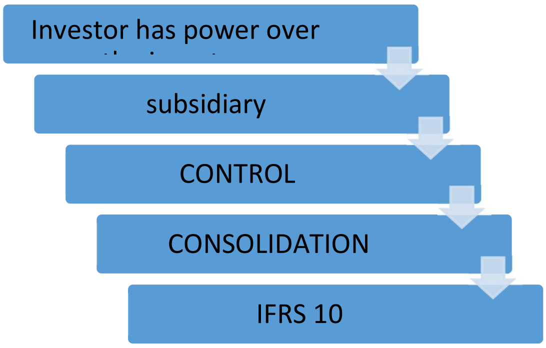
Fundamental Issues

Control

The consolidation model in IFRS 10 is based on control. The principle that is basic to preparing consolidated financial statements is in a direct manner having a relation with the power of control of a subsidiary by a company that is the parent. A reporting entity is required to consolidate an investee when that entity controls the investee. IFRS 10 applies to all companies that control one or more companies. However, IFRS 10 includes a definition of control and increases the requirements to consider while deciding whether an entity (investor) has control over an investee.

The control principle is the basis for consolidation. The investor will decide whether it is a parent entity or not via the control principle. The role of control principle in the consolidation process is presented in Figure 1.

Figure 1. Control and Consolidation



If the investor has power over the investee, then the investor is called "parent"; the investee is called "subsidiary" and the investor has control over the subsidiary. The accounting method will be "consolidation" according to IFRS 10.

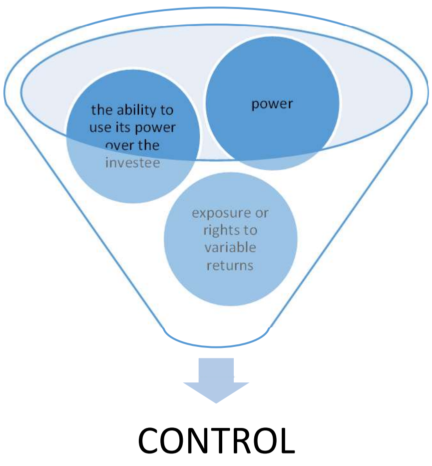
Under IFRS 10, an investor is supposed to control an investee when it is exposed to or has rights to variable returns through its power over an investee. An investor controls an investee if it has three basic elements of control (IFRS10.7): (also see Figure2)

• power over the investee – the existing rights that give it the current ability to direct the activities that significantly affect the investee's returns (relevant activities)

• exposure or rights to variable returns from its involvement with an investee

• the ability to use its power over the investee to affect the amount of investor's returns

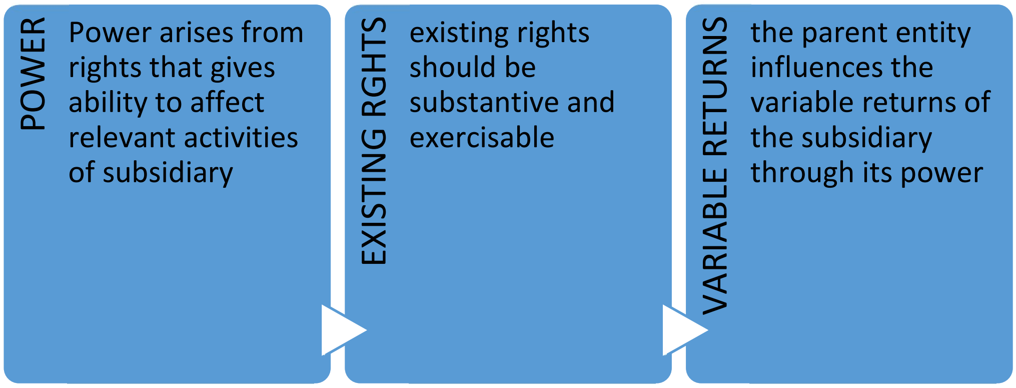
Figure 2. Control Principle



Control comprises power, exposure or rights to variable returns and the ability to use its power over the investee.

IFRS 10 links power and returns by introducing a requirement that the investor can wield that power to influence its returns. IFRS 10's control definition keeps a "power and returns" concept, but also focuses on the ability to direct the relevant activities that affect the investee's returns.

Figure 3. Components of Control



As presented in Figure3 ; power arises from rights. What makes the existing rights substantive and exercisable? Such rights can be straightforward (e.g. through voting rights and/or potential voting right) or complex (e.g. embedded in contractual arrangements). The exercise of the existing rights (and their substantivity) might come from (but not undoubtedly) holding the voting rights in a parent entity. However, sometimes rights can be substantive, even though the rights are not currently exercisable. For example, when voting rights relate to administrative tasks only they cannot have a significant effect on an investee's returns, and the result is controlled by the parent entity.

An investor can easily determine whether it has power or not if it has the majority of voting rights. In the case that control by voting rights cannot be determined clearly, the investor shall consider the purpose and design of the investee, more clearly, the relevant activities of the investee. Relevant activities are activities of the investee that significantly affect the investee's variable returns. For many investees, a range of operating and financing activities affect their returns significantly. The variable returns of the subsidiary are mainly the dividends. Such returns must have the potential to vary as a result of the investee's performance and can be positive, negative, or both. If the parent entity has the power to affect the amount of these returns, it means that the parent entity controls the subsidiary.

The relevant activities of a subsidiary may include selling and purchasing of goods or services, managing financial assets during their life, selecting, acquiring, or disposing of assets, researching and developing new products or processes, determining a funding structure, or obtaining funding. In order to affect these relevant activities, the existing rights of the parent entity should be substantive.

When assessing whether an investor controls an investee, an investor with the right to make decisions determines (not through voting rights) whether it acts as a principal or as an agent of other parties. Several factors are considered while making this assessment. For instance, the remuneration of the decision-maker is considered while determining whether it is an agent.

An investor that holds only protective rights cannot have power over an investee and so cannot control an investee. Proactive rights are designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

EXAMPLE 1 : CONTROL BY CONTRACTUAL ARRANGEMENT

Blue Star owns 30% ordinary shares of Red Moon. The shares are associated with voting rights. The remaining stakeholders do not individually hold more than 3%. Blue Star has a contractual arrangement with the Red Moon that provides power to direct the manufacturing process of Red Moon.

Does Blue Star control over Red Moon?

Blue Star does not have the majority of voting rights. However, Blue Star has control over Red Moon based on the contractual arrangement that gives power to Blue Star over decision-making on the manufacturing process (relevant activity).

Accounting requirements

If a parent entity has control over its subsidiary/subsidiaries, IFRS 10 requires a parent entity to present consolidated financial statements for the group.

Preparation of consolidated financial statements

A consolidated financial statement involves a consolidation of the separate financial statements of the partner company and the separate financial statements of the subsidiary/subsidiaries, based on consolidation procedures under the accounting requirements of IFRS 10. A parent prepares consolidated financial statements using uniform accounting policies for transactions and other events in similar circumstances.

Consolidation procedures

During the consolidation process, the financial statements of the parent and its subsidiaries are combined on a line-by-line basis. The parent entity and its subsidiaries must have uniform accounting policies and reporting dates.

The consolidation procedure includes:(IFRS 10.B86)

- combining items like assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries
- eliminating the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary and recognition of goodwill or bargain purchase
- eliminating intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group in full.

For the group of companies to be reported as a single business, transactions within the group must be eliminated. Thus, only the transactions of the companies included in the financial statements with parties outside the group are included in the consolidated financial statements.

EXAMPLE 2 : PREPARATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

During the preparation of the consolidated statement of financial position, there are different options depending on the difference between the carrying amount of the parent's investment in each subsidiary and the equity of each subsidiary due to goodwill or non-controlling interests. The following examples explain these different situations that can arise.

The carrying amount of the parent's investment = equity of subsidiary

Parent A owns 100% equity shares of subsidiary B. Pre-consolidation separate statements of financial position of A and B are as follows:

Parent A Statement of financial position (CU)

Cash	5,000	Accounts payable	3,000
Accounts receivable (B)	6,000	Shares capital	11,000
Investments (B)	10,000	Retained earnings	7,000
Total assets	**21,000**	**Total liabilities and owner's equity**	**21,000**

Subsidiary B Statement of financial position (CU)

Cash	10,000	Accounts payable (A)	6,000
Inventory	7,000	Notes payable	1,000
		Shares capital	9,000
		Retained earnings	1,000
Total assets	**17,000**	**Total liabilities and owner's equity**	**17,000**

Through the elimination on the acquisition date; the carrying amount of the parent's investment in the subsidiary and the equity of the subsidiary are eliminated. Thus, the investment amount of the parent and the equity of the subsidiary are not included in the consolidated statement of financial position. Assuming that the assets and liabilities of the Subsidiary B reflect their fair value and subsidiary B owes CU6,000 to Parent A; the worksheet for elimination will be as follows:

Worksheet (CU)

	Parent A	**Subsidiary B**	**Elimination**		**Consolidated statement of financial position**
			Debit	**Credit**	
Cash	5,000	10,000			15,000
Accounts receivable (B)	6,000			6,000	-
Inventory		7,000			7,000
Investments (B)	10,000			10,000	-
Accounts payable	3,000	6,000	6,000		3,000
Notes payable		1,000			1,000
Shares capital	11,000	9,000	9,000		11,000
Retained earnings	7,000	1,000	1,000		7,000

Based on the worksheet, the journal entries for elimination will be as follows:

Dr. Accounts payable	6,000	
Dr. Shares capital	9,000	
Dr. Retained earnings	1,000	
Cr. Accounts receivable		6,000
Cr. Investments		10,000

Consolidated statement of financial position (CU)

Cash	15,000	Accounts payable	3,000
Inventory	7,000	Notes payable	1,000
		Shares capital	11,000
		Retained earnings	7,000
Total assets	**22,000**	**Total liabilities and owner's equity**	**22,000**

The carrying amount of the parent's investment > equity of subsidiary

A parent entity owns 100% equity shares of subsidiary B. Pre-consolidation separate statements of financial position of A and B are as follows:

Parent A Statement of financial position (CU)

Assets	4,000	Accounts payable	2,100
Investments (B)	1,500	Shares capital	3,250
		Retained earnings	150
Total assets	**5,500**	**Total liabilities and owner's equity**	**5,500**

Subsidiary B Statement of financial position (CU)

Assets	2,000	Accounts payable	750
		Shares capital	1,200
		Retained earnings	50
Total assets	**2,000**	**Total liabilities and owner's equity**	**2,000**

In this case; the carrying amount of the parent's investment (CU 1,500) is higher than the equity of Subsidiary B (CU 1,250). This situation will lead to the recognition of Goodwill in the consolidated statement of financial position.

For the investment of Parent A and the elimination of equity of Subsidiary B, the entry in the working papers by Parent A will be as follows (assuming the carrying amount of net assets of Subsidiary B equals fair value):

Worksheet (CU)

	Parent A	Subsidiary B	Elimination		Consolidated statement of financial position
			Debit	Credit	
Assets	4,000	2,000			6,000
Investments (B)	1,500			1,500	-
Accounts payable	2,100	750			2,850
Shares capital	3,250	1,200	1,200		3,250
Retained earnings	150	50	50		150
Goodwill (1,500-1,250)			250		250

Based on the worksheet, the journal entries for elimination will be as follows:

Dr. Shares capital	1,200	
Dr. Retained earnings	50	
Dr. Goodwill	250	
Cr. Investments		1,500

Consolidated statement of financial position

Assets	6,000	Accounts payable	2,850
Goodwill	250	Shares capital	3,250
		Retained earnings	150
Total assets	**6,250**	**Total liabilities and owner's equity**	**6,250**

Assuming that the fair value of net assets of Subsidiary B is CU1,300 which is CU50 higher than their carrying amount; the worksheet for elimination and the Consolidated statement of financial position will be as follows:

Worksheet (CU)

	Parent A	Subsidiary B	Elimination		Consolidated statement of financial position
			Debit	Credit	
Assets	4,000	2,000	50		6,050
Investments (B)	1,500			1,500	-
Accounts payable	2,100	750			2,850
Shares capital	3,250	1,200	1,200		3,250
Retained earnings	150	50	50		150
Fair value adjustments			50	50	
Goodwill (1,500-1,300)			200		200

Based on the worksheet, the journal entries for elimination will be as follows:

Dr.Assets 50
Cr. Fair value adjustments 50

Dr. Shares capital 1,200
Dr. Retained earnings 50
Dr. Goodwill 200
Dr. Fair value adjustments 50
Cr.Investments 1,500

Consolidated statement of financial position

Assets	6,050	Accounts payable	2,850
Goodwill	200	Shares capital	3,250
		Retained earnings	150
Total assets	**6,250**	**Total liabilities and owner's equity**	**6,250**

The carrying amount of the parent's investment < equity of subsidiary

Parent A owns 100% equity shares of Subsidiary B. Pre-consolidation separate statements of financial position of A and B are as follows:

Parent A Statement of financial position (CU)

Assets	4,000	Accounts payable	2,100
Investments (B)	1,250	Shares capital	3,000
		Retained earnings	150
Total assets	**5,250**	**Total liabilities and owner's equity**	**5,500**

Subsidiary B Statement of financial position (CU)

Asset	2,250	Accounts payable	750
		Shares capital	1,400
		Retained earnings	100
Total assets	**2,250**	**Total liabilities and owner's equity**	**2,250**

As a result of a bargain purchase, the carrying amount of the parent's investment (CU 1,250) is higher than the equity of Subsidiary B (CU 1,500). After reviewing the procedures used to measure the amounts, the parent entity shall recognize the resulting bargain purchase gain in profit or loss on the acquisition date.

The worksheet for elimination and the Consolidated statement of financial position will be as follows:

Worksheet (CU)

	Parent A	**Subsidiary B**	**Elimination**		**Consolidated statement of financial position**
			Debit	**Credit**	
Assets	4,000	2,250			6,250
Investments (B)	1,250			1,250	
Accounts payable	2,100	750			2,850
Shares capital	3,000	1,400	1,400		3,000
Retained earnings	150	100	100		150
Bargain income				250	250

Based on the worksheet the journal entries for elimination will be as follows:

Dr. Shares capital 1,400

Dr. Retained earnings 100

Cr. Investments 1,250

Cr. Bargain income 250

Consolidated statement of financial position

Assets	6,250	Accounts payable	2,850
		Shares capital	3,000
		Retained earnings	150
		Bargain income	250
Total assets	**6,250**	**Total liabilities and owner's equity**	**6,250**

Non-controlling interests (NCIs)

A reporting entity attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests. The proportion allocated to the parent and non-controlling interests is determined on the basis of present ownership interests. (IFRS 10.B94, IFRS 10.B89)

The reporting entity also attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.(IFRS 10.B94)

Determination of Goodwill and Non-Controlling Interests on the Acquisition Date

On the acquisition date, the calculation of both goodwill and non-controlling interests before the transactions requiring elimination between the companies included in the group constitutes the beginning of the consolidation process. IFRS 10 refers to IFRS 3 Business Combinations for such transactions on the acquisition date.

The parent entity measures the assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interests are "Equity in a subsidiary not attributable, directly or indirectly, to a parent".

If the parent holds less than 100% of the subsidiary, a separate procedure arises in the preparation of the consolidated financial statements. In this case, non-controlling interests should be identified and presented in the consolidated financial statements. Non-controlling interests are included as a separate item under equity in the consolidated financial position statement. There are two different methods for measurement of non-controlling interests in the consolidated statement of financial position: (IFRS 3.19)

(a) fair value (based on the market price of the subsidiary's shares)
(b) proportionate share of the fair value of the subsidiary's net assets

Since the non-controlling interests can be calculated in two different ways, the amount of goodwill will also differ according to the method applied.

Example 3 : Non-controlling interests

Parent A owns 80% equity shares of Subsidiary B. 20% shares of Subsidiary B belong to non-controlling interests. On the acquisition date, S's net assets carrying amount is CU 4,000. Fair value of the net assets is CU 4,800. P decides to recognize non-controlling interests using the proportionate share of net assets method rather than fair value.

According to consolidation procedures, non-controlling interests should be calculated and presented in consolidated statement of financial position. Pre-consolidation separate statements of financial position of A and B are as follows:

Parent A Statement of financial position (CU)

Assets	7,000	Accounts payable	1,000
Investments (B)	5,000	Shares capital	9,000
		Retained earnings	2,000
Total assets	**12,000**	**Total liabilities and owner's equity**	**12,000**

Subsidiary B Statement of financial position (CU)

Asset	4,000		
		Shares capital	2,500
		Retained earnings	1,500
Total assets	**4,000**	**Total liabilities and owner's equity**	**4,000**

Worksheet (CU)

	Parent A	**Subsidiary B**	**Elimination**		**Consolidated statement of financial position**
			Debit	**Credit**	
Assets	7,000	4,000	800		11,800
Investments (B)	5,000			5,000	
Accounts payable		1,000			1,000
Shares capital	9,000	2,500	2,500		9,000
Retained earnings	2,000	1,500	1,500		2,000
Goodwill (5,000 – 80%*4,800)			1,160		1,160
Fair value adjustments (4,800-4,000)			800	800	-
Non-controlling interests (20%*4,800)				960	960

Based on the worksheet, the journal entries for elimination will be as follows:

Dr.Assets 800

Cr. Fair value adjustments 800

Dr. Shares capital 2,500

Dr. Retained earnings 1,500

Dr. Goodwill 1,160

Dr. Fair value adjustments 800

Cr.Investments 5,000

Cr.Non-controlling interests 960

Consolidated statement of financial position

Assets	11,800	Accounts payable	1,000
Goodwill	1,160	Shares capital	9,000
		Retained earnings	2,000
		Non-controlling interests	960
Total assets	**12,960**	**Total liabilities and owner's equity**	**12,960**

Assume that P decides to recognize non-controlling interests using the fair value method and the market price of S is CU 5,000.

Worksheet (CU)

	Parent A	Subsidiary B	Elimination		Consolidated statement of financial position
			Debit	Credit	
Assets	7,000	4,000	1,000		12,000
Investments (B)	5,000			5,000	
Accounts payable		1,000			1,000
Shares capital	9,000	2,500	2,500		9,000
Retained earnings	2,000	1,500	1,500		2,000
Goodwill (5,000 – 80%*5,000)			1,000		1,000
Fair value adjustments (5,000-4,000)			1,000	1,000	-
Non-controlling interests (20%*5,000)				1,000	1,000

Based on the worksheet, the journal entries for elimination will be as follows:

Dr.Assets 1,000

Cr. Fair value adjustments 1,000

Dr. Shares capital	2,500		
Dr. Retained earnings	1,500		
Dr. Goodwill	1,000		
Dr. Fair value adjustments	1,000		
	Cr.Investments		5,000
	Cr.Non-controlling interests		1,000

Consolidated statement of financial position

Assets	12,000	Accounts payable	1,000
Goodwill	1,000	Shares capital	9,000
		Retained earnings	2,000
		Non-controlling interests	1,000
Total assets	**13,000**	**Total liabilities and owner's equity**	**13,000**

Changes in ownership interests

If a parent loses control of a subsidiary, the parent:

- derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position
- recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant IFRSs. Such retained interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 Financial Instruments or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

Consolidation exceptions

A parent is not required to present consolidated financial statements if it meets all of the following conditions: (IFRS10.4)

- it is a wholly-owned subsidiary or is a partially-owned subsidiary of another parent entity and all its owners have been informed about, and do not object to, the parent not presenting consolidated financial statements
- its debt or equity instruments are not traded in a public market
- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market, and
- its ultimate or any intermediate parent of the parent produces financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10.

Investment entities' consolidation exemption

Investment entities are prohibited from consolidating particular subsidiaries. If an entity fulfils the requirements of an 'investment entity', it does not consolidate its subsidiaries. It is required to measure interests in subsidiaries at fair value through profit or loss instead of consolidating them.

An investment entity (IFRS10.Appendix A):

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- Measures and evaluates performance of substantially all of its investments on a fair value basis.

Other typical characteristics of investment entity are: (IFRS10.28)

- More than one investment
- More than one investor
- it has investors that are not related parties of the entity
- has ownership interests in the form of equity or similar interests

A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary unless the parent itself is an investment entity.

Disclosures

There are no disclosures specified in IFRS 10. Instead, IFRS 12 Disclosure of Interests in Other Entities outlines the disclosures required.

EXAMPLES:

Elimination of Intragroup transactions and Preparation of Consolidated Statement of Profit or Loss

Parent A owns 100% equity shares of Subsidiary B. Pre-consolidation separate statements of Profit or Loss of Parent A and Subsidiary B and their intra group transactions are as follows:

	Parent A	**Subsidiary B**
Sales Revenue	500	250
Cost of goods sold	(200)	(130)
Gross margin	300	120
Interest revenue	50	-
Interest expense	-	(50)
PPE sale gain	50	-
Net Income	550	70

- Parent A sold inventories to Subsidiary B for CU120, the cost of CU 100
- Subsidiary B sold these inventories outside the group with a selling price of CU150.

Dr. Sales Revenue 120

Cr. Cost of goods sold 120

- Parent A earned CU 50 interest revenue from Subsidiary B.

Dr. Interest revenue 50

Cr. Interest Expense 50

- Parent A sold its machine (carrying amount of CU200), depreciation period of which has expired, to Subsidiary B for a sale price of CU 220.

Dr. PPE sale gain 20

Cr. Property, plant equipment 20

	Parent A	**Subsidiary B**	**Elimination**		**Consolidated statement of profit or loss**
			Debit	**Credit**	
Sales Revenue	500	250	120		630
Cost of goods sold	200	130		120	210
Gross margin	300	120			420
Interest revenue	50		50		-
Interest expense	-	50		50	-
PPE sale gain	50	-	20		30
Net Income	400	70			450

Preparation of Consolidated Statement of Financial Position

Parent X paid CU 1,000,000 to acquire 100% of the share capital of Subsidiary Y and paid CU 800,000 to acquire 100% of the share capital of Subsidiary Z. Immediately after purchase, two companies' statements of financial position are as follows:

	Parent X	**Subsidiary Y**	**Subsidiary Z**
ASSETS			
Cash	900,000	300,000	400,000
Accounts receivable	500,000	250,000	200,000
Inventory	400,000	100,000	150,000
Investment in Y and Z	1,900,000	-	-
Property, plant and equipment	1,000,000	400,000	500,000
Total	**4,700,000**	**1,050,000**	**1,250,000**
LIABILITIES AND OWNER'S EQUITY			
Accounts payable	300,000	150,000	200,000
Notes payable	400,000	100,000	100,000
Share capital	3,150,000	700,000	800,000
Retained earnings	850,000	100,000	150,000
Total	**4,700,000**	**1,050,000**	**1,250,000**

On the acquisition date; the fair value of net assets of Subsidiary Y and Subsidiary Z are as follows:

	Subsidiary Y	**Subsidiary Z**
Cash	300,000	400,000
Accounts receivable	290,000	250,000
Inventory	120,000	180,000
Property, plant and equipment	450,000	550,000
Accounts payable	170,000	250,000
Notes payable	120,000	120,000

Requirement: Prepare the journal entries, worksheet for elimination and the consolidated statement of financial position for Parent X, Subsidiary Y and Z.

Elimination of Subsidiary Y share capital;

Dr. Accounts Receivable	40,000	
Dr. Inventory	20,000	
Dr. Property, plant and equipment	50,000	
Cr. Accounts payable		20,000
Cr. Notes payable		20,000
Cr. Fair value adjustments		70,000

Dr. Shares capital	700,000	
Dr. Retained earnings	100,000	
Dr. Goodwill	130,000	
Dr. Fair value adjustments	70,000	
Cr.Investments		1,000,000

Elimination of Subsidiary Z share capital;

Dr. Accounts Receivable	50,000	
Dr. Inventory	30,000	
Dr. Property, plant and equipment	50,000	
Cr. Accounts payable		50,000
Cr. Notes payable		20,000
Cr. Fair value adjustments		60,000

Dr. Shares capital	800,000	
Dr. Retained earnings	150,000	
Dr. Fair value adjustments	60,000	
Cr.Investments		900,000
Cr. Bargain income		110,000

	Parent X	Subsidiary Y	Subsidiary Z	elimination		Consolidated statement of financial position
				debit	credit	
Cash	900,000	300,000	400,000			1,600,000
Accounts receivable	500,000	250,000	200,000	40,000 50,000		1,040,000
Inventory	400,000	100,000	150,000	20,000 30,000		700,000
Investment in Y and Z	1,900,000	-	-		1,000,000 900,000	-
Property, plant and equipment	1,000,000	400,000	500,000	50,000 50,000		2,000,000
Goodwill				130,000		130,000
Accounts payable	300,000	150,000	200,000		20,000 50,000	720,000
Notes payable	400,000	100,000	100,000		20,000 20,000	640,000
Share capital	3,150,000	700,000	800,000	700,000 800,000		3,150,000
Retained earnings	850,000	100,000	150,000	100,000 150,000		850,000
Fair value adjustments				70,000 60,000	70,000 60,000	-
Bargain income					110,000	110,000

Parent X Consolidated Statement of Financial Position	
ASSETS	
Cash	1,600,000
Accounts receivable	1,040,000
Inventory	700,000
Goodwill	130,000
Property, plant and equipment	2,000,000
Total	**5,470,000**
LIABILITIES AND OWNER'S EQUITY	
Accounts payable	720,000
Notes payable	640,000
Share capital	3,150,000
Retained earnings	850,000
Bargain income	110,000
Total	**5,470,000**