

CH5

①

~~✓ RUPA M stock~~

Consolidation of less-than-wholly-owned subsidiaries acquired at more than the Book Value

→ less than 100% → Non controlling Interest

→ $FMV > B.V$ → Differential

FMV of Consideration (80%) = \$ 310,000

FMV of Noncontrolling Interest (20%) = \$ 77,500

\$ 387,500

* Total [FMV of sub.]

FMV of Net Identifiable Assets = \$ 375,000

B.V of Net Identifiable Assets = \$ 300,000

↳ C.O.S + R.E

FMV of Sub	◦ FMV of Net Identifiable Asset	◦ B.V Net Identifiable Assets
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\$ 387,500	◦ \$ 375,000	◦ \$ 300,000
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<u>\$ 12,500</u>	
Goodwill	

<u>\$ 75,000</u>	
FMV > B.V	

Increased by ②

Inventory	\$ 5,000
Land	\$ 10,000
B & E	\$ 60,000
Goodwill	\$ 12,500
FMV > B.V	\$ 75,000
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Total Differential	<u>\$ 87,500</u>

موضوعات
CH. 3

Parent Entry:

Dr. Investment In Sub.	310,000
Cr. Cash	310,000

Elimination Entries @ B.C Date:

* Optional Elimination Entry:

Dr. Acc. dep. -s	300,000
Cr. B & E -s	300,000

* Basic & Reclassification Entry:

Dr. C.S -s	200,000		
R.E -s	100,000		
Differential	[Inventory -s	5,000
		land -s	10,000
		B & E -s	60,000
		Goodwill -s	12,500

Dr. Investment In Sub. - P	310,000
NCI in Net asset of sub	77,500

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Total Differential = \$87,500

- \$12,500 Goodwill
- \$75,000 FMV > BV

\$70,000 ← Parent 80%

\$17,500 ← NCI 20%

Goodwill 12,500

- 80% Parent \$10,000
- 20% NCI \$2,500

FMV > B.V. \$75,000

- 80% Parent \$60,000
- 20% NCI \$15,000

after 1 year from B.C

Sub. Net Income → \$50,000

- 80% parent = \$40,000
- 20% NCI = \$10,000

Dividends → \$30,000

- 80% parent = \$24,000
- 20% NCI = \$6,000

Income ⇒ 80% × 50,000 = 40,000

① Dr. Investment in Sub. 40,000

Cr. Income from sub. 40,000

Div ⇒ 80% × 30,000 = \$24,000

② Dr. Cash 24,000

Cr. Investment in Sub 24,000

Inventory sold during 2011 → COGS = \$5,000

Goodwill impairment loss → 3,125

Dep. Exp. → $\frac{60,000}{10(U.L)}$ → \$6,000

Increase in P/E

Differential amortization → \$14,125

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Total Differential = \$14,125
 20% NCI = \$ ~~4,325~~ ^{2,825}
 80% parent = \$11,300

Diff. Amortization Entry [80% x 14,125 = \$11,300]

Dr. Income from Sub. 11,300
 Cr. Investment in Sub 11,300

[80%]

Investment in Sub	
I.I	310,000
NI	40,000
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	314,000

Diff. Amortization	11,300
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[20%]

Income from Sub	
Diff. Amortization	11,300
NI	40,000
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	28,700

20% NCI in Net Asset

I.I	77,500
	10,000
Add: NI	(6,000)
less: Div.	(2,825)
less: D.A	
	<hr/>
	\$ 78,675

20% NCI in Net Income

NI	10,000
less: D.A	(2,825)
	<hr/>
	\$ 7,175

* 80% parent differential

\$ 11,300	→ COGS (80% x 5000)	\$ 4,000
	→ Gov Impairment loss (80% x 3,125)	\$ 2,500
	→ Dep. Exp (80% x 6000)	\$ 4,800

Elimination Entries: 2011

① Optional Elimination Entry:

Dr. Acc. Dep. 300,000
 Cr. B & E 300,000

② Basic & Reclassification Elimination Entry:

Dr. C.S-S	200,000
RE-S	100,000
End. BAL ← Income from sub-P	28,700
NCI in NI of sub	7,175
Goodwill-S	9,375
land-S	10,000
B&E-S	60,000
Dep. Exp.-S	6,000
COGS-S	5,000
Impairment loss-S	3,125
Cr. Dividends declared-S	30,000
End. BAL ← Investment in sub-P	310,000
Acc. Dep.	6,000
End. BAL ← NCI in Net Asset of sub.	78,675

[3 x 6000 = 18,000] ←

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* Consolidated Net Income 2011:

Net Income of parent	\$ 140,000	
Add: Net Income from Sub	50,000	total NCI per 100%
Less: Differential Amortization	(14,125)	
	<u>175,875</u>	
(A) Consolidated Net Income	\$ 175,875	

* Income Available to controlling Interest:

Consolidated Net Income (A)	\$ 175,875
less: NCI in Net Income of sub	(7,175)
	<u>168,700</u>
(B) Income to Controlling Interest	\$ 168,700

* Consolidated R.E :

Beg. R.E (parent)	300,000
Add: Income to controlling Interest (B)	168,700
less: Dividends (parent)	(60,000)
	<u>408,700</u>
Consolidated R.E	\$ 408,700

* في CH.4 كان (A و B) مساويات لأبي كنت
 بحسب كل الشركة " أنا الدولة والدولة أنا - لا قبل ولا بعد " د. سامية
 وفتن NCI

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After 2-year → 2012
from B.C

Sub. Net Income = \$75,000
 80% parent \$60,000
 20% NCI \$15,000

Sub. Div. = \$40,000
 80% parent \$32,000
 20% Sub \$8,000

Diff Amortization → only Dep. Exp. = 6,000
 80% parent \$4,800
 20% Sub \$1,200

* Sub. NI 80% x 75,000 = \$60,000

Dr. Inv. in Sub. 60,000

Cr. Income From Sub. 60,000

* Sub. div 80% x 40,000 = \$32,000

Dr. Cash 32,000

Cr. Inv. in Sub. 32,000

* Diff. Amortization → only Dep. Exp. = 80% x 6,000 = \$4,800

Dr. Income From Sub. 4,800

Cr. Inv. in Sub. 4,800

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[80%]

Inv. in sub

B.B	314,700	Diff. Amortization	4,800
NI	60,000		
<hr/>		<hr/>	
	337,900		

[80%]

Income From sub.

diff. Amortization	4,800	NI	60,000
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			55,200



20% NCI in Net Income

NI	-15,000
less: D.A	1,200
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	<u>\$13,800</u>

20% NCI in Net Asset

B.B	78,167.5
Add: NI	15,000
Less: Div	(1,200)
	<hr/>
	<u>\$84,147.5</u>

Elimination Entries: 2012

① Optional Elimination Entry

Dr. Acc. Dep.	300,000
Cr. B & E	300,000

② Basic & Reclassification Elimination Entries:

Dr. CoS-S		200,000
• Beg. 2012 ← RoE-S *	1/3 2000	120,000
• End. BAL ← Incom From sub. - P		55,200
• End. BAL ← NCI in Net Income of sub		13,800
• Goodwill -s		4,375
• land -s		10,000
• B & E -s		60,000
• Dep. Exp. -s		6,000
• Cr. Div. declared -s		40,000
• End. BAL ← Invo In sub - P		337,900
• End. BAL ← NCI in Net Asset of sub		84,147.5
• [2 x 6000] Acc. Depo		12,000

Entry: Cost method (11)

Beg. R.E of sub: 2012 (9)

Beg. R.E 2011	100,000
Add: Net Income	50,000
less: Dividends	(30,000)
<u>End. R.E 2011</u>	<u>\$120,000</u>
↳ Beg. 2012	

لو انا انا ←
[Elimination] ←

* Consolidated NI

Net Income of parent	\$ 160,000
Add: Income from sub (100%)	75,000
less: Diff. Amortization (100%)	(6,000)
<u>Consolidated NI</u>	<u>\$ 229,000</u>

* Income Available to controlling Interest

Consolidated NI	\$ 229,000
less: NCI in Net Income of sub.	13,800
<u>Income to controlling Interest</u>	<u>\$ 215,200</u>

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The consolidated R.E

Beg. R.E (parent)	\$ 408,700
Add: Income to controlling interest	215,200
less: Dividends (parent to subsidiary)	(60,000)
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Consolidated R.E	\$ 563,900

Treatment of Other Comprehensive Income:

E.X: Assume in the second year during 2012 in the sub. purchased an investment classified as available for sale (AFS) for \$20,000 [Insignificant Influence] 20% in jail, ~~لنا~~ ←

@ the Date of Sub. [In Sub. Book]

Dr. Investment in - AFS securities 20,000
 Cr. Cash 20,000

@ Reporting Date [Dec. 31, 2012]

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Insignificant Influence → Use Cost method

Cost 20,000 < FMV 30,000 → Increase by \$10,000
 OCI ~~في~~ ← Unrealized holding Gain/Loss ~~OCI~~ ←
 - Equity ~~في~~ ← ~~في~~ ←

Adj. Entry: Cost method (11)

Dr. Investment in AFS Securities 10,000
 Cr. Unrealized holding Gain/Loss - OCI 10,000

Closing Entry:

Dr. Unrealized holding Gain/Loss - OCI 10,000
 Cr. Acc. OCI 10,000

Balance sheet SHE account ← Cr. Acc. OCI

Balance Sheet Account

Acc. OCI	
B.B	0
1.1	10,000
<hr/>	
	10,000

* لو اكلت كانت حارة
 * سكون الفيو ، سكون

2012:

* Sub. Net Income \$75,000
 80% parent \$60,000
 20% Sub. \$15,000

* Sub. OCI \$10,000
 80% parent \$8,000
 20% Sub. \$2,000

* Sub. Dividends \$40,000
 80% parent \$32,000
 20% Sub. \$8,000

* Sub. Diff. Amortization \$6,000
 Dep. Exp. = \$6,000
 80% parent \$4,800
 20% Sub. \$1,200

Net Income
 + OCI

 Comprehensive Income
 \$85,000

Parent Book:

① Sub. NI $80\% \times 75,000 = \underline{\$60,000}$
 Dr. Inv. In Sub. 60,000
 Cr. Income From Sub. 60,000

② Sub. OCI $80\% \times 10,000 = \underline{\$8,000}$
 Dr. Inv. In Sub. 8,000
 Cr. OCI From Sub. 8,000
 ↳ Other comprehensive Income

③ Sub. dividends $80\% \times 40,000 = \underline{\$32,000}$
 Dr. Cash 32,000
 Cr. Inv. In Sub. 32,000

④ Differential Amortization [Dep. Exp. = $6000 \times 8\%$] $\underline{\$4,800}$
 Dr. Income From Sub. 4,800
 Cr. Inv. In Sub. 4,800

[80%]
Inv. In Sub

B.B	314,700	32,000 div
NI	60,000	4,800 D.A
OCI	8,000	
	<u>345,900</u>	

[80%]
Income from sub.

DA 4,800	NI 60,000
<hr/>	
55,200	

[80%]
OCI From sub

OCI From sub	8,000
<hr/>	
8,000	

↓
20% NCI in Net Asset

B.B	78,675
+ NI	15,000
- (Div)	(8,000)
+ OCI	2,000
	<u>\$86,475</u>

↓
20% NCI in NI

NI	15,000
-(D.A)	(1,200)
	<u>\$13,800</u>

↓
20% NCI in OCI

OCI	2,000
	<u>\$2,000</u>

Elimination Entries

① Optional Entries

Dr. Acc. dep.	300,000
Cr. B & E	300,000

② Basic & Reclassification Elimination Entries

Dr. CoS-S	200,000
R.E-S	120,000
Acc. OCI	0
Income from sub.-P	55,200
OCI From sub.-P	8,000
Net Income	
NCI in Net Income of sub.*	13,800
NCI in OCI of sub.	2,000
Goodwill-s	9,375
land - s	10,000
B&E - s	60,000
Dep. Exp-s	6,000
	0
Cr. Dividend declared-s	40,000
End BAL ← Inv. In Sub. -P	345,900
NCI in Net Asset of sub.	86,475
6000 x 2 ← Acc. Dep.	12,000

If the sub. sold the investment

Sub. NI \leftarrow سج، بیج، اور فائدہ Realized سج، بیج، اور فائدہ

Other Rev. and Gains \leftarrow

Other Exp. and losses \leftarrow

Sub. Books:

[100%]

Acc. OCI	
B.B	10,000 (page 11)
OCI-gain	5000
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	15,000

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Dec. 31. 2012

30,000 > 20,000 \rightarrow \$10,000

Dec. 31. 2013

B.V. FMV
30,000 < 35,000 \rightarrow \$5,000

Unrealized holding Gain/Loss \leftarrow
 \leftarrow -OCI

Closing بیلنس \downarrow
A.OCI



لا اعلیٰ قیود افہا و لغام 2013

Elimination the AOCI by سج.

Beg. BAL (\$10,000)

\$15,000 \leftarrow لغام 2014

لغام 2012 کان، سج ہر

* Consolidated Comprehensive Income:

Consolidated Net Income

+ Other Comprehensive Income $\left\{ \begin{array}{l} \text{Parent} \\ \text{Sub.} \end{array} \right.$

Total Consolidated Comprehensive Income

* Comprehensive Income Available to controlling Interest

Consolidated Comprehensive Income

less: NCI in Comprehensive Income

↳ NCI in Net Income of sub.

~~↳ NCI in OCI of sub.~~

↳ NCI in OCI of sub

Comprehensive Income Available to controlling Interest

* Comprehensive Income Available to NCI

NCI in Net Income of sub.

add: NCI in OCI of sub.

Comprehensive Income Available to NCI

more than 50% → Consolidation

Discontinuous of Consolidation:

يعني كان العلاقة بين شركة أم وشركة تابعة، وهذا حدث بسبب

① فُقد Parent، باعت جرد من استثمارات Sub، وأد باعت كل حصتها.

② فُقد Sub، فُقدت بائع أهم، إضافة فبزيادة Outstanding Cos، ونقل حصة Parent من 50% [في حال مازلت اشترت وحافظت على سببها]

③ يمكن Parent توقيع على Agreement تنازل فيه عن حقها في السيطرة.

④ يمكن Sub. مزارت قطع لسيطرة العتمة (الطعم) أو سيطرة الحكومة.

← عند الشركة خسر التحكم عن طريق بيع حصتها كاملة أو جزء منها

Gain or loss تحققه

* Extreme lose of Investment (Sale all Investment)

No longer holds an equity interest in the former Sub. كانت شركة تابعة وبطلت [0% ownership]

Cash received > Carrying Value of Investment → Gain on sale of Inu. [End BAL]

Cash received < Carrying Value of Inu. → loss on Sale of Inu.

* lose of control, but still hold a # of share in the Former sub. (Sale part of investment)

[less than 50%] Control *مسيطر عليه* ←

[20% - 50%] Significant Influence ← *بعض التأثير*

[less than 20%] Insignificant ←

[Cash received + FMV of remaining Equity Investment] = C.V of Investment [End. BAL]

(A)

(B)

A > B → Gain on Sale

A < B → loss on Sale

example:

Balance sheet (2011)

80% Inv. in Sub.		D.A	11,300
101	310,000		
N.1	40,000		
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	314,1700		
	→ C.V (B)		

Assume the parent sold $\frac{3}{4}$ from Inv. in sub. @ Jan. 1, 2012

Sold: $\frac{3}{4} = 75\% \times 80\% = 60\%$ Sold

Remaining: $\frac{1}{4} = 25\% \times 80\% = 20\%$ Remaining

parent *المستثمر* *بشأن*

FMV = \$410,000 (100%)

Cash received = 410,000 x 60% = \$246,000

FMV of Remaining Equity = 410,000 x 20% = \$82,000

A = \$328,000

~~314,1700~~ < 328,000 (A) → Gain on Sale (\$13,300)

Entry :

Dr. Cash 246,000

Cr. Inv. In. Sub 232,700

Gain On Sale 13,300



لازم اقل حساب الاستمارة (60%)
لكن مع اخصم منه قيمة Gain

$$246,000 - \text{Gain on sale } 13,300 = \$232,700$$

Cash received

* لو كانت الكالة loss

يحمله لحساب الاستمارة ، قيمة الكالة

ويكون الكارة في جانب Dr.

J. RVBA
MTCOR