



# PASSFR.EU

A Digital Learning Platform for Generation Z:  
Passport to IFRS®

## IFRS® Standard 10 Consolidated Financial Statements





**GROUP  
ACCOUNTING**

IFRS Standard  
10  
Consolidated  
Financial  
Statements



**GROUP  
ACCOUNTING**

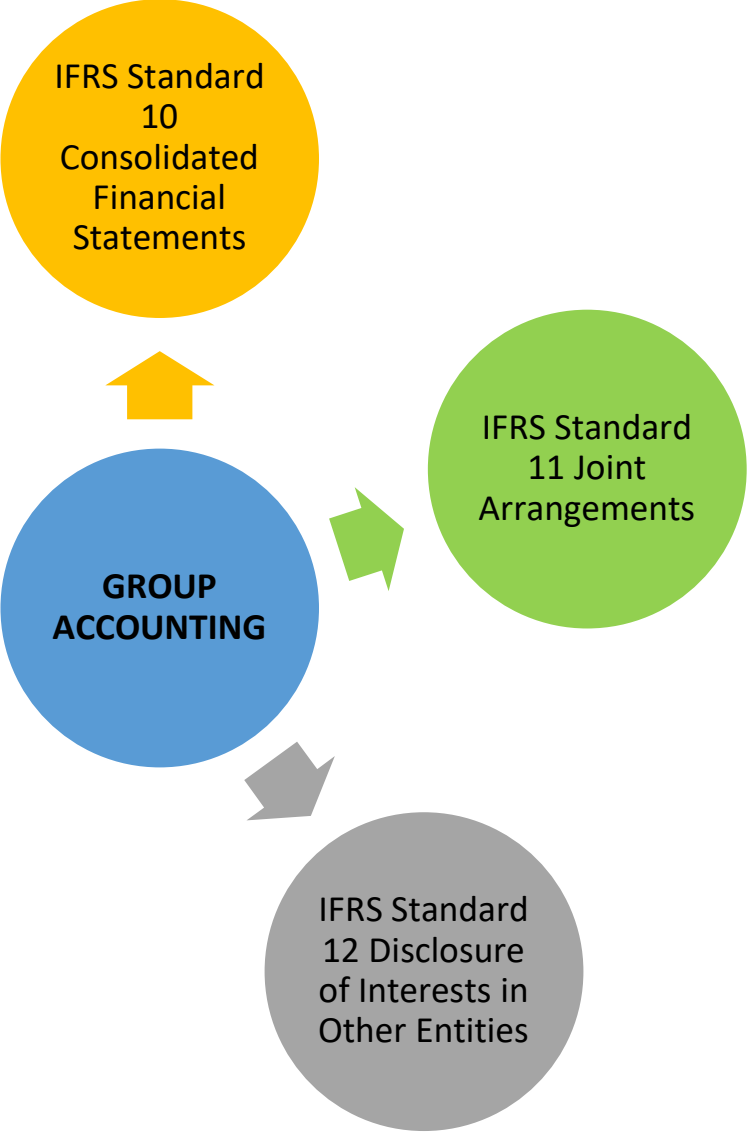
IFRS Standard  
10  
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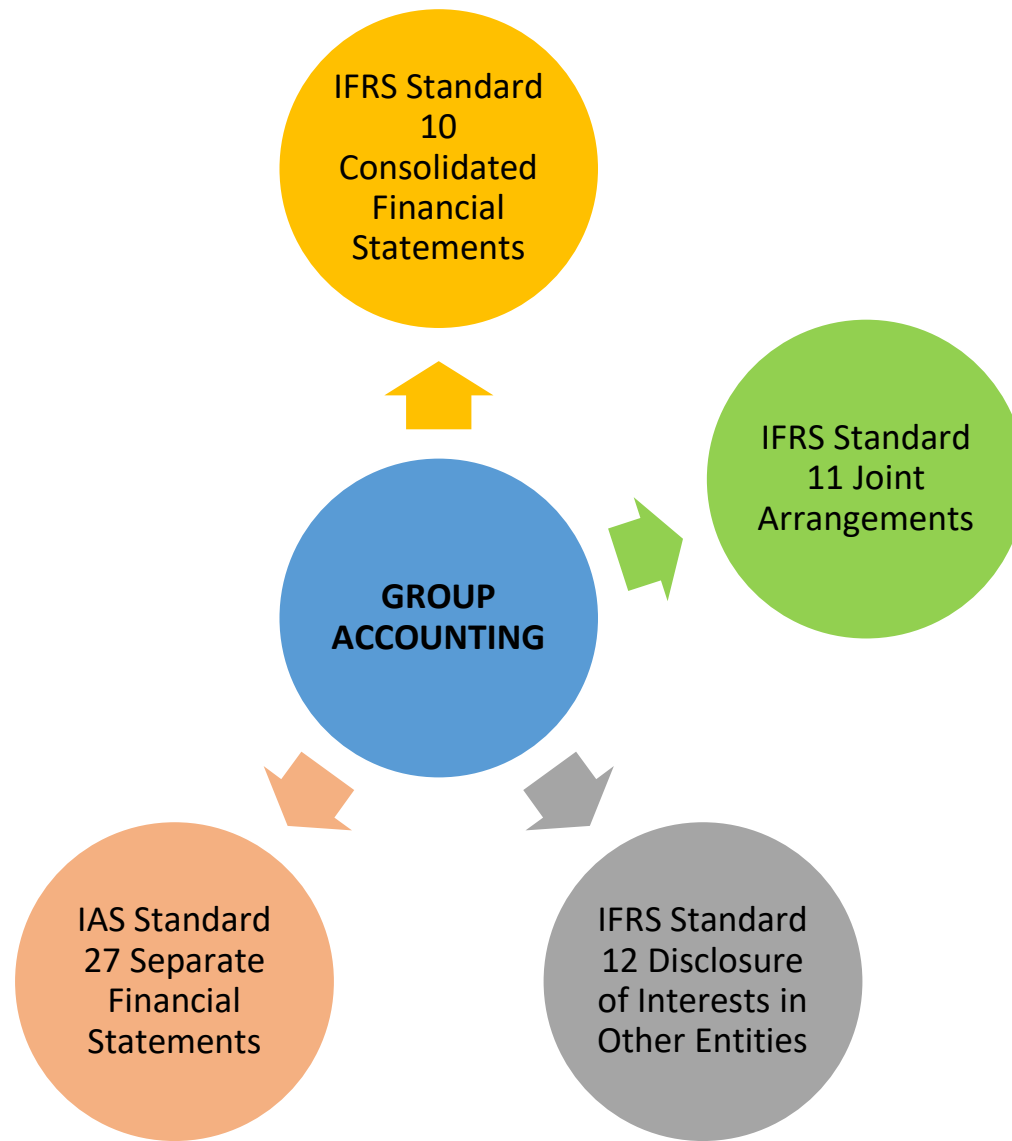


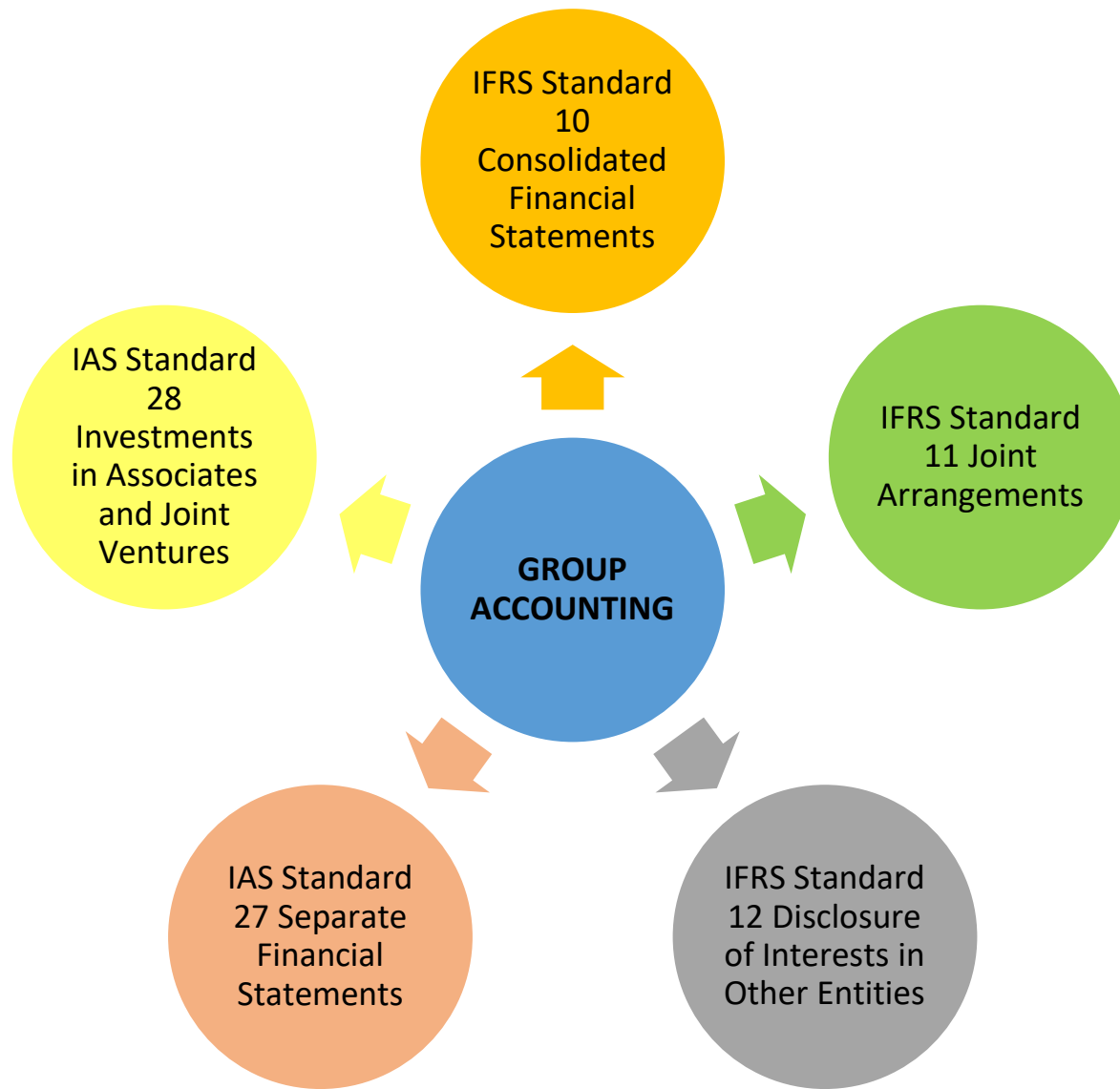
**GROUP  
ACCOUNTING**



IFRS Standard  
11 Joint  
Arrangements







# Definitions

Parent



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- An entity that controls one or more entities

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Consolidated financial  
statements

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## Consolidated financial statements

- 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.

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- Existing rights that give the current ability to direct the relevant activities

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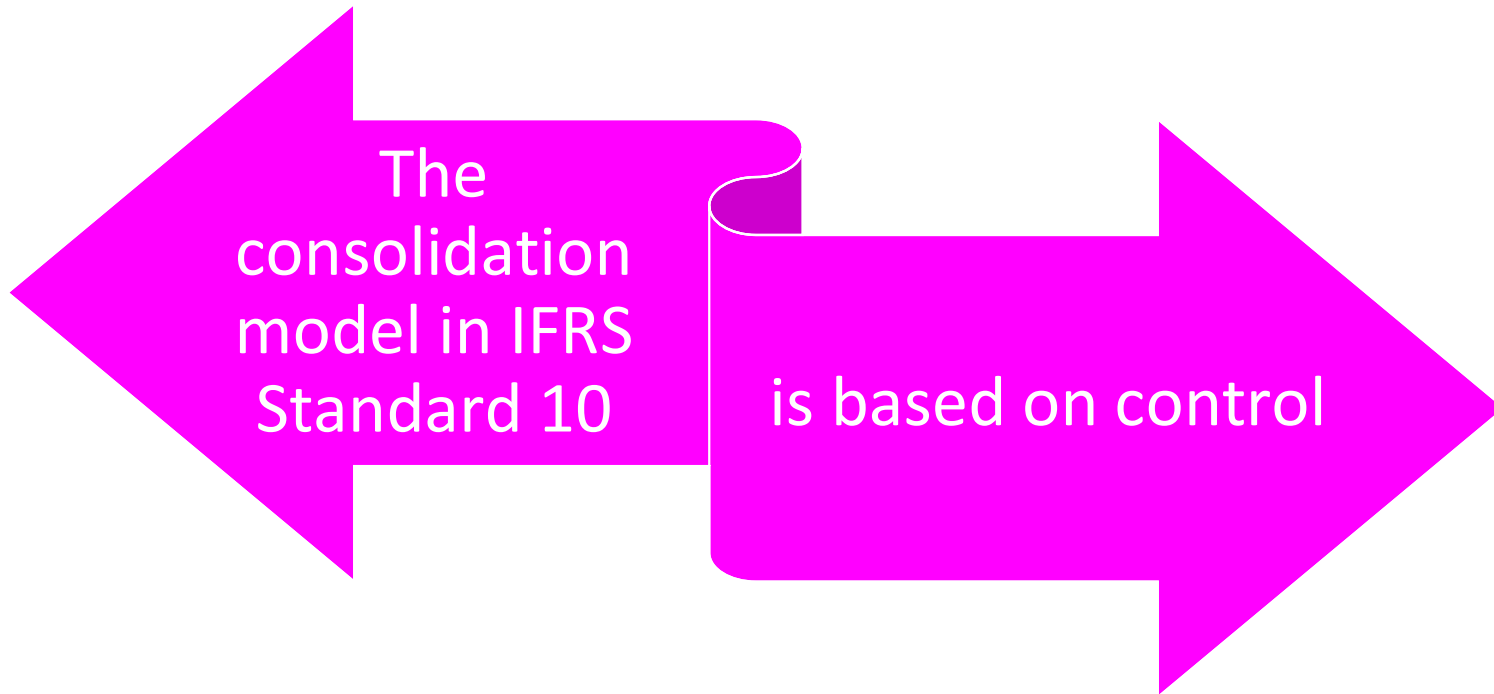
## Power

- Existing rights that give the current ability to direct the relevant activities

## Relevant activities

- Activities of the investee that significantly affect the investee's returns

# Control



# Control and Consolidation

Investor has power over the investee

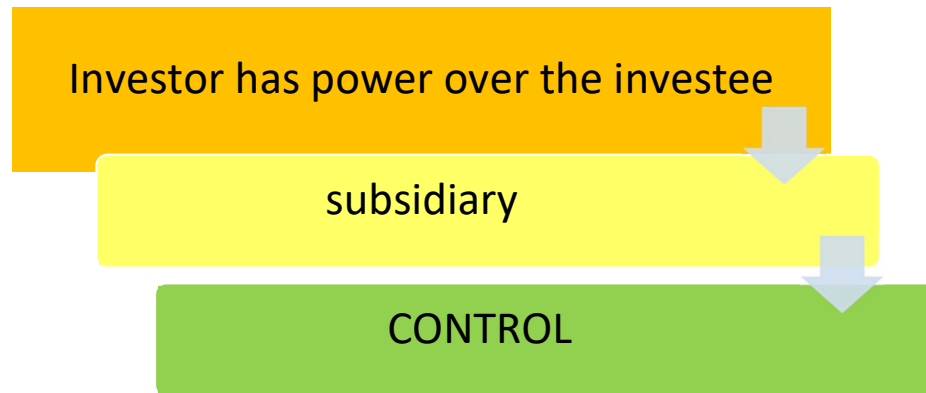
# Control and Consolidation

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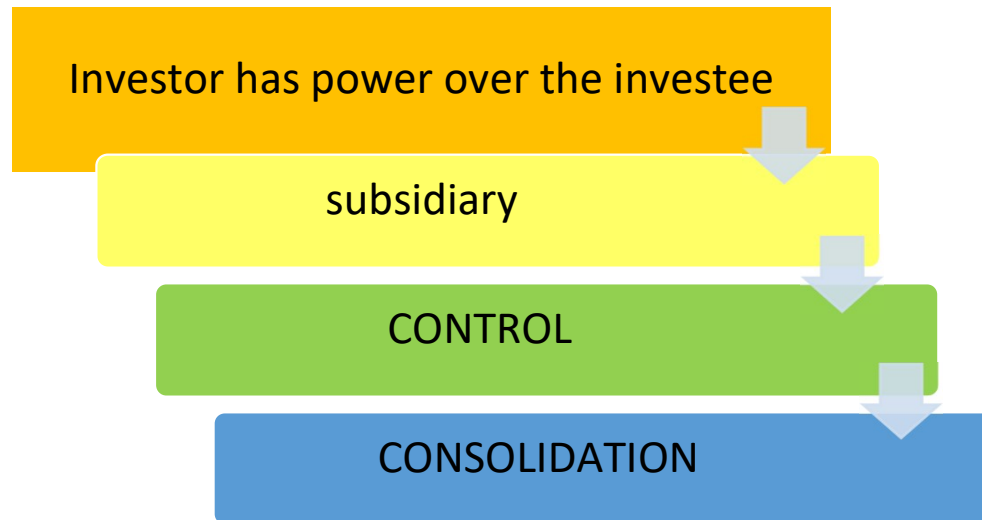


subsidiary

# Control and Consolidation

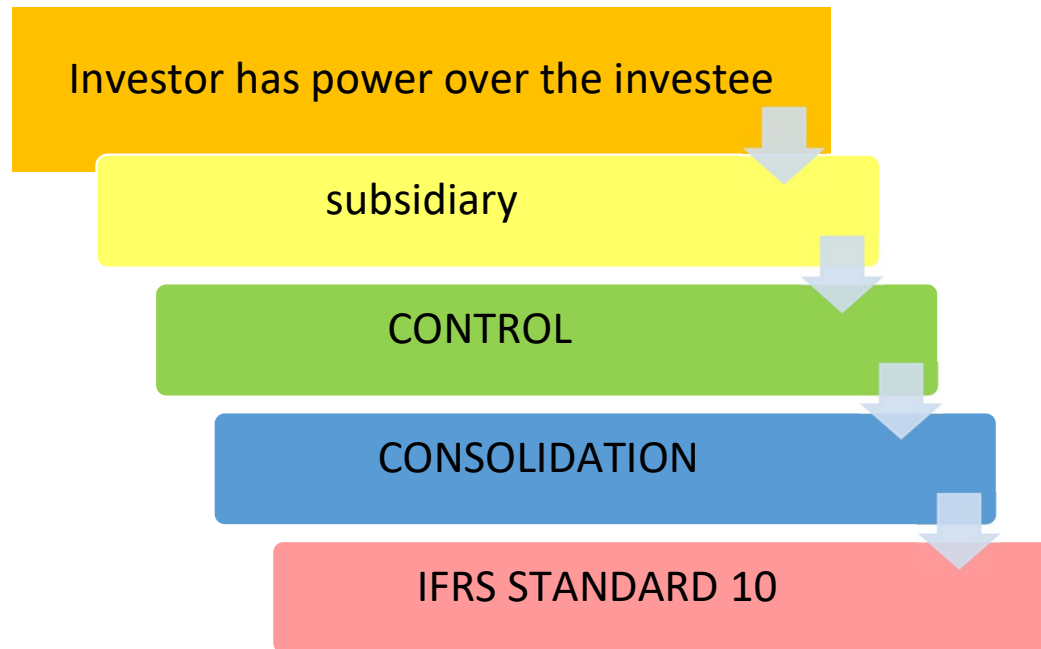


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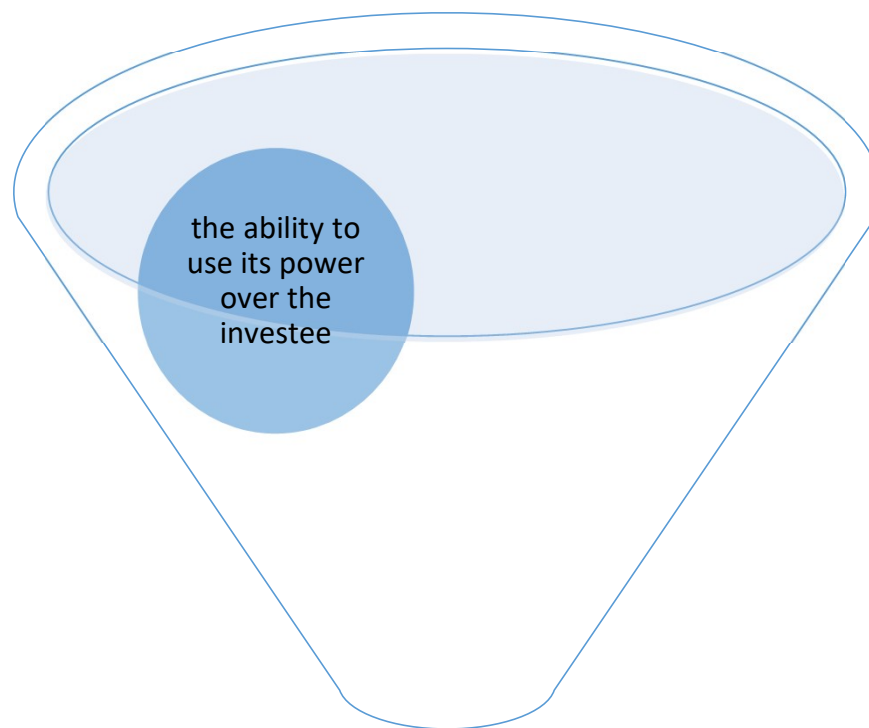




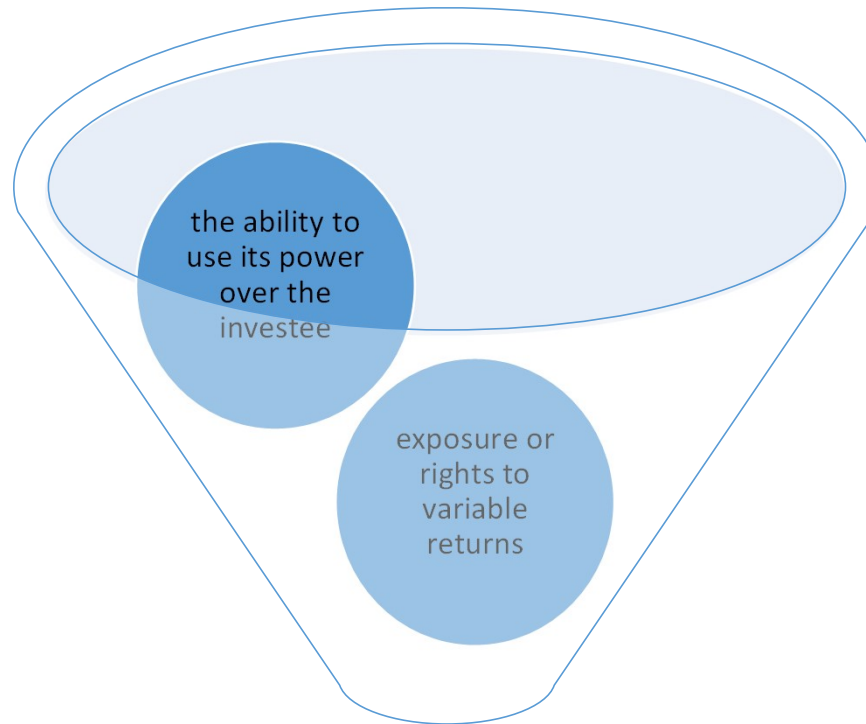
# Control and Consolidation



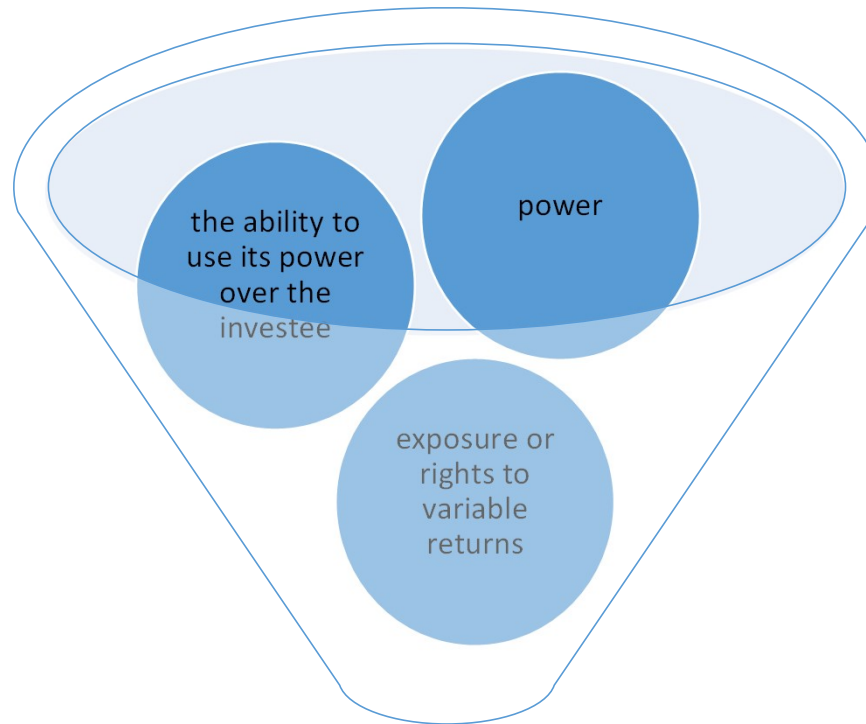
# Control Principle



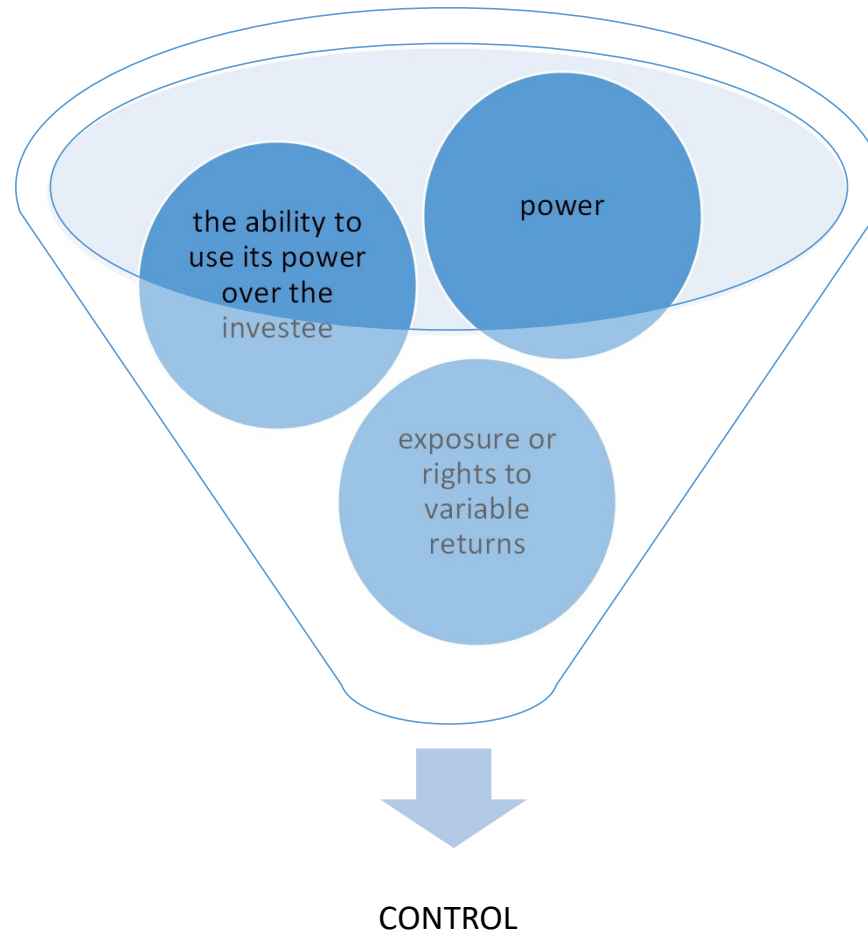
# Control Principle



# Control Principle



# Control Principle



# Components of Control

## POWER

Power arises from rights that gives ability to affect relevant activities of subsidiary

# Components of Control

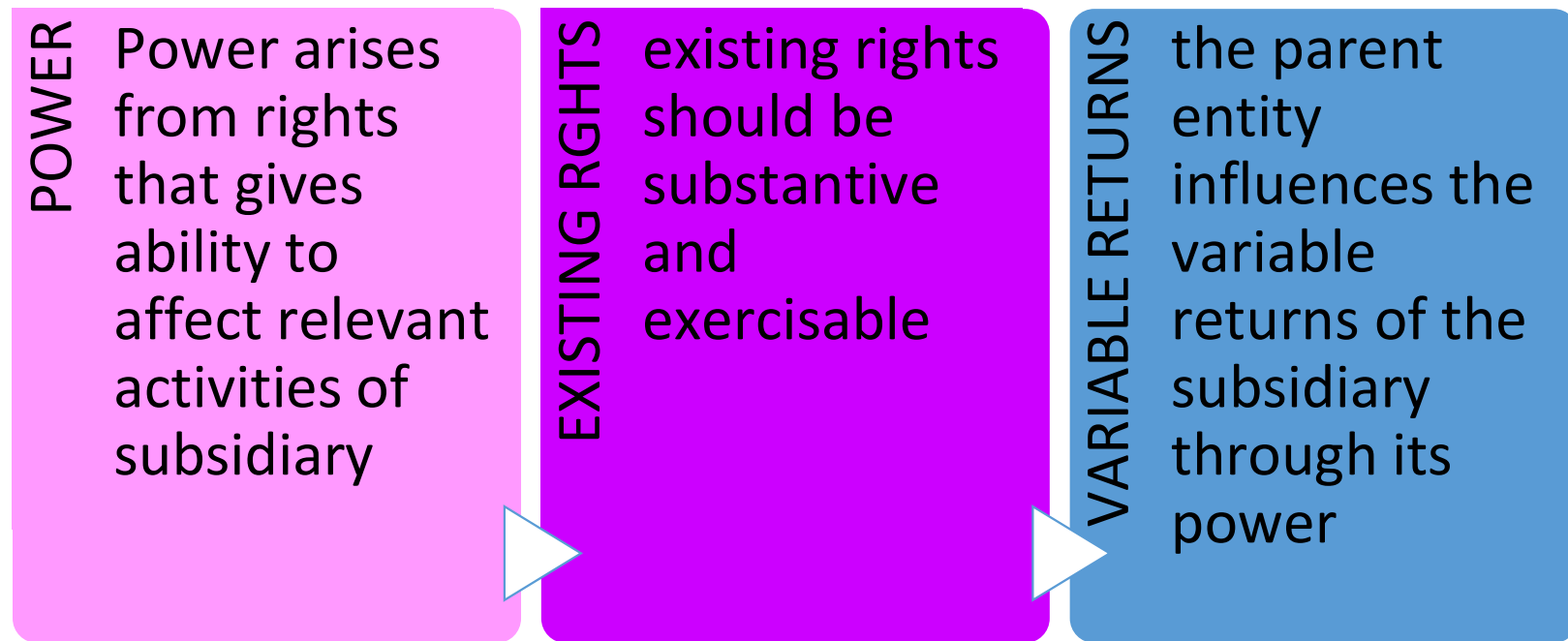
## POWER

Power arises from rights that gives ability to affect relevant activities of subsidiary

## EXISTING RIGHTS

existing rights should be substantive and exercisable

# Components of Control





# Example 1: Control by Contractual Arrangement

## Example

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

# Example 1: Control by Contractual Arrangement

## Example

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

## Question

*Does Blue Star control over Red Moon?*

# Example 1: Control by Contractual Arrangement

## Example

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

## Question

*Does Blue Star control over Red Moon?*

## Answer

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).

# Consolidation

Accounting  
requirements

# Consolidation

## Accounting requirements

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

# Consolidation

Accounting  
requirements

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

Preparation of  
consolidated  
financial statements

# Consolidation

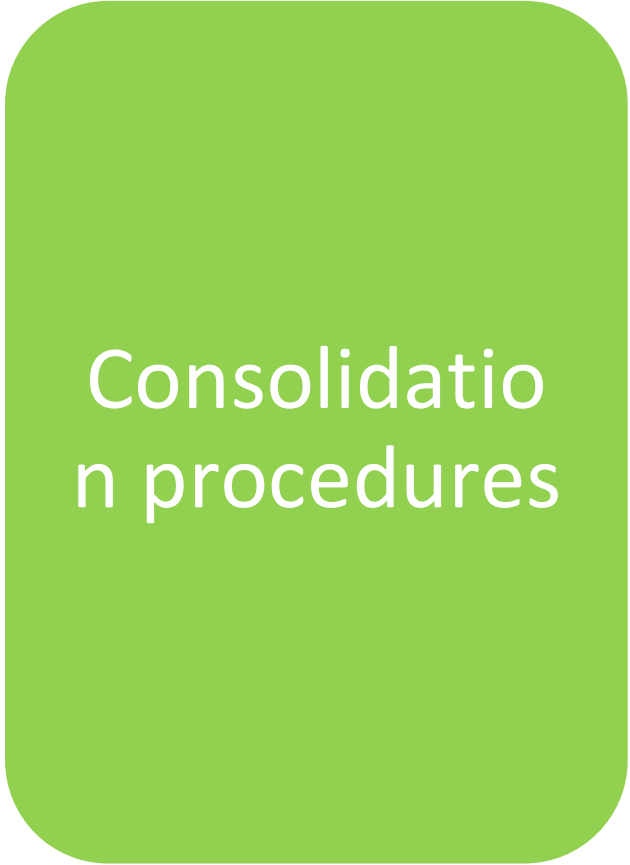
## Accounting requirements

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

## Preparation of consolidated financial statements

- A parent prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

# Consolidation



Consolidation  
procedures



# Consolidation

## Consolidation procedures

- Combining like items of 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.

## Example 2: Preparation of Consolidated Statement of Financial Position

First Situation

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

# Example 2: Preparation of Consolidated Statement of Financial Position

**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
<b>Total assets</b>	<b>21,000</b>	<b>Total liabilities and owner's equity</b>	<b>21,000</b>

**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
<b>Total assets</b>	<b>17,000</b>	<b>Total liabilities and owner's equity</b>	<b>17,000</b>

# Example 2: Preparation of Consolidated Statement of Financial Position

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

## Example 2: Preparation of Consolidated Statement of Financial Position

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

# Example 2: Preparation of Consolidated Statement of Financial Position

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
<b>Total assets</b>	<b>22,000</b>	<b>Total liabilities and owner's equity</b>	<b>22,000</b>

## Example 2: Preparation of Consolidated Statement of Financial Position

### Second Situation

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

# Example 2: Preparation of Consolidated Statement of Financial Position

## 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
<b>Total assets</b>	<b>5,500</b>	<b>Total liabilities and owner's equity</b>	<b>5,500</b>

## Subsidiary B Statement of financial position (CU)

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



# Example 2: Preparation of Consolidated Statement of Financial Position

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

## Example 2: Preparation of Consolidated Statement of Financial Position

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

# Example 2: Preparation of Consolidated Statement of Financial Position

Consolidated statement of financial position (CU)

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

# Example 2: Preparation of Consolidated Statement of Financial Position

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

## Example 2: Preparation of Consolidated Statement of Financial Position

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

# Example 2: Preparation of Consolidated Statement of Financial Position

## Consolidated statement of financial position (CU)

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

## Example 2: Preparation of Consolidated Statement of Financial Position

Third Situation

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

# Example 2: Preparation of Consolidated Statement of Financial Position

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
<b>Total assets</b>	<b>5,250</b>	<b>Total liabilities and owner's equity</b>	<b>5,250</b>

Subsidiary B Statement of financial position (CU)

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



# Example 2: Preparation of Consolidated Statement of Financial Position

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

## Example 2: Preparation of Consolidated Statement of Financial Position

Dr. Shares capital		1,400	
Dr. Retained earnings		100	
	Cr. Investments		1,250
	Cr. Bargain income		250

# Example 2: Preparation of Consolidated Statement of Financial Position

Consolidated statement of financial position (CU)

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

# Non-controlling interests (NCIs)

Non-controlling  
interests (NCIs)

# Non-controlling interests (NCIs)

Non-controlling interests (NCIs)

- Equity in a subsidiary not attributable, directly or indirectly, to a parent.

# Measurement of Non-controlling Interests

**Measurement of Non-controlling Interests**

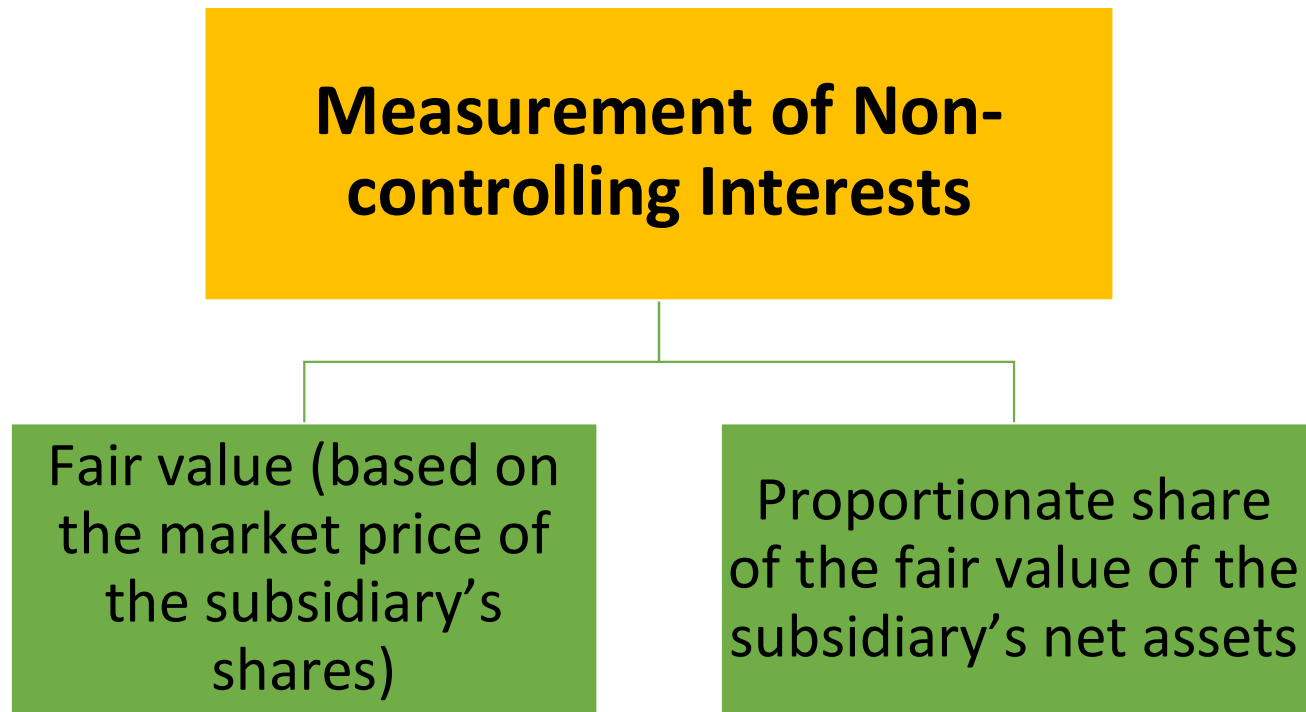
# Measurement of Non-controlling Interests

**Measurement of Non-controlling Interests**

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graph TD; A[Measurement of Non-controlling Interests] --- B[Fair value (based on the market price of the subsidiary's shares)];
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Fair value (based on the market price of the subsidiary's shares)

# Measurement of Non-controlling Interests





## Example 3: Non-controlling interests

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

# Example 3: Non-controlling interests

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
<b>Total assets</b>	<b>12,000</b>	<b>Total liabilities and owner's equity</b>	<b>12,000</b>

Subsidiary B Statement of financial position (CU)

Asset	4,000		
		Shares capital	2,500
		Retained earnings	1,500
<b>Total assets</b>	<b>4,000</b>	<b>Total liabilities and owner's equity</b>	<b>4,000</b>

# Example 3: Non-controlling interests

## 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

## Example 3: Non-controlling interests

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

# Example 3: Non-controlling interests

## 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
<b>Total assets</b>	<b>12,960</b>	<b>Total liabilities and owner's equity</b>	<b>12,960</b>

## Example 3: Non-controlling interests

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

# Example 3: Non-controlling interests

## 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

## Example 3: Non-controlling interests

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



# Example 3: Non-controlling interests

## 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
<b>Total assets</b>	<b>13,000</b>	<b>Total liabilities and owner's equity</b>	<b>13,000</b>

## **Example:**

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

# Example:

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

# Example:

Dr. Sales Revenue		120	
	Cr. Cost of goods sold		120

# Example:

Dr. Interest revenue		50	
	Cr. Interest Expense		50

# Example:

Dr. Gain on Sale of PPE		20	
	Cr. Property, plant and equipment		20

# Example:

	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
<b>Gross margin</b>	<b>300</b>	<b>120</b>			<b>420</b>
Interest revenue	50		50		-
Interest expense	-	50		50	-
PPE sale gain	50	-	20		30
<b>Net Income</b>	<b>400</b>	<b>70</b>			<b>450</b>

**Example:**

Preparation of Consolidated Statement of  
Financial Position



# Example:

	Parent X	Subsidiary Y	Subsidiary Z
<b>ASSETS</b>			
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
<b>Total</b>	<b>4,700,000</b>	<b>1,050,000</b>	<b>1,250,000</b>
<b>LIABILITIES AND OWNER'S EQUITY</b>			
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
<b>Total</b>	<b>4,700,000</b>	<b>1,050,000</b>	<b>1,250,000</b>

# Example:

	<b>Subsidiary Y</b>	<b>Subsidiary Z</b>
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

# Example:

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

# Example:

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

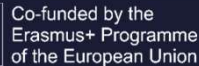
	Parent X	Subsidiary Y	Subsidiary Z	elimination		Consolidated statement of financial position
				debit	credit	
Cash	900,000	300,000	400,000			1,600,000
Accounts receivable	500,000	250,000	200,000	40,000		1,040,000
				50,000		
Inventory	400,000	100,000	150,000	20,000		700,000
				30,000		
Investment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

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



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