



CONSOLIDATED FINANCIAL STATEMENTS

An introduction to consolidation adjustments



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.

Source: IFRS 10 – Consolidated Financial Statements – Appendix A



SET OF DOCUMENTS

- One consolidated financial statement of comprehensive income covering the group;
- One consolidated financial statement of financial position covering the group;
- One consolidated statement of changes in equity covering the group;
- One consolidated statement of cash flows covering the group.

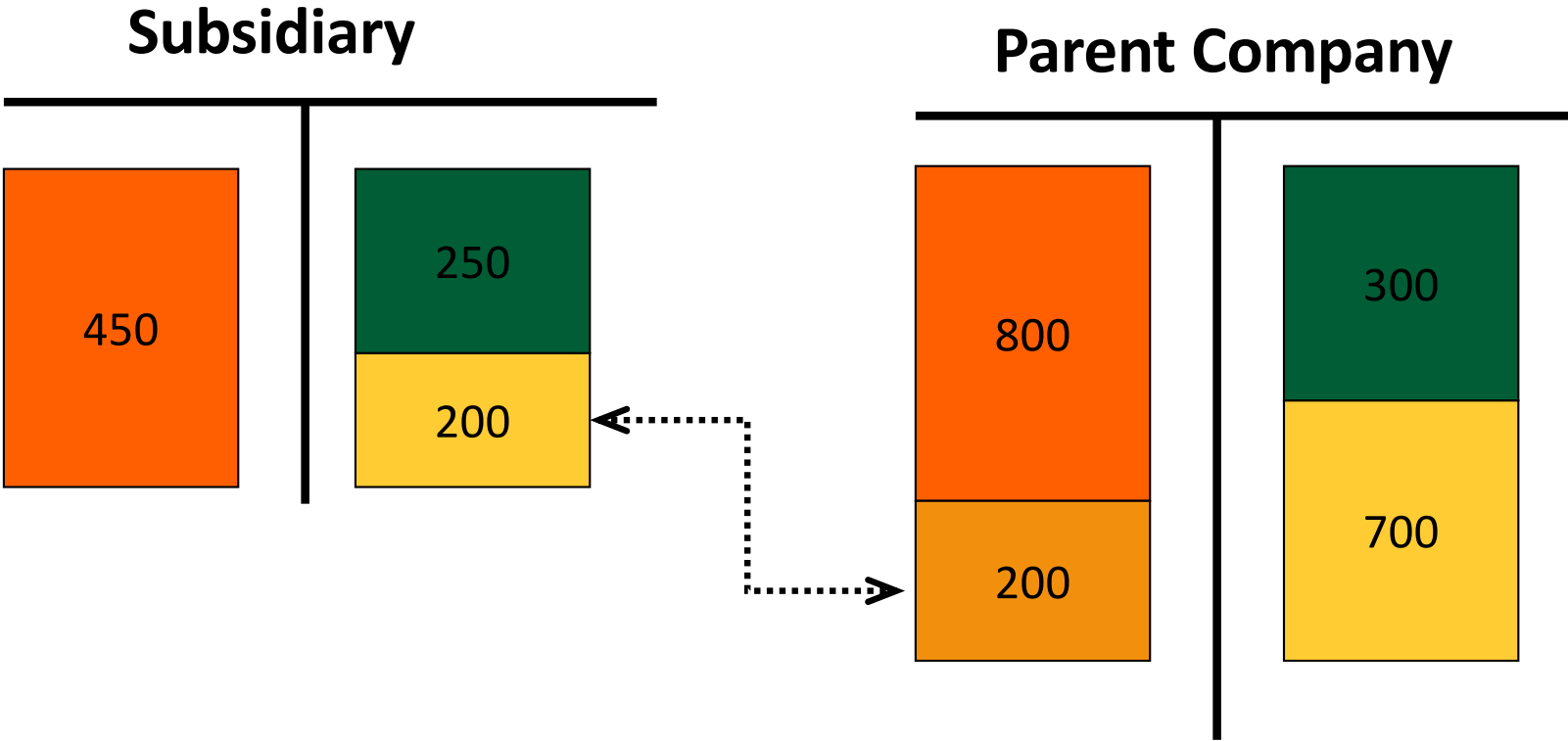
CONSOLIDATION PROCEDURES

Consolidated financial statements:

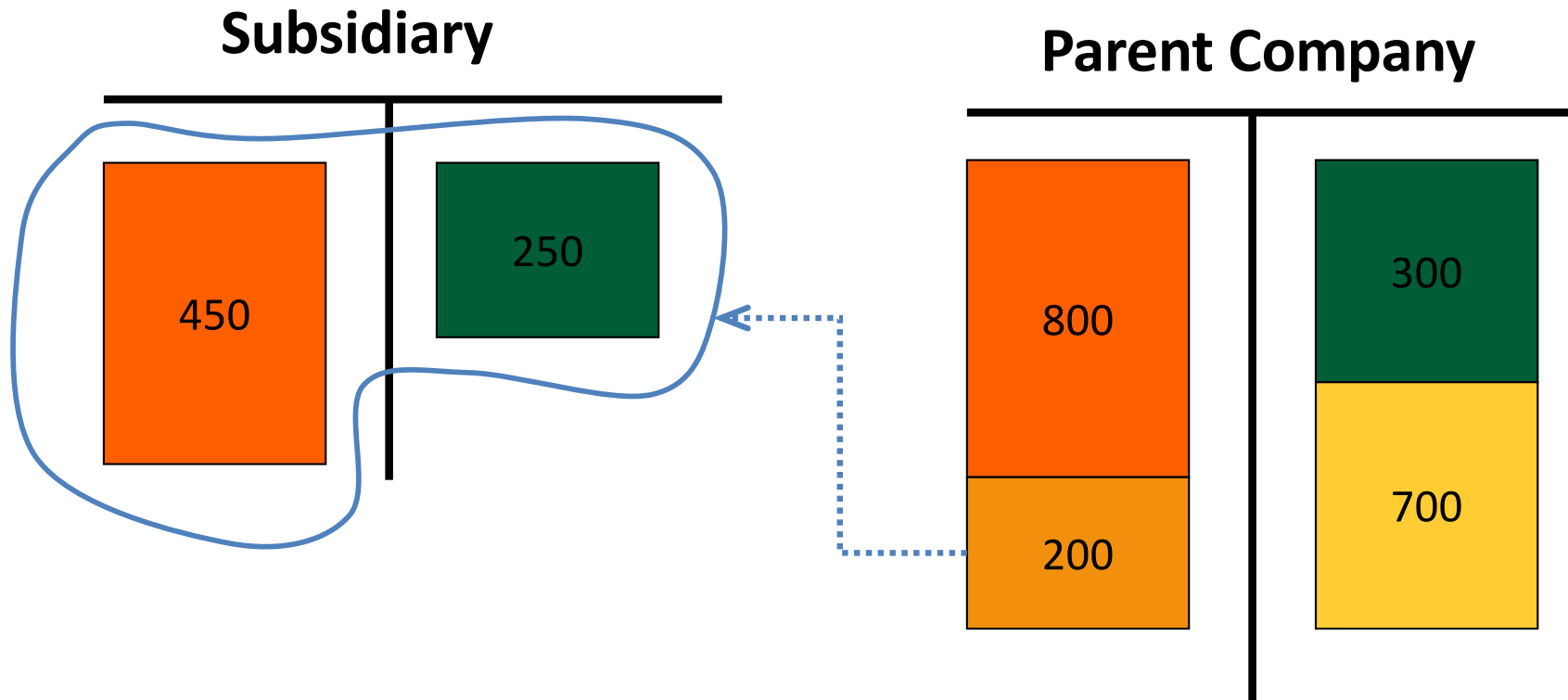
- a) combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries.
- b) offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary (IFRS 3 explains how to account for any related goodwill).
- c) eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. IAS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Source: IFRS 10 – Consolidated Financial Statements – § B86

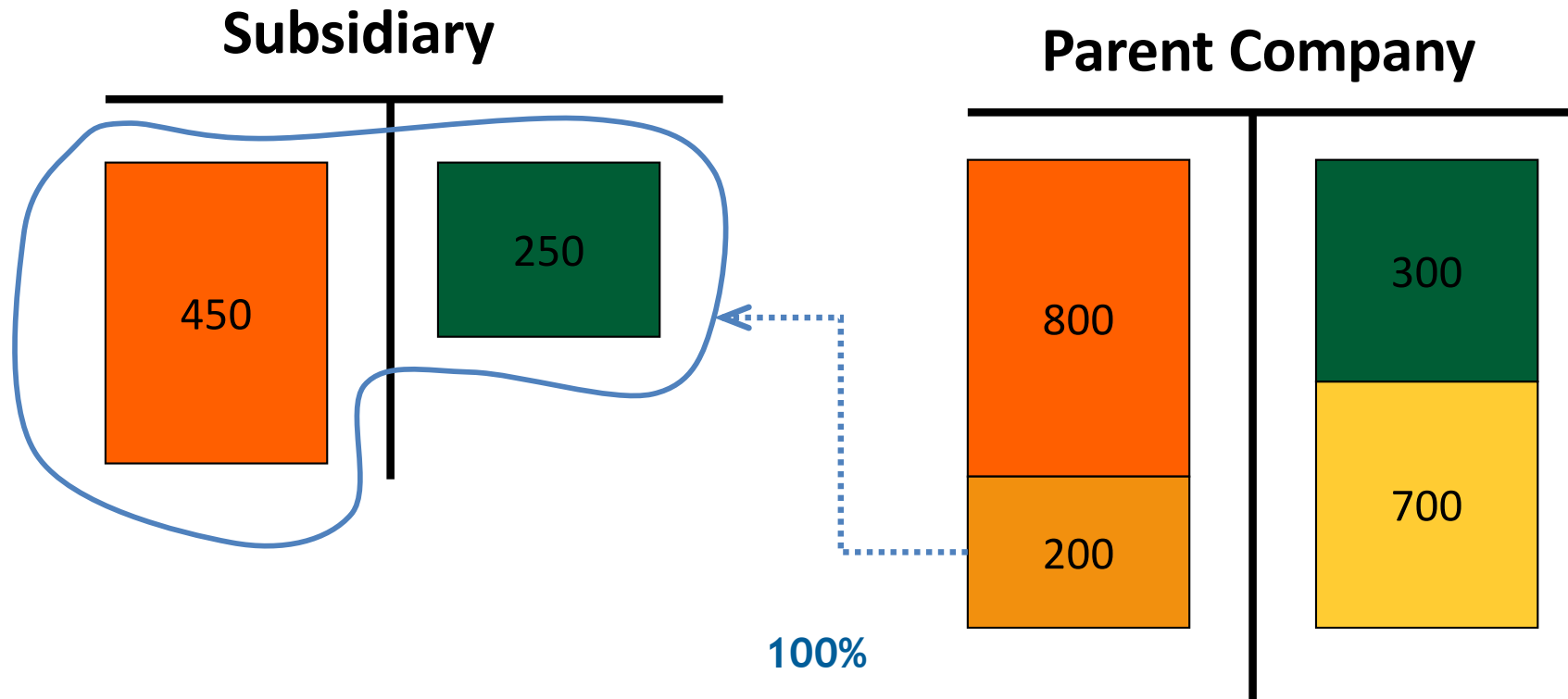
EQUITY INVESTMENT



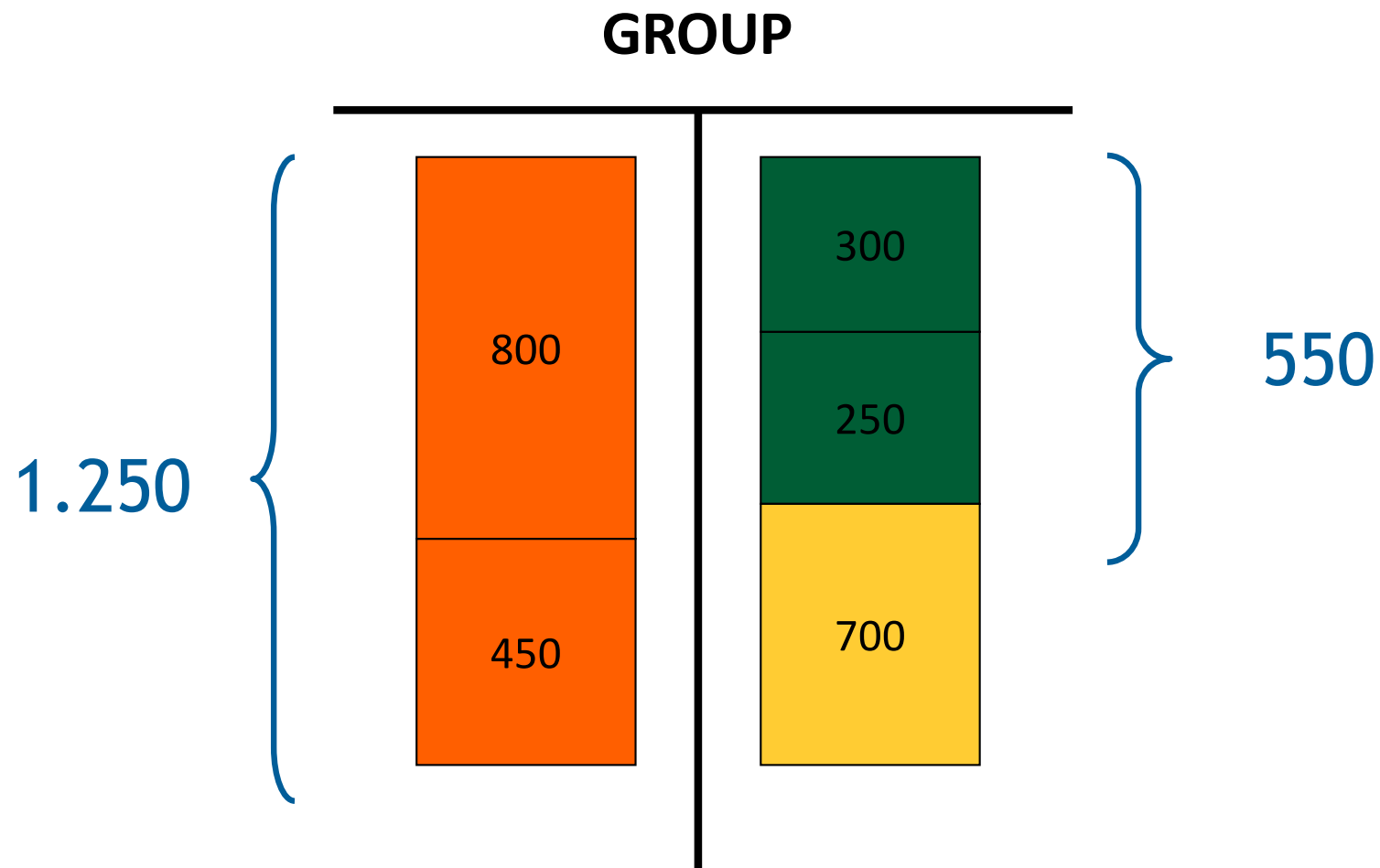
SHARES AS “SECOND-TIER ASSETS”



SHARES AS “SECOND-TIER ASSETS”

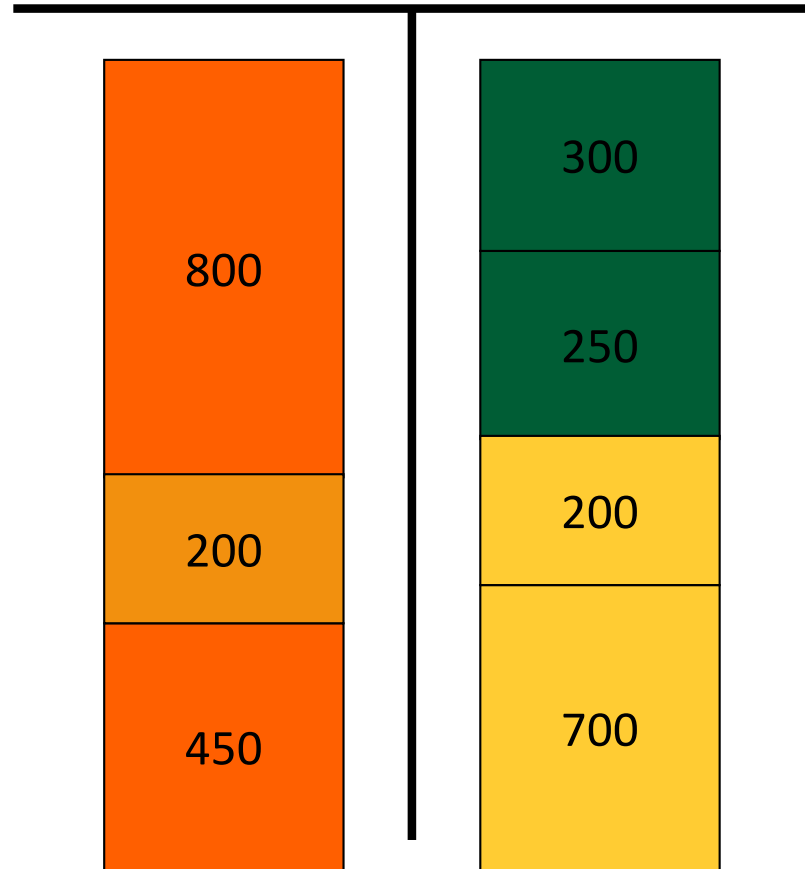


CONSOLIDATED FINANCIAL STATEMENTS

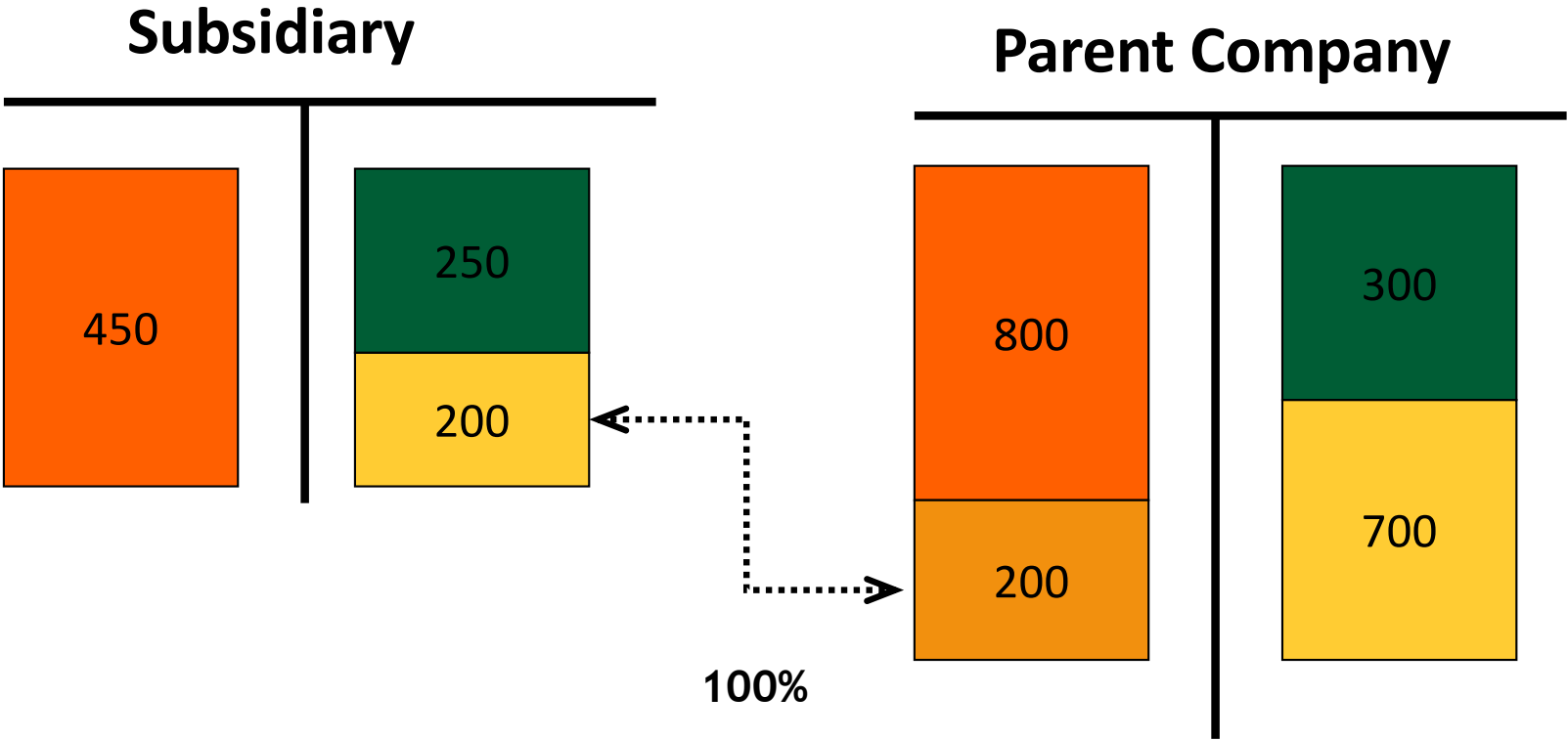


DOUBLE-COUNTING MUST BE AVOIDED

Parent + Subsidiary

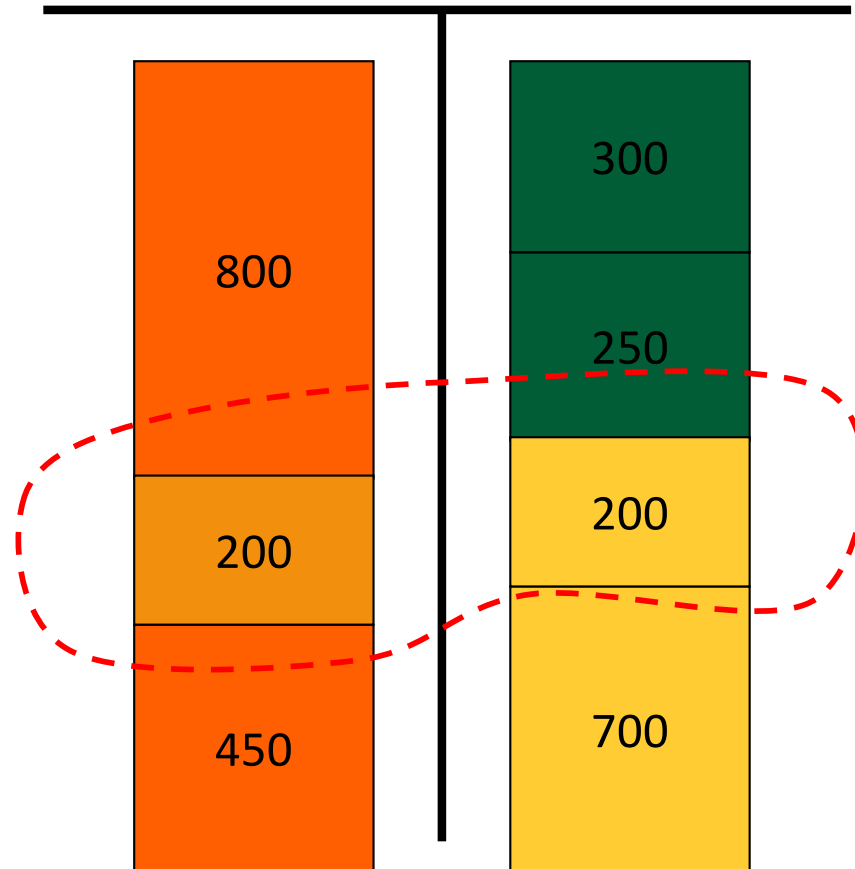


EQUITY INVESTMENT



DOUBLE-COUNTING MUST BE AVOIDED

Parent + Subsidiary



DR *Subsidiary's Equity*

CR *Investment in Subsidiary*

150

150

CONSOLIDATION JOURNAL ENTRIES

Trademarks	20,000	
Patented Technology	130,000	
Goodwill	80,000	
Equipment		30,000
Investment in Sun Company		200,000

These accounting entries are only made at the group level, they do not lead to changes in the accounts of the individual entities that make up the group.

CONSOLIDATION WORKSHEET

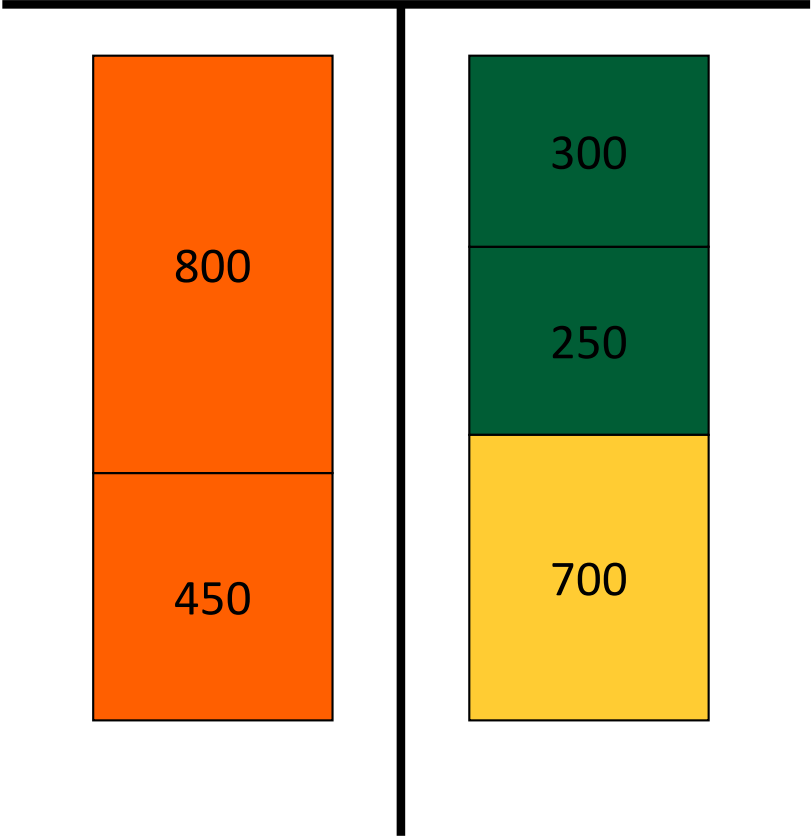
CONSOLIDATION WORKSHEET HOW TO USE

	Parent (€)	Subsidiary 1 (€)	Subsidiary 2 (€)	Adjustments				Consolidated (€)
				Ref.	DR	CR	Ref.	
Assets								
Current Assets								
Inventory								
Trade receivables								
Cash and cash equivalents								
Non-current assets								
Property, plant and equipment								
Intangible assets								
Total Assets (A)								
Liabilities								
Current liabilities								
Trade payables								
Short term borrowings								
Current tax payable								
Non-current liabilities								
Long term borrowings								
Deferred tax								
Total Liabilities (L)								
Net Assets (A-L)								
Equity								
Share capital								
Retained earnings								
Total Equity (E)								
Equity attributable to owners of the parent								
Non-controlling interests								

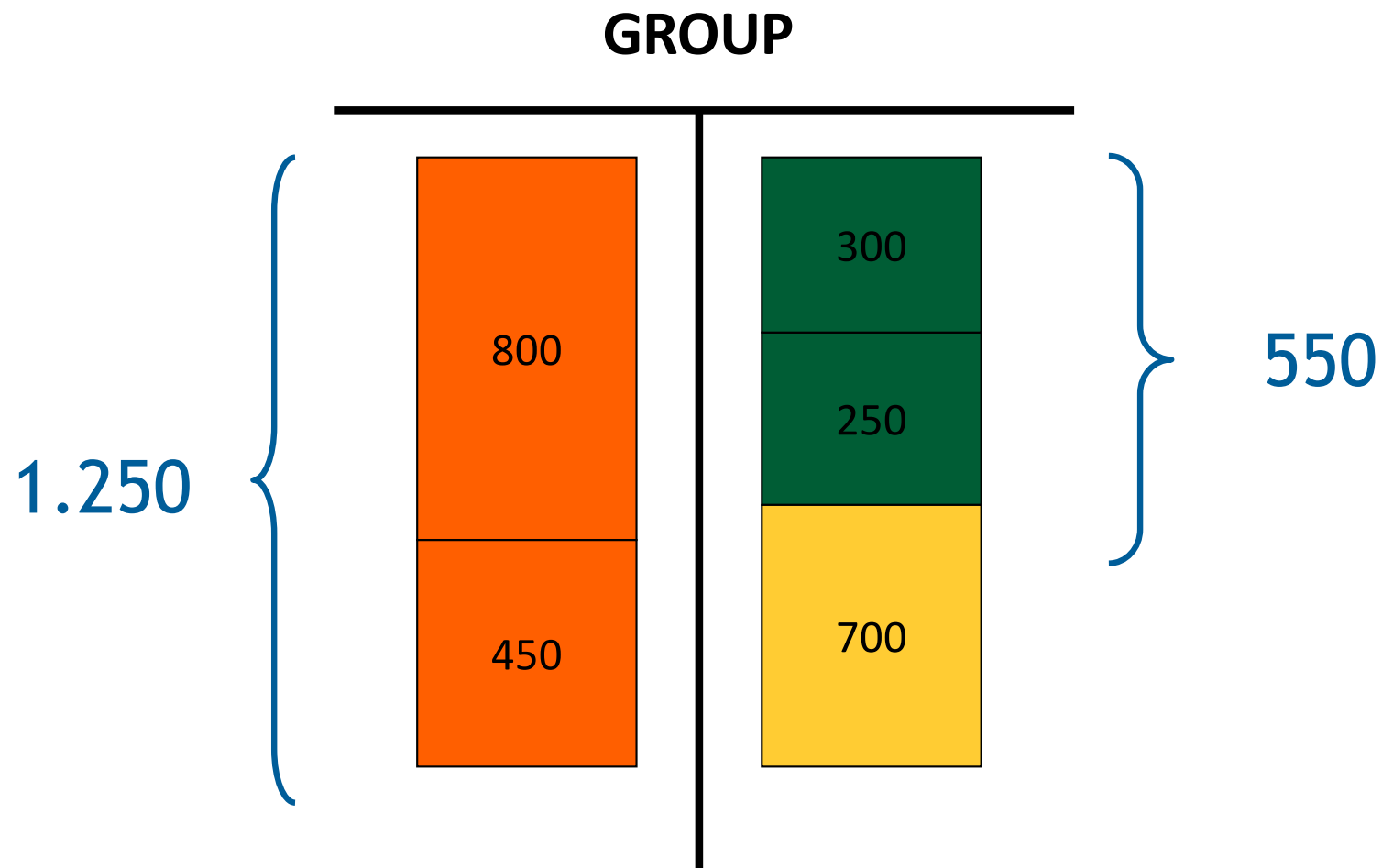
Debits		Credits	
Increase asset		Decrease asset	
Decrease liability		Increase liability	
Increase expense		Increase income	

CONSOLIDATED FINANCIAL STATEMENTS

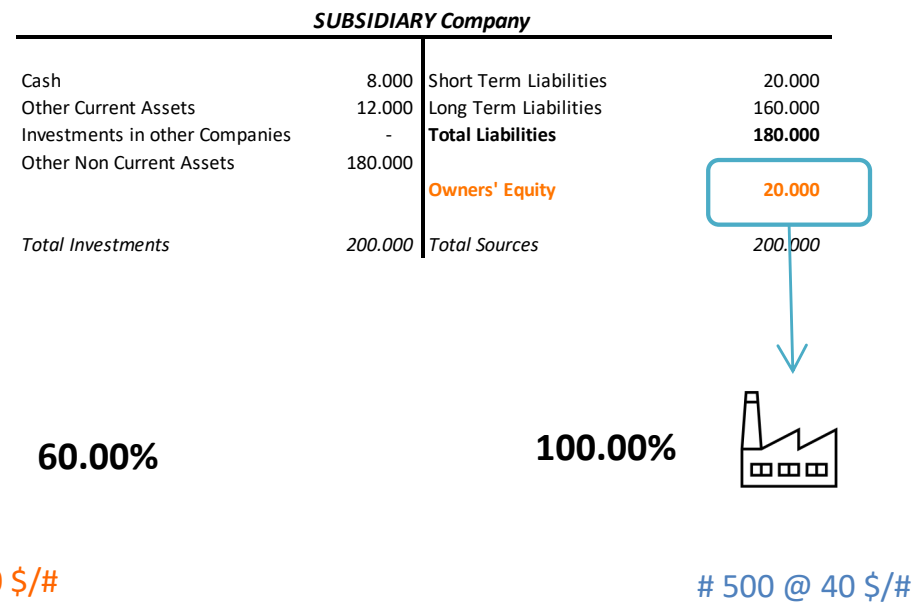
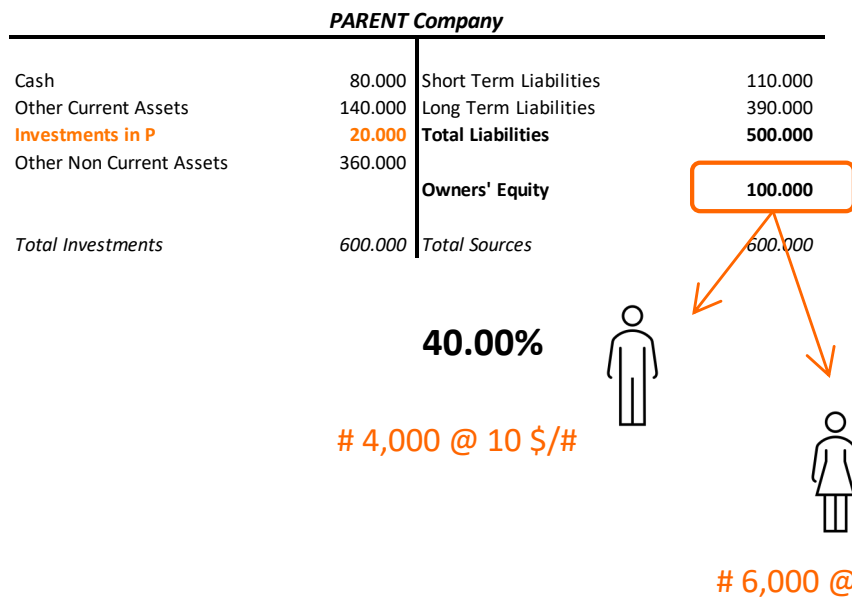
GROUP



CONSOLIDATED FINANCIAL STATEMENTS



WHOLLY CONTROLLED



WHOLLY CONTROLLED

PARENT Company				SUBSIDIARY Company			
Cash	80.000	Short Term Liabilities	110.000	Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	140.000	Long Term Liabilities	390.000	Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in P	20.000	Total Liabilities	500.000	Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	360.000	Owners' Equity	100.000	Other Non Current Assets	180.000	Owners' Equity	20.000
<i>Total Investments</i>	<i>600.000</i>	<i>Total Sources</i>	<i>600.000</i>	<i>Total Investments</i>	<i>200.000</i>	<i>Total Sources</i>	<i>200.000</i>

GROUP			
Cash	88.000	Short Term Liabilities	130.000
Other Current Assets	152.000	Long Term Liabilities	550.000
Investments in other Companies	-	Total Liabilities	680.000
Other Non Current Assets	540.000	Owners' Equity	100.000
<i>Total Investments</i>	<i>780.000</i>	<i>Total Sources</i>	<i>780.000</i>

40.00%

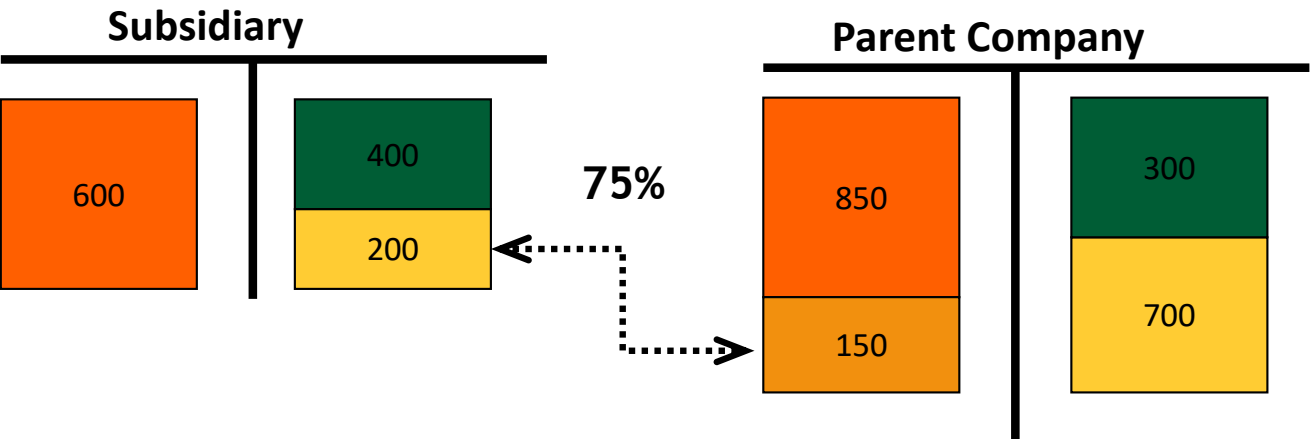


780.000

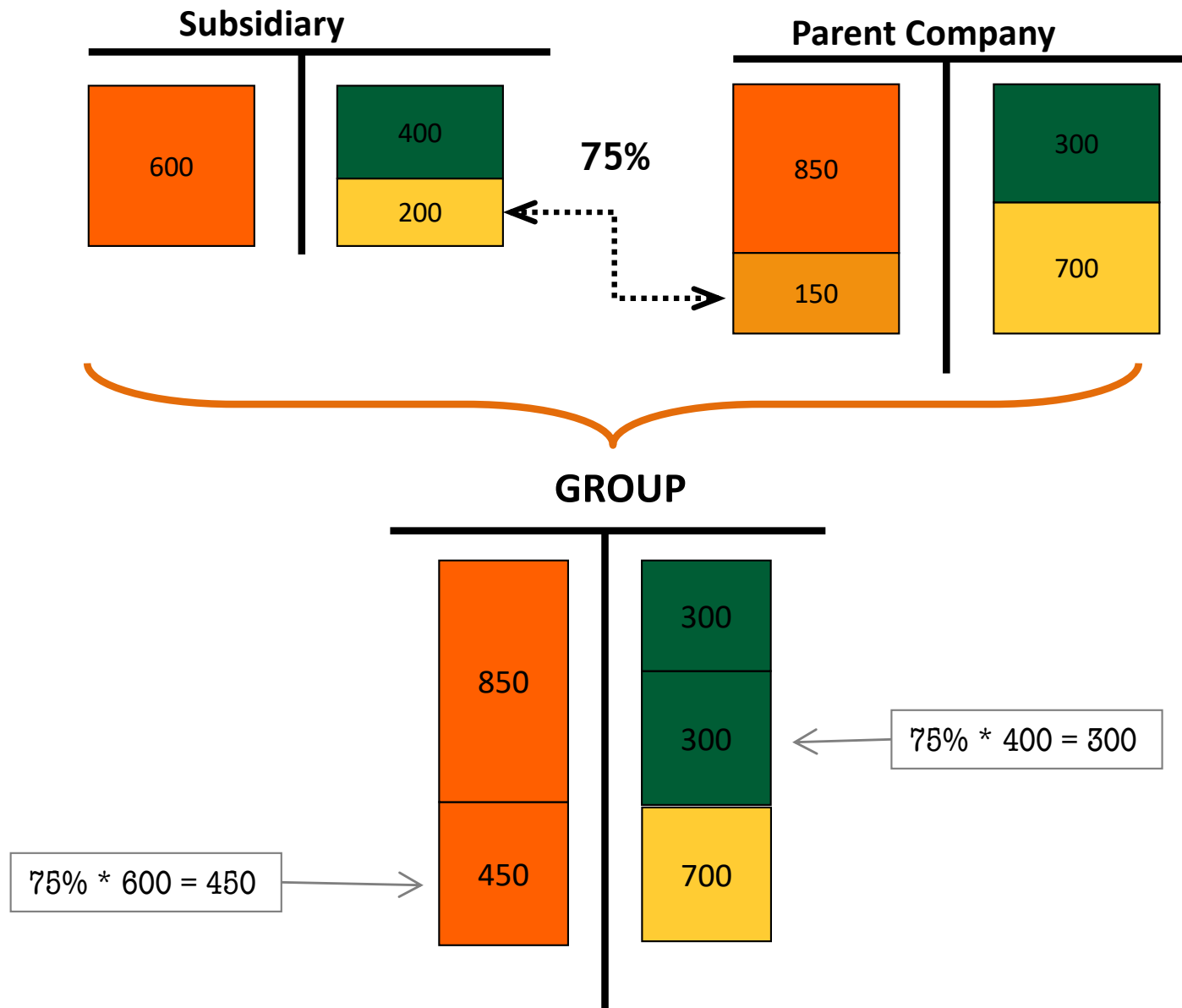


60.00%

PARTIALLY CONTROLLED



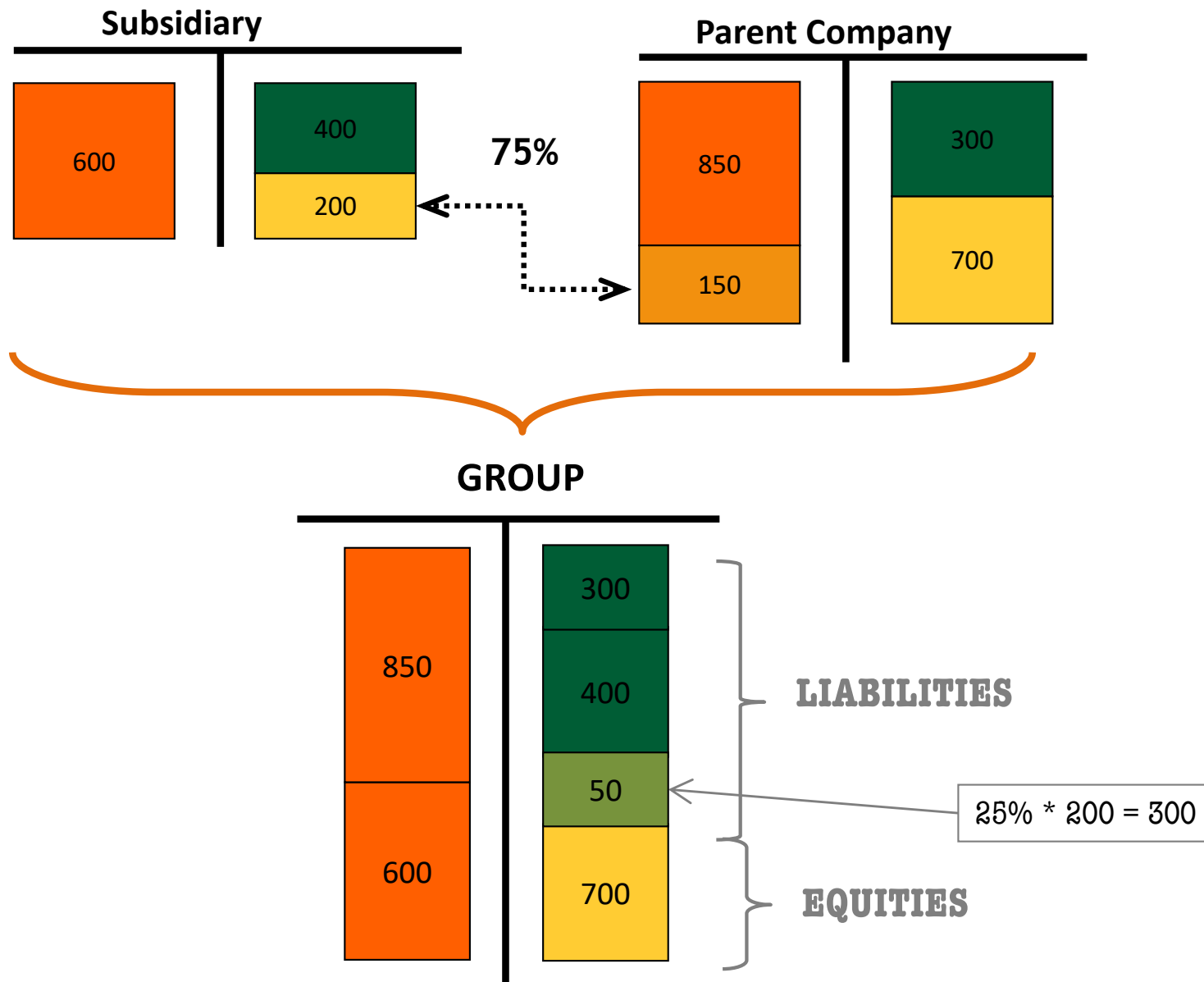
PROPRIETARY THEORY



PROPRIETARY THEORY

- The proprietary theory of accounting views the firm as an extension of its owners. The firm's assets, liabilities, revenues, and expenses are viewed as those of the owners themselves. When applied to consolidated financial statements, the proprietary concept results in a pro rata consolidation in which the parent company consolidates only its proportionate share of a less-than-wholly-owned subsidiary's assets, liabilities, revenues, and expenses.
- This theory focuses solely on the parent's percentage interest in the subsidiary.
- Group is considered to be a consequence of equity investments in the parent company.
- The net assets' share related to minority interest is not consolidated. Non-controlling interest is not recognized.

PARENT COMPANY THEORY



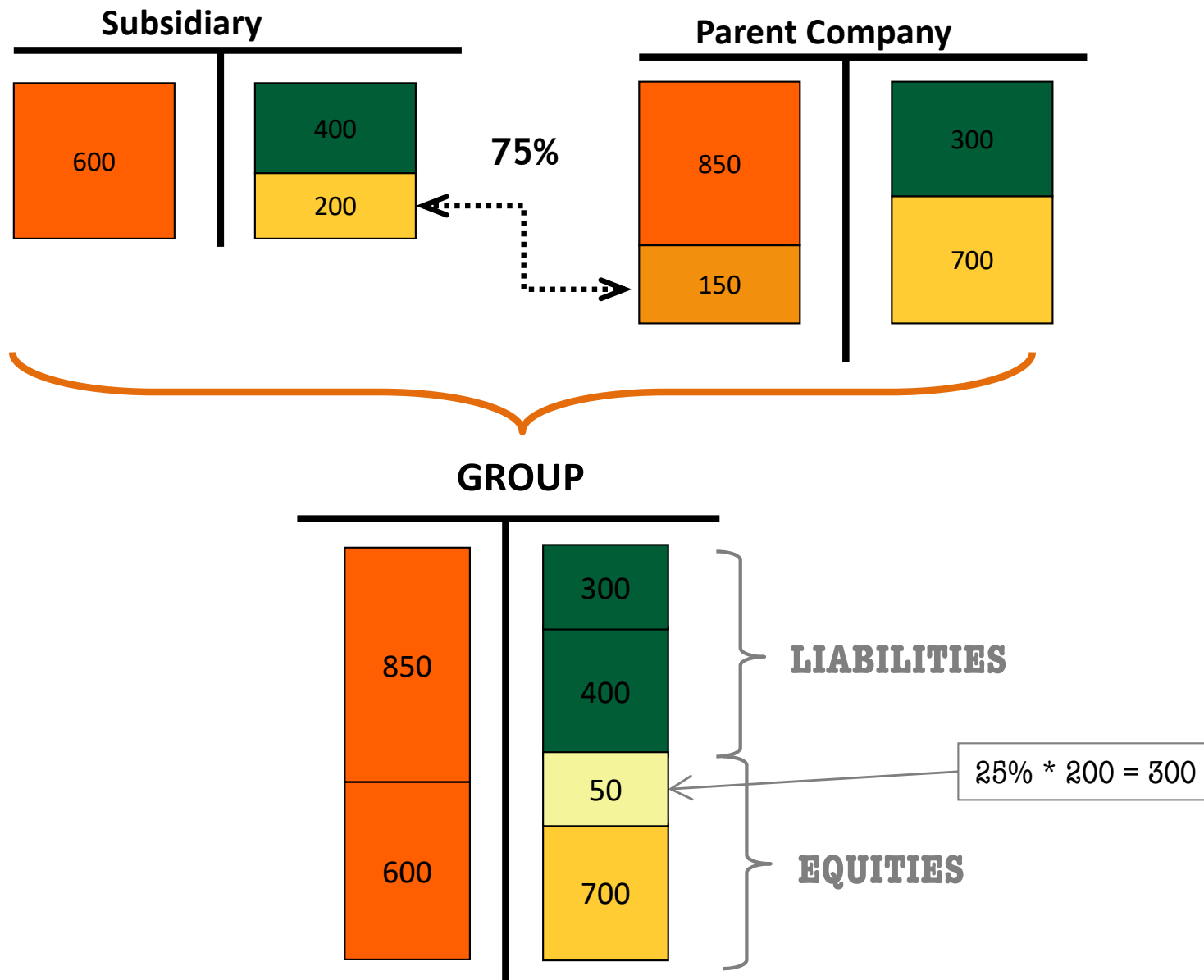
PARENT COMPANY THEORY

- The parent company theory is perhaps better suited to the modern corporation and the preparation of consolidated financial statements than is the proprietary approach. The parent company theory recognizes that the parent has the ability to effectively control all of the assets and liabilities of a majority-owned subsidiary, not just a proportionate share, even though the parent does not actually own the subsidiary's assets or have any obligation for its liabilities. The consolidated financial statements include all of the subsidiary's assets, liabilities, revenues, and expenses. Separate recognition is given in the consolidated balance sheet to the noncontrolling interest's claim on the subsidiary's net assets and in the consolidated income statement to the earnings assigned to the NCI shareholders.
- This theory focus on the parent but gives recognition to the minority investors.
 - The group is seen as an extension of the parent company.
 - The consolidation includes minority interest (noncontrolling interest), that is capital invested in the subsidiaries by investors other than the parent company.
 - Non-controlling interest is treated as a liability, rather than a part of equity.

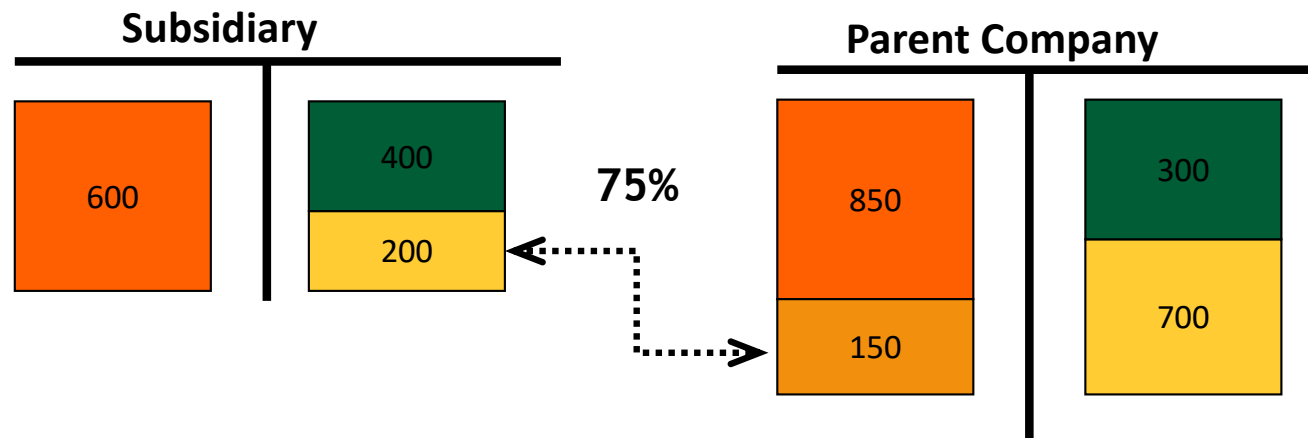
ENTITY THEORY

- As a general ownership theory, the entity theory focuses on the firm as a separate economic entity rather than on the ownership rights of the shareholders. Emphasis under the entity approach is on the consolidated entity itself, with the controlling and NCI shareholders viewed as two separate groups, each having an equity interest in the consolidated entity. Neither of the two groups is emphasized over the other or over the consolidated entity. Accordingly, all of the assets, liabilities, revenues, and expenses of a less-than-wholly-owned subsidiary are included in the consolidated financial statements, with no special treatment accorded either the controlling or noncontrolling interest.
- This theory considers the group as it was a single economic entity, therefore non-controlling interest is not expressed as a separate part of the equity.

ENTITY THEORY



PARTIALLY CONTROLLED



DR *Subsidiary's Equity*

CR *Investment in Subsidiary*

150

150

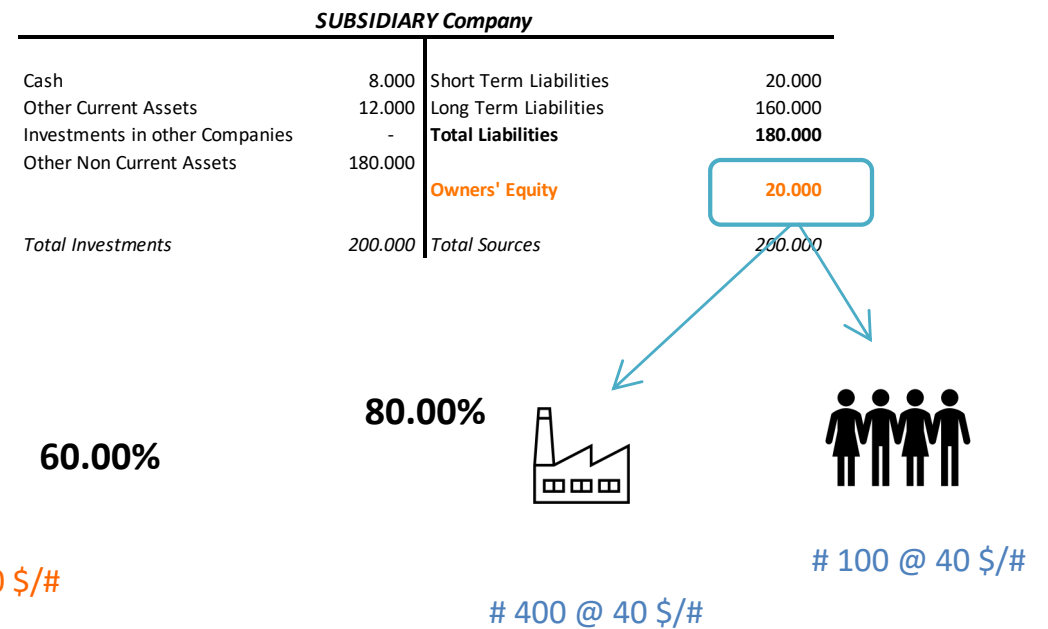
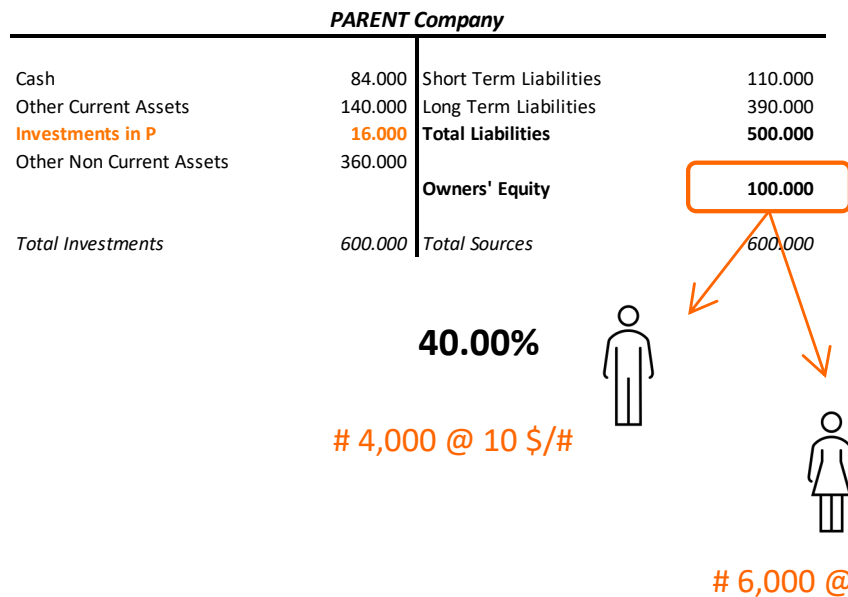
DR *Subsidiary's Equity*

CR *Non-Controlling Interest*

50

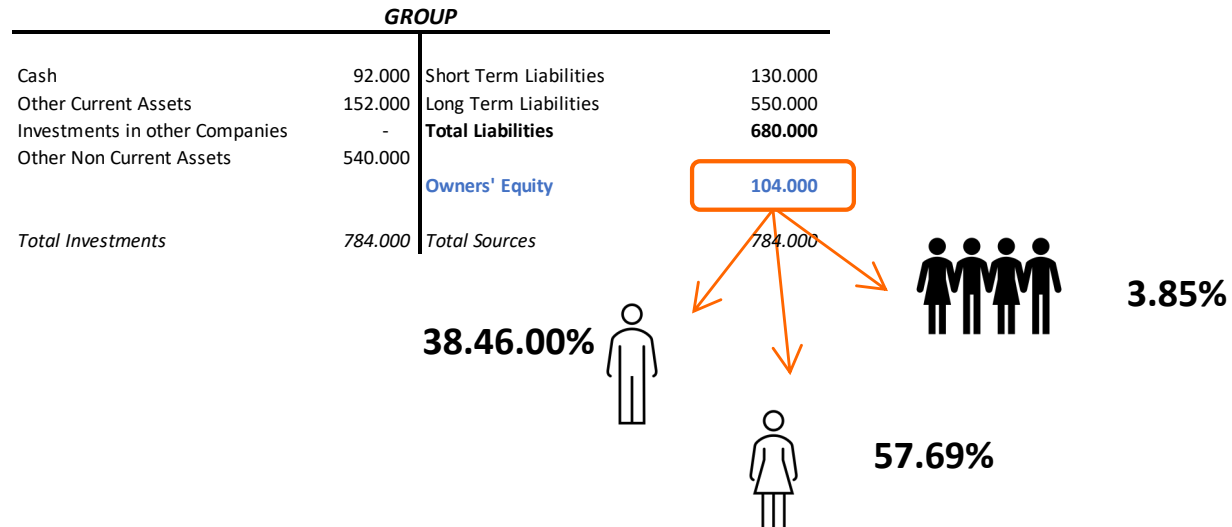
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PARTIALLY CONTROLLED



PARTIALLY CONTROLLED

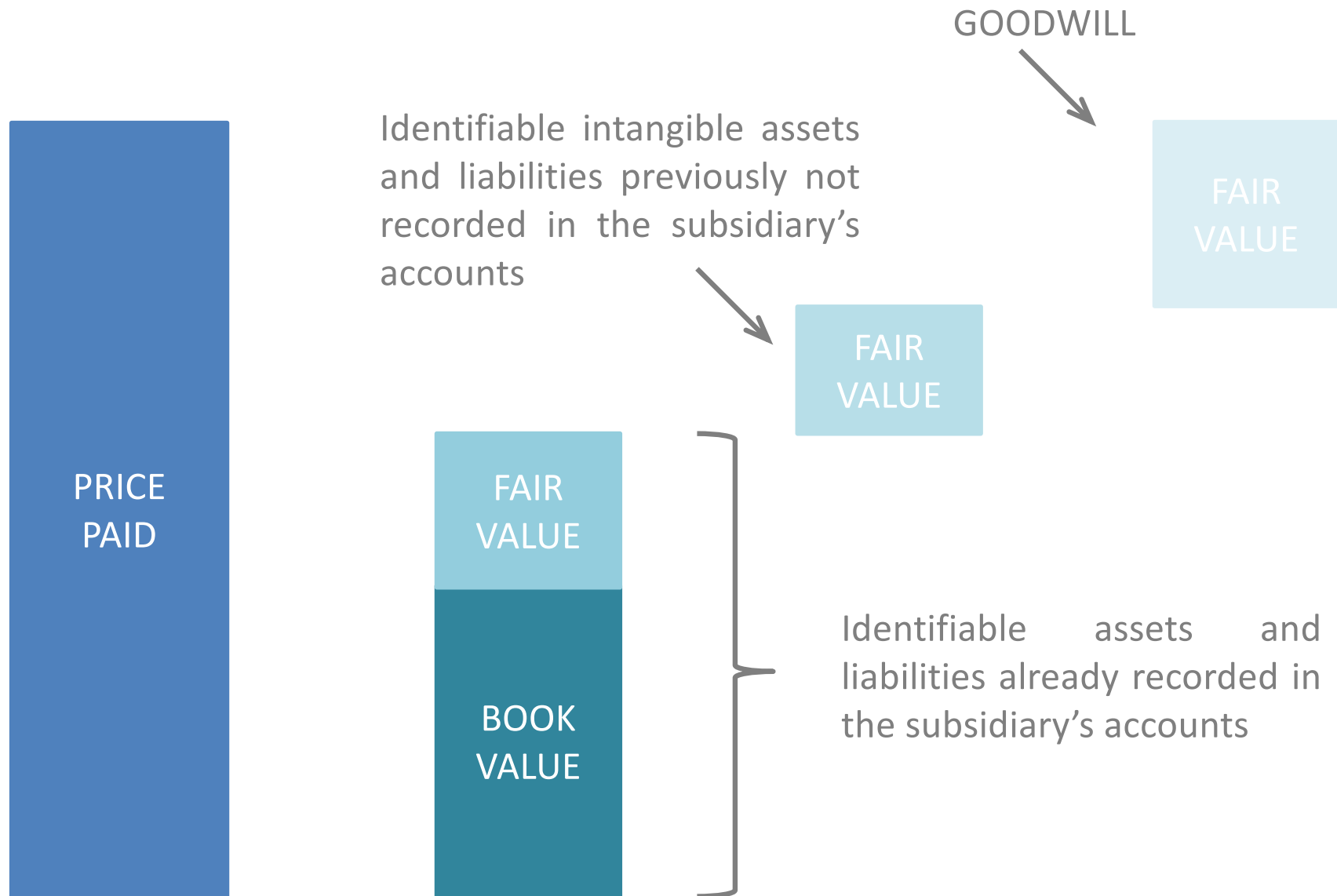
PARENT Company				SUBSIDIARY Company			
Cash	84.000	Short Term Liabilities	110.000	Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	140.000	Long Term Liabilities	390.000	Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in P	16.000	Total Liabilities	500.000	Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	360.000	Owners' Equity	100.000	Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	600.000	Total Sources	600.000	Total Investments	200.000	Total Sources	200.000



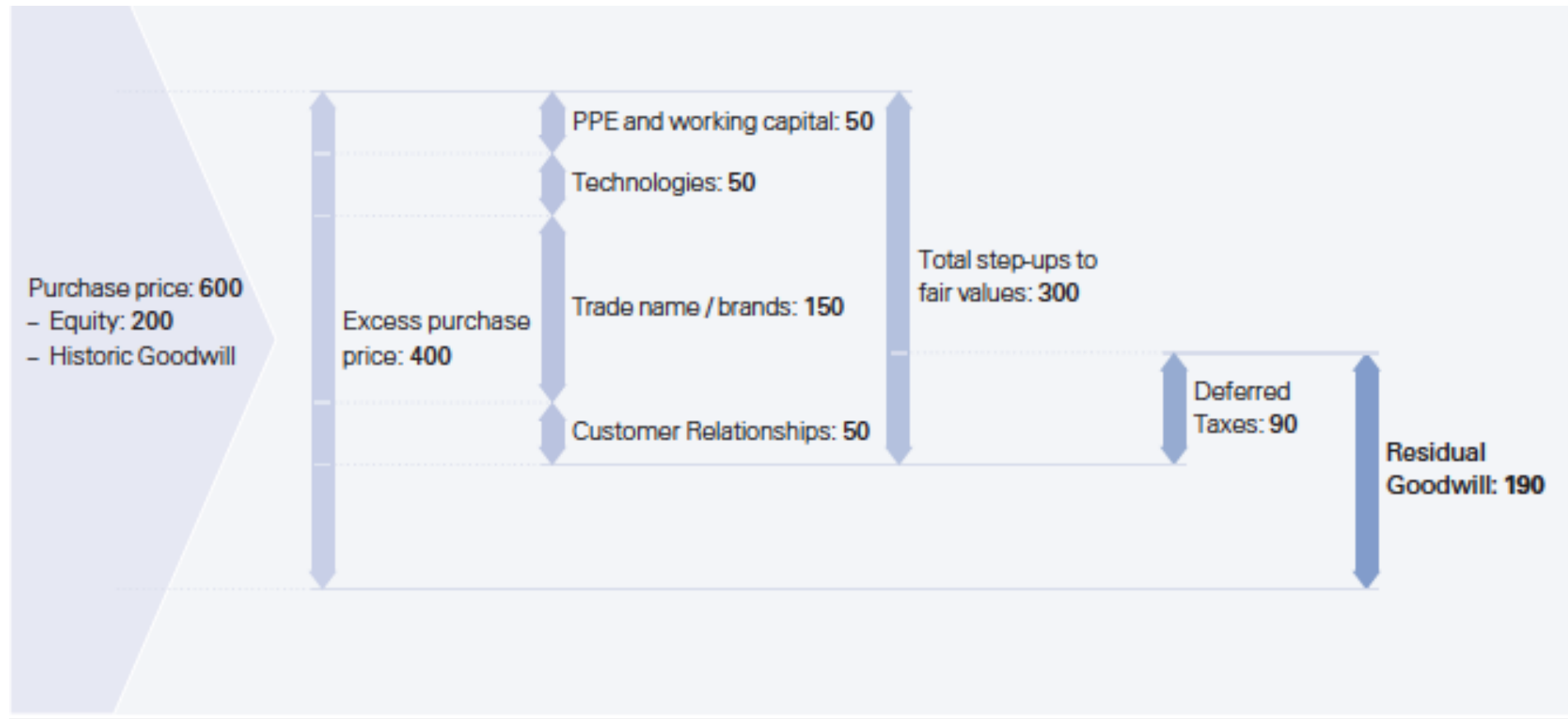
NEW BASIS OF MEASUREMENT



RECOGNITION PRINCIPLE

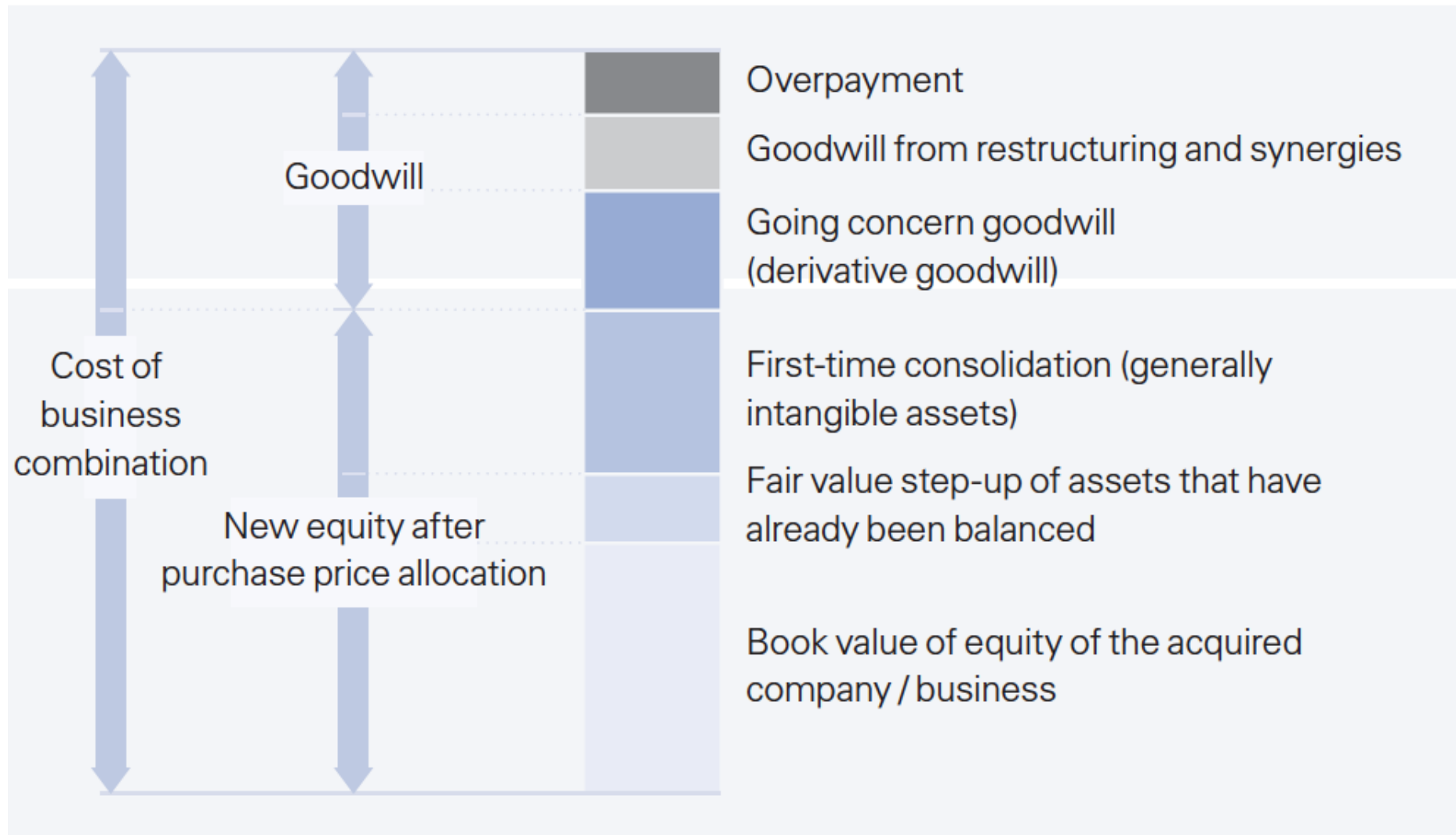


EXAMPLE: ALLOCATION OF PURCHASE PRICE



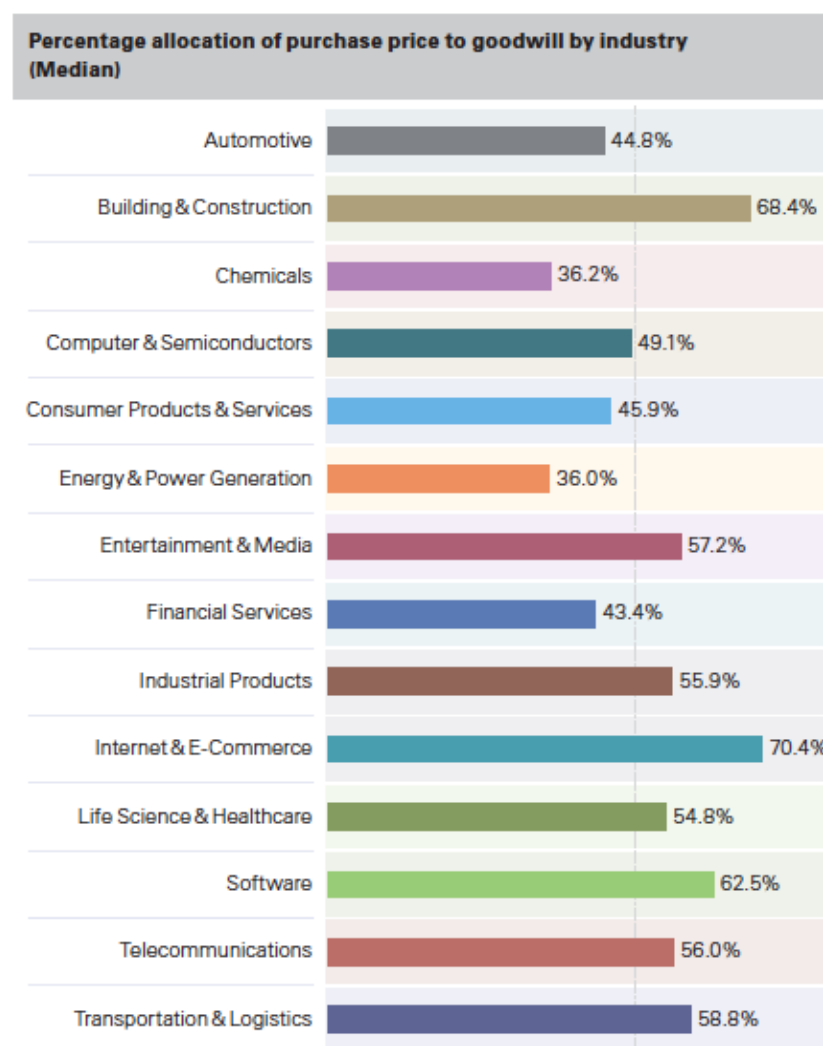
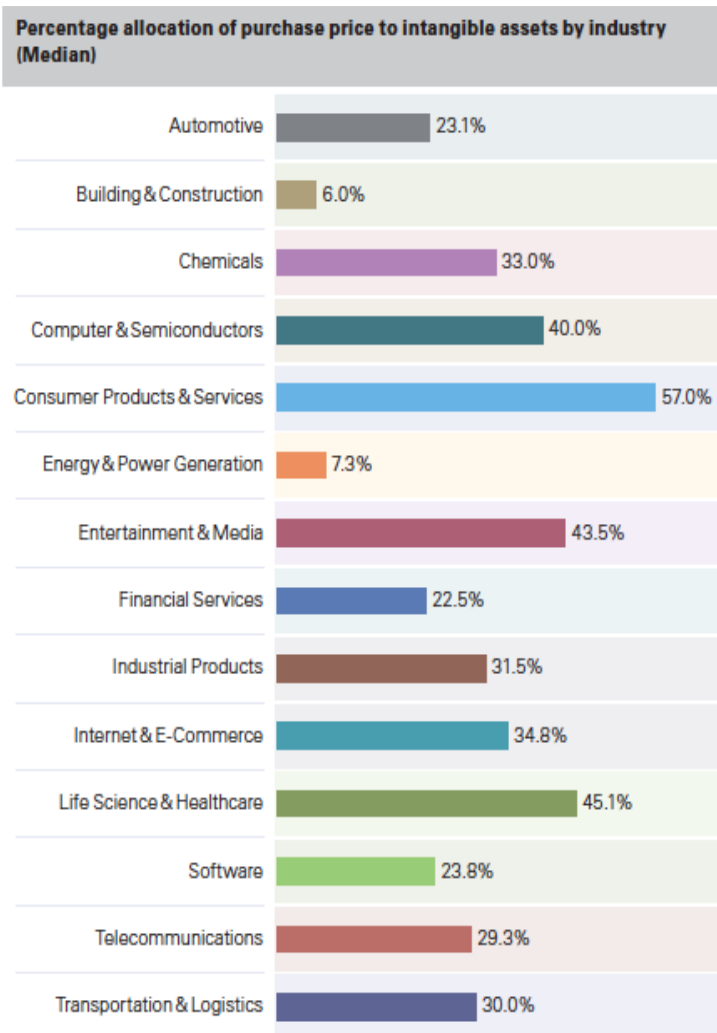
Source: KPMG Advisory – Corporate Finance - Intangible Assets and Goodwill in the context of Business Combinations An industry study

ECONOMIC REASONS FOR A POSITIVE RESIDUAL AMOUNT



Source: KPMG Advisory – Corporate Finance - Intangible Assets and Goodwill in the context of Business Combinations An industry study

SOME NUMBERS

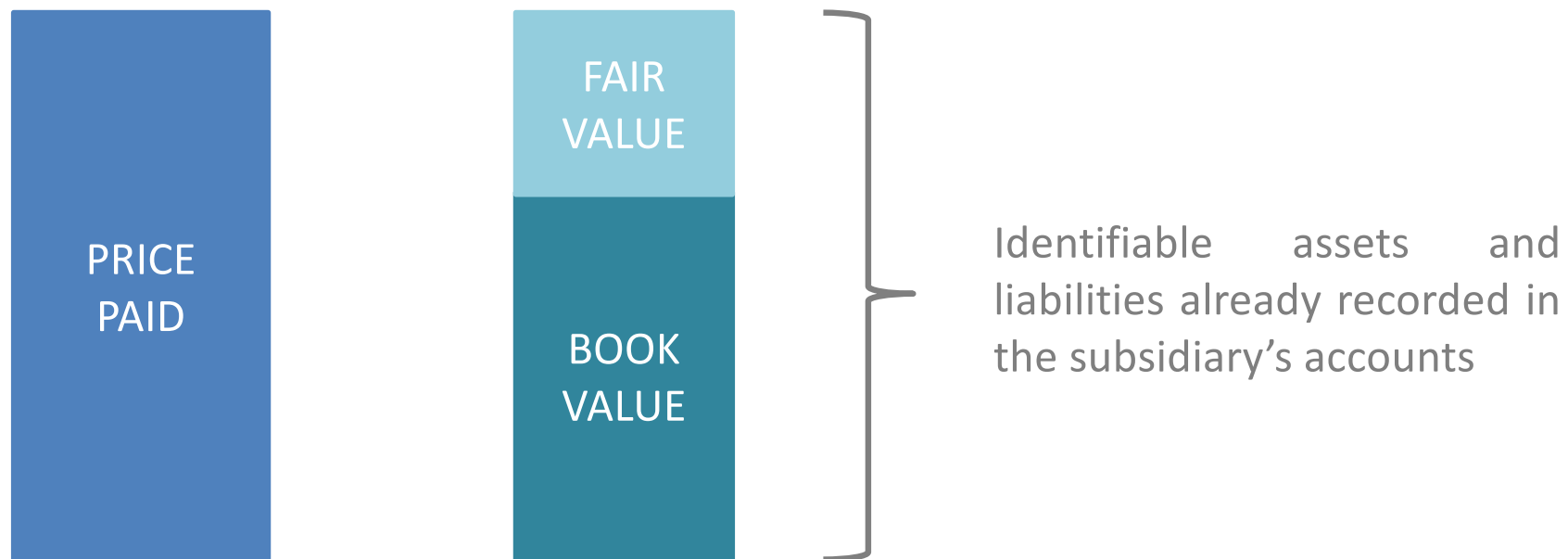


Source: KPMG Advisory – Corporate Finance - Intangible Assets and Goodwill in the context of Business Combinations An industry study

VALUATION: DIFFERENT METHODS

Valuation approaches and methods			
Valuation Approach:	Market Approach	Income Approach (DCF)	Cost Approach
Method:	Market price in an active market	Relief from Royalty Method	Reproduction Cost Method
	Analogy Method	Multi-Period Excess Earnings Method	Replacement Cost Method
		Incremental Cash Flow Method	
		Direct Cash Flow Method	
	rarely applicable	preferred method	not related to future financial benefits

RECOGNITION PRINCIPLE



FOUR DIFFERENT POSSIBILITIES

1) Some of the subsidiary's **assets** have a **fair value** that is **higher than** their **book value**:

DR Assets CR *Subsidiary's Shareholders' Equity* xxx xxx

2) Some of the subsidiary's **assets** have a **fair value** that is **lower than** their **book value**:

DR *Subsidiary's Shareholders' Equity* CR Assets xxx xxx

3) Some of the subsidiary's **liabilities** have a **fair value** that is **higher than** their **book value**:

DR *Subsidiary's Shareholders' Equity* CR Liabilities xxx xxx

4) Some of the subsidiary's **liabilities** have a **fair value** that is **lower than** their **book value**:

DR Liabilities CR *Subsidiary's Shareholders' Equity* xxx xxx

EXERCISE

Company XYZ owns only one asset: a building located in the centre of Trieste that was purchased twenty years ago for a price of € 2,500,000. The accumulated depreciation (equal to € 75,000 per year for 20 years) amounts to € 1,500,000. Its current market value is € 3,700,000. Company XYZ has no debts. Its capital is divided into 1,000 shares which are all in the hands of one shareholder Mr. Saul Goodman.

The assets of Company ZWJ consist only of cash in the amount of € 5 million. The company's debts amount to € 4 million (all medium- to long-term). The managers of the company make an agreement with Saul Goodman to buy the entire stock in his possession. The agreed price is € 3,700 per share.

Provide the entries for the purchase of the shares by ZWJ and the consolidation adjustments.

SOLUTIONS:

At the time of acquisition by ZWJ of the shares previously held by Saul Goodman:

DR	<i>Investment in XYZ</i>	CR	<i>Cash</i>	3,7 mln	3,7 mln
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At the time of consolidation:

Step 1:

DR	<i>Property, plant and equipment</i>	CR	<i>XYZ's Shareholders' Equity</i>	2,7 mln	2,7 mln
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Step 2:

DR	<i>XYZ's Shareholders' Equity</i>	CR	<i>Investment in XYZ</i>	3,7 mln	3,7 mln
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SOLUTIONS:

Before the of acquisition by ZWJ of the shares :

<i>XWJ Company</i>			
Cash	5.000.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	4.000.000
Investments in other companies	-	Total Liabilities	4.000.000
Other Non Current Assets	-	Owners' Equity	1.000.000
<i>Total Investments</i>	<i>5.000.000</i>	<i>Total Sources</i>	<i>5.000.000</i>

<i>XYZ Company</i>			
Cash	-	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Property, plant and equipment	1.000.000	Total Liabilities	-
Other Non Current Assets		Owners' Equity	1.000.000
<i>Total Investments</i>	<i>1.000.000</i>	<i>Total Sources</i>	<i>1.000.000</i>

At the time of acquisition by ZWJ of the shares previously held by Saul Goodman:

<i>XWJ Company</i>			
Cash	1.300.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	4.000.000
Investments in XYZ	3.700.000	Total Liabilities	4.000.000
Other Non Current Assets	-	Owners' Equity	1.000.000
<i>Total Investments</i>	<i>5.000.000</i>	<i>Total Sources</i>	<i>5.000.000</i>

<i>XYZ Company</i>			
Cash	-	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Property, plant and equipment	1.000.000	Total Liabilities	-
Other Non Current Assets		Owners' Equity	1.000.000
<i>Total Investments</i>	<i>1.000.000</i>	<i>Total Sources</i>	<i>1.000.000</i>

SOLUTIONS:

After recognition of the higher fair value of the building (made in the consolidation books, not in the subsidiary's accounts):

In the subsidiary's books, the values remain as they were prior to the transaction since the recognition of the higher or lower values occurs only at the group level.

XYZ Company			
Cash	-	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Property, plant and equipment	1.000.000	Total Liabilities	-
Other Non Current Assets		Owners' Equity	1.000.000
Total Investments	1.000.000	Total Sources	1.000.000

XWJ Company			
Cash	1.300.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	4.000.000
Investments in XYZ	3.700.000	Total Liabilities	4.000.000
Other Non Current Assets	-	Owners' Equity	1.000.000
Total Investments	5.000.000	Total Sources	5.000.000

XYZ Company (*)			
Cash	-	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Property, plant and equipment	3.700.000	Total Liabilities	-
Other Non Current Assets		Owners' Equity	3.700.000
Total Investments	3.700.000	Total Sources	3.700.000

With the adjustments that bring the subsidiary's assets and liabilities to fair values, the relationship between the price paid for the shares and the net value represented by those shares is re-established.

SOLUTIONS:

The final result of the consolidation process:

GROUP			
Cash	1.300.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	4.000.000
Property, plant and equipment	3.700.000	Total Liabilities	4.000.000
Other Non Current Assets	-	Owners' Equity	1.000.000
<i>Total Investments</i>	<i>5.000.000</i>	<i>Total Sources</i>	<i>5.000.000</i>

WHOLLY CONTROLLED (*)

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	200.000	Total Sources	200.000

PARENT Company			
Cash	80.000	Short Term Liabilities	110.000
Other Current Assets	140.000	Long Term Liabilities	390.000
Investments in P	20.000	Total Liabilities	500.000
Other Non Current Assets	360.000	Owners' Equity	100.000
Total Investments	600.000	Total Sources	600.000

40.00%

4,000 @ 10 \$/#

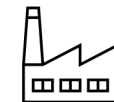


6,000 @ 10 \$/#

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities (FV)	18.000
Other Current Assets (FV)	9.500	Long Term Liabilities (FV)	170.000
Investments in other Companies	-	Total Liabilities	188.000
Other Non Current Assets (FV)	200.000	Owners' Equity (*)	29.500
Total Investments	217.500	Total Sources	217.500

60.00%

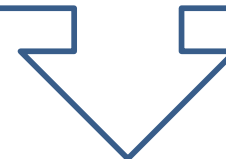
100.00%



500 @ 40 \$/#

WHOLLY CONTROLLED (*)

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	200.000	Total Sources	200.000

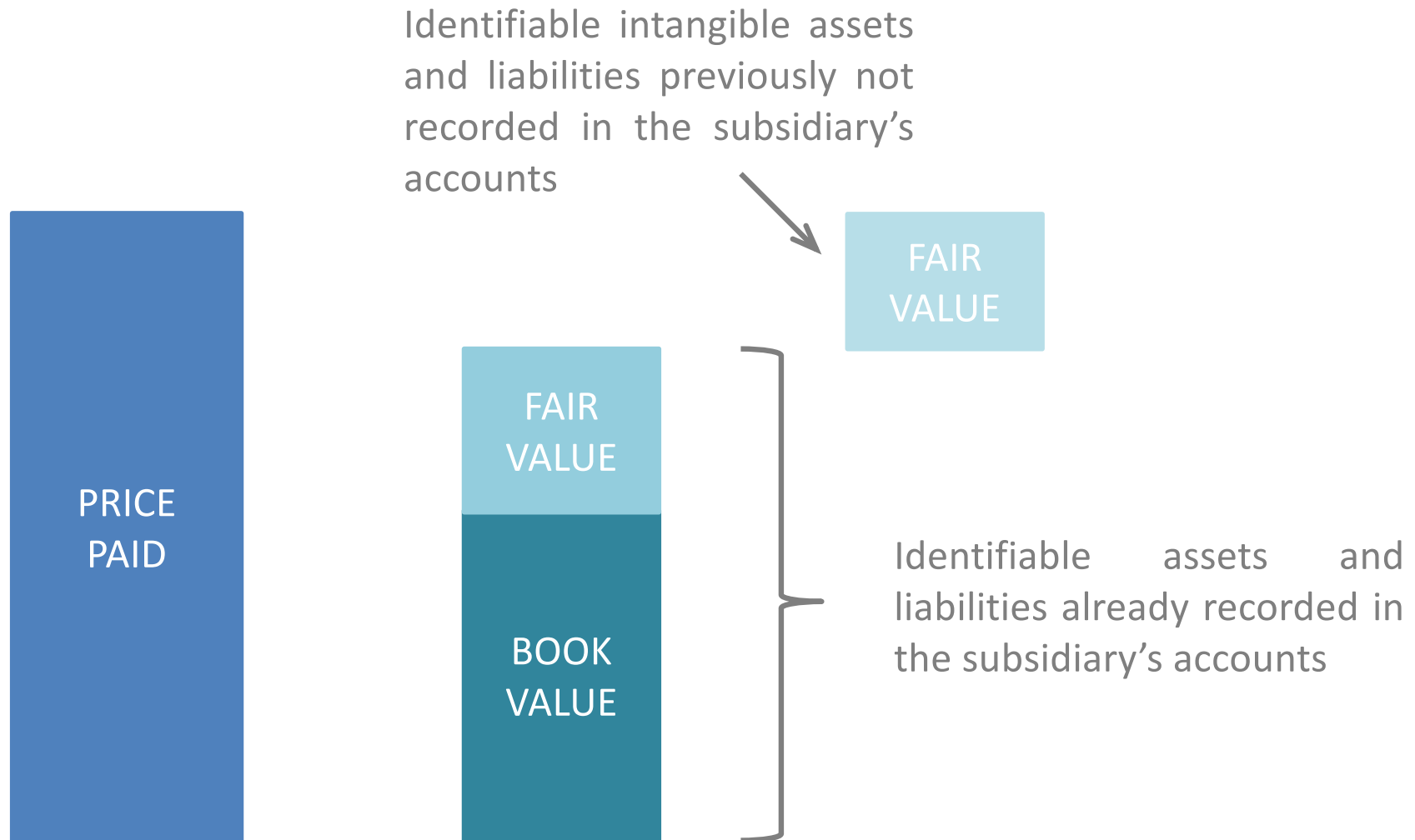


PARENT Company			
Cash	70.500	Short Term Liabilities	110.000
Other Current Assets	140.000	Long Term Liabilities	390.000
Investments in P	29.500	Total Liabilities	500.000
Other Non Current Assets	360.000	Owners' Equity	100.000
Total Investments	600.000	Total Sources	600.000

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities (FV)	18.000
Other Current Assets (FV)	9.500	Long Term Liabilities (FV)	170.000
Investments in other Companies	-	Total Liabilities	188.000
Other Non Current Assets (FV)	200.000	Owners' Equity (*)	29.500
Total Investments	217.500	Total Sources	217.500

GROUP			
Cash	78.500	Short Term Liabilities	128.000
Other Current Assets	149.500	Long Term Liabilities	560.000
Investments in other Companies	-	Total Liabilities	688.000
Other Non Current Assets	560.000	Owners' Equity	100.000
Total Investments	788.000	Total Sources	788.000

RECOGNITION PRINCIPLE



EXAMPLES OF INTANGIBLE ASSETS

TECHNOLOGY-RELATED INTANGIBLE ASSETS

- Patented technologies
- Computer software and mask works
- Unpatented technologies
- Databases, including title plants
- Trade secrets such as secret formulas, processes, and recipes

CONTRACT-RELATED INTANGIBLE ASSETS

- Licenses, royalties, standstill agreements
- Advertising, construction management, service, delivery and supply contracts
- Lease agreements (independently of whether the acquirer is the lessee or the lessor)
- Construction permits
- Franchise agreements
- Operating and broadcasting rights
- Servicing contracts, such as mortgage servicing contracts
- Use rights, such as drilling, water, air, timber cutting, and route authorizations
- Employment contracts

Source: KPMG Advisory – Corporate Finance - Intangible Assets and Goodwill in the context of Business Combinations An industry study



EXAMPLES OF INTANGIBLE ASSETS

CUSTOMER-RELATED INTANGIBLE ASSETS

- Customer lists
- Order or production backlog
- Customer contracts and related customer relationships
- Non-contractual customer relationships

MARKETING RELATED

- Trademarks, trade names, service names, collective marks, certification marks
- Trade dress (unique color, shape, or package design)
- Newspaper mastheads
- Internet domain names
- Non-competition agreements

ART-RELATED INTANGIBLE ASSETS

- Plays, operas, and ballets
- Books, magazines, newspapers, and other literary works
- Musical works such as compositions, song lyrics, and advertising jingles
- Pictures and photographs
- Video and audio-visual material, including motion pictures or films, music videos, and television programs

Source: KPMG Advisory – Corporate Finance - Intangible Assets and Goodwill in the context of Business Combinations An industry study

WHOLLY CONTROLLED (**)

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	200.000	Total Sources	200.000

PARENT Company			
Cash	10.500	Short Term Liabilities	110.000
Other Current Assets	140.000	Long Term Liabilities	390.000
Investments in P	89.500	Total Liabilities	500.000
Other Non Current Assets	360.000	Owners' Equity	100.000
Total Investments	600.000	Total Sources	600.000

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities (FV)	18.000
Other Current Assets (FV)	9.500	Long Term Liabilities (FV)	170.000
Investments in other Companies	-	Previously Unrecognized Liabilities (FV)	170.000
Other Non Current Assets (FV)	200.000	Total Liabilities	358.000
Previously Unrecognized Assets (FV)	230.000	Owners' Equity (**)	89.500
Total Investments	447.500	Total Sources	447.500

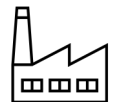
40.00%
4,000 @ 10 \$/#



60.00%
6,000 @ 10 \$/#



100.00%



500 @ 40 \$/#

DR Previously unrecognized assets

CR XYZ's Shareholders' Equity

230,000

230,000

DR XYZ's Shareholders' Equity

CR Previously unrecognized Liabilities

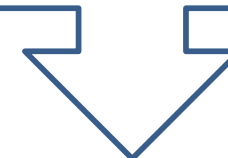
170,000

170,000



WHOLLY CONTROLLED (**)

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	200.000	Total Sources	200.000

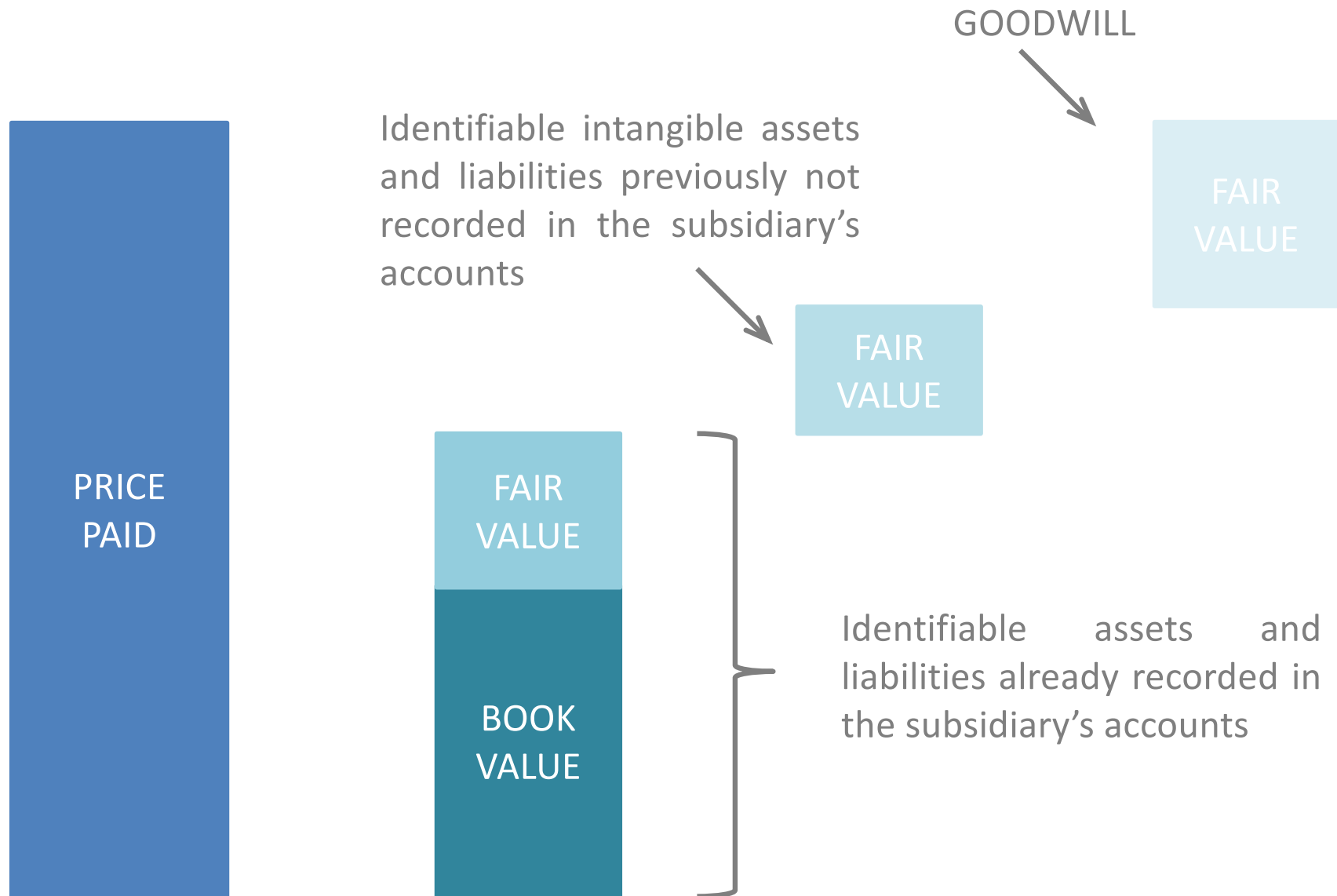


PARENT Company				SUBSIDIARY Company			
Cash	10.500	Short Term Liabilities	110.000	Cash	8.000	Short Term Liabilities (FV)	18.000
Other Current Assets	140.000	Long Term Liabilities	390.000	Other Current Assets (FV)	9.500	Long Term Liabilities (FV)	170.000
Investments in P	89.500	Total Liabilities	500.000	Investments in other Companies	-	Previously Unrecognized Liabilities (FV)	170.000
Other Non Current Assets	360.000	Owners' Equity	100.000	Other Non Current Assets (FV)	200.000	Total Liabilities	358.000
Total Investments	600.000	Total Sources	600.000	Previously Unrecognized Assets (FV)	230.000	Owners' Equity (**)	89.500
				Total Investments	447.500	Total Sources	447.500



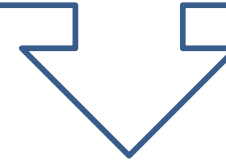
GROUP			
Cash	18.500	Short Term Liabilities	128.000
Other Current Assets	149.500	Long Term Liabilities	560.000
Investments in other Companies	-	Previously Unrecognized Liabilities (FV)	170.000
Other Non Current Assets	560.000	Total Liabilities	858.000
Previously Unrecognized Assets (FV)	230.000	Owners' Equity (**)	100.000
Total Investments	958.000	Total Sources	958.000

RECOGNITION PRINCIPLE



WHOLLY CONTROLLED (***)

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	200.000	Total Sources	200.000



PARENT Company			
Cash	500	Short Term Liabilities	110.000
Other Current Assets	140.000	Long Term Liabilities	390.000
Investments in P	99.500	Total Liabilities	500.000
Other Non Current Assets	360.000	Owners' Equity	100.000
Total Investments	600.000	Total Sources	600.000

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities (FV)	18.000
Other Current Assets (FV)	9.500	Long Term Liabilities (FV)	170.000
Investments in other Companies	-	Previously Unrecognized Liabilities (FV)	170.000
Other Non Current Assets (FV)	200.000	Total Liabilities	358.000
Previously Unrecognized Assets (FV)	230.000	Owners' Equity (**)	89.500
Total Investments	447.500	Total Sources	447.500

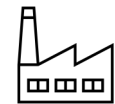
40.00%
4,000 @ 10 \$/#



60.00%

6,000 @ 10 \$/#

100.00%



500 @ 40 \$/#

CR Investment in Subsidiary

99,500

DR XYZ's Shareholders' Equity

89,500

DR Goodwill

10,000



WHOLLY CONTROLLED (***)

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities	20.000
Other Current Assets	12.000	Long Term Liabilities	160.000
Investments in other Companies	-	Total Liabilities	180.000
Other Non Current Assets	180.000	Owners' Equity	20.000
Total Investments	200.000	Total Sources	200.000

PARENT Company			
Cash	500	Short Term Liabilities	110.000
Other Current Assets	140.000	Long Term Liabilities	390.000
Investments in P	99.500	Total Liabilities	500.000
Other Non Current Assets	360.000	Owners' Equity	100.000
Total Investments	600.000	Total Sources	600.000

SUBSIDIARY Company			
Cash	8.000	Short Term Liabilities (FV)	18.000
Other Current Assets (FV)	9.500	Long Term Liabilities (FV)	170.000
Investments in other Companies	-	Previously Unrecognized Liabilities (FV)	170.000
Other Non Current Assets (FV)	200.000	Total Liabilities	358.000
Previously Unrecognized Assets (FV)	230.000	Owners' Equity (**)	89.500
Total Investments	447.500	Total Sources	447.500

GROUP			
Cash	8.500	Short Term Liabilities	128.000
Other Current Assets	149.500	Long Term Liabilities	560.000
Investments in other Companies	-	Previously Unrecognized Liabilities (FV)	170.000
Other Non Current Assets	560.000	Total Liabilities	858.000
Previously Unrecognized Assets (FV)	230.000	Owners' Equity (***)	100.000
Goodwill	10.000	Total Sources	958.000
Total Investments	958.000		

EXERCISE

The following information is known about Target Inco.:

	Carrying Amount	Fair Value
Identifiable Assets	\$ 540,000	\$ 485,000
Identifiable Liabilities	\$ 150,000	\$ 190,000

The total number of shares issued by the target is 20,000. The average stock market price of a share is \$ 23.

Shell Limited is a company specially set up by some local investors to acquire Target. Currently, the only asset on the debit side of its balance sheet is cash in the amount of \$ 600,000. On the liabilities side of the balance sheet, a loan in the amount of \$ 510,000 is recorded. The equity consists entirely of contributed capital.

Shell acquires (for cash) a 82 per cent stake in Target. Considering that a majority is thus acquired, the price paid is set at \$ 425,000.

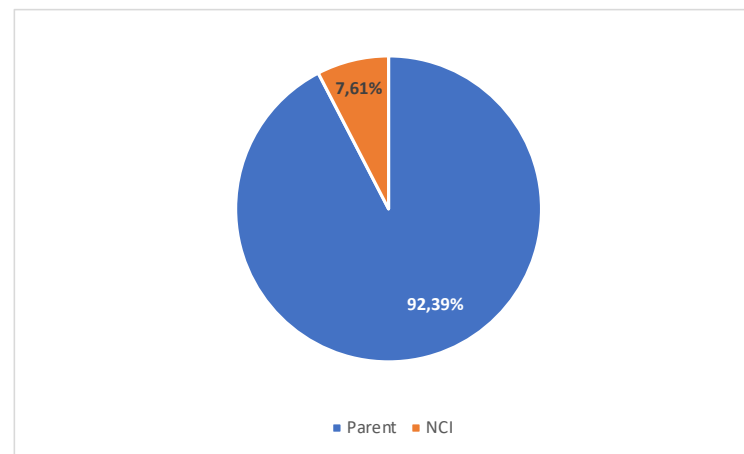
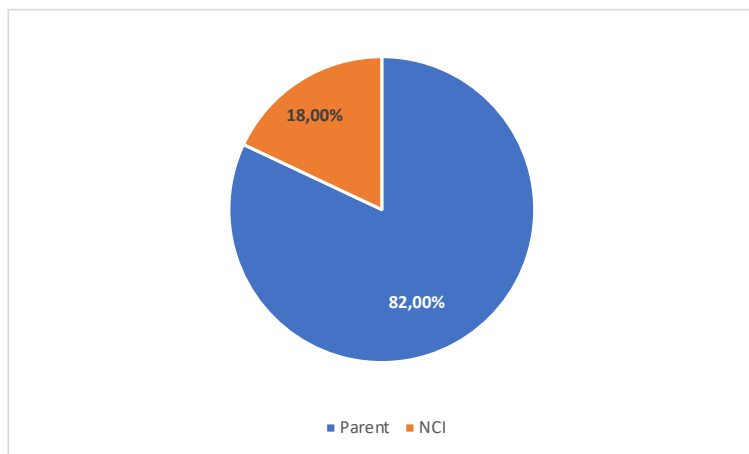
Relative to each option:

1. Calculate the value of the goodwill to be recorded in the consolidated financial statements at acquisition date.
Ignore any deferred tax considerations.
2. Provide the consolidation entries at the date of acquisition. Please note: all jurnal entries, not only those relating to the elimination of the investment.
3. Provide the consolidated balance sheet of the group at the date of acquisition.

SOLUTIONS

	Carrying Amount	Fair Value	Fair Value
Identifiable Assets	\$ 540,000	\$ 485,000	
Identifiable Liabilities	<u>(\$ 150,000)</u>	<u>(\$ 190,000)</u>	
Net Identifiable Assets	\$ 390,000	\$ 295,000	
Whole Company (23 \$/# * 20,000 #)			\$ 460,000

The price paid for an **82 percent** stake: **\$ 425,000**.



SOLUTIONS

Consideration paid for an 82 percent stake:	\$ 425,000
- 82% of the Net Identifiable Assets (at fair value)	(\$ 241,900)
	<hr/>
Goodwill (partial)	\$ 183,100
Fair value of the 18% stake (3,600# * 23,000 # =	\$ 82,800
- 18% of the Net Identifiable Assets (at fair value)	(\$ 53,100)
	<hr/>
Goodwill (attributable to NCI)	\$ 29,700

Total Goodwill = \$ 183,100 + \$ 29,700 = \$ 212,800

SOLUTIONS

Cash	\$ 600,000
Total assets	\$ 600,000
Loan	\$ 510,000
Shareholders' Equity	\$ 90,000
Total Liabilities & Shareholders' Equity	\$ 600,000



Cash	\$ 175,000
Investment in Target	\$ 425,000
Total assets	\$ 600,000
Loan	\$ 510,000
Shareholders' Equity	\$ 90,000
Total Liabilities & Shareholders' Equity	\$ 600,000

SOLUTIONS: PARTIAL GOODWILL

Cash	\$ 175,000
Target's Identifiable Assets	\$ 485,000
Goodwill	\$ 183,100
	<hr/>
Total assets for the group	\$ 843,100
Loan	\$ 510,000
Target's Identifiable Liabilities	\$ 190,000
	<hr/>
Total liabilities for the group	\$ 700,000
Parent's Shareholders' Equity	\$ 90,000
Non-Controlling Interest	\$ 53,100
	<hr/>
Total Liabilities & Shareholders' Equity	\$ 843,100

SOLUTIONS: TOTAL GOODWILL

Cash	\$ 175,000
Target's Identifiable Assets	\$ 485,000
Goodwill	\$ 212,800
	<hr/>
Total assets for the group	\$ 872,800
Loan	\$ 510,000
Target's Identifiable Liabilities	\$ 190,000
	<hr/>
Total liabilities for the group	\$ 700,000
Parent's Shareholders' Equity	\$ 90,000
Non-Controlling Interest	\$ 82,800
	<hr/>
Total Liabilities & Shareholders' Equity	\$ 872,800

MEASUREMENT

An entity includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the entity ceases to control the subsidiary.

Income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

For example, depreciation expense recognised in the consolidated statement of comprehensive income after the acquisition date is based on the fair values of the related depreciable assets recognised in the consolidated financial statements at the acquisition date.

Source: IFRS 10 – Consolidated Financial Statements – § B88

EVOLUTION OF TWO COMPANIES OVER TIME

P Company				P Company				P Company			
Cash	62.000	Short Term Liabilities	70.700	Cash	79.400	Short Term Liabilities	98.600	Cash	77.350	Short Term Liabilities	133.200
Other Current Assets	35.000	Long Term Liabilities	136.300	Other Current Assets	68.600	Long Term Liabilities	221.000	Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in P	-	Total Liabilities	207.000	Investments in P	-	Total Liabilities	319.600	Investments in P	-	Total Liabilities	210.150
Other Non Current Assets	160.000	Stated Capital	10.000	Other Non Current Assets	240.000	Stated Capital	10.000	Other Non Current Assets	185.000	Stated Capital	10.000
		Retained Earnings	36.200			Retained Earnings	52.000			Retained Earnings	97.400
		Net Profit After Tax	3.800			Net Profit After Tax	6.400			Net Profit After Tax	7.800
		Owners' Equity	50.000			Owners' Equity	68.400			Owners' Equity	115.200
Total Investments	257.000	Total Sources	257.000	Total Investments	388.000	Total Sources	388.000	Total Investments	325.350	Total Sources	325.350

S Company				S Company				S Company			
Cash	40.000	Short Term Liabilities	-	Cash	2.300	Short Term Liabilities	6.400	Cash	800	Short Term Liabilities	17.600
Other Current Assets	-	Long Term Liabilities	-	Other Current Assets	5.700	Long Term Liabilities	35.800	Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	-	Investments in Other Companies	-	Total Liabilities	42.200	Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	-	Stated Capital	40.000	Other Non Current Assets	90.000	Stated Capital	40.000	Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	-			Retained Earnings	11.700			Retained Earnings	27.700
		Net Profit After Tax	-			Net Profit After Tax	4.100			Net Profit After Tax	9.100
		Owners' Equity	40.000			Owners' Equity	55.800			Owners' Equity	76.800
Total Investments	40.000	Total Sources	40.000	Total Investments	98.000	Total Sources	98.000	Total Investments	104.500	Total Sources	104.500

20X0

20X5

20X9



NET EQUITY COMPOSITION OF THE TARGET

S Company				S Company				S Company			
Cash	40.000	Short Term Liabilities	-	Cash	2.300	Short Term Liabilities	6.400	Cash	800	Short Term Liabilities	17.600
Other Current Assets	-	Long Term Liabilities	-	Other Current Assets	5.700	Long Term Liabilities	35.800	Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	-	Investments in Other Companies	-	Total Liabilities	42.200	Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	-			Other Non Current Assets	90.000			Other Non Current Assets	75.000		
		Stated Capital	40.000			Stated Capital	40.000			Stated Capital	40.000
		Retained Earnings	-			Retained Earnings	11.700			Retained Earnings	27.700
		Net Profit After Tax	-			Net Profit After Tax	4.100			Net Profit After Tax	9.100
		Owners' Equity	40.000			Owners' Equity	55.800			Owners' Equity	76.800
Total Investments	40.000	Total Sources	40.000	Total Investments	98.000	Total Sources	98.000	Total Investments	104.500	Total Sources	104.500

20X0

20X5

20X9

Share Capital 40.000

Retained Earnings -

Net Profit After Tax -

Owners' Equity 40.000

Share Capital 40.000

Retained Earnings 11.700

Net Profit After Tax 4.100

Owners' Equity 55.800

Share Capital 40.000

Retained Earnings 27.700

Net Profit After Tax 9.100

Owners' Equity 76.800



HYPOTHESIS 1



S Company			
Cash	40.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Investments in Other Companies	-	Total Liabilities	-
Other Non Current Assets	-	Stated Capital	40.000
		Retained Earnings	-
		Net Profit After Tax	-
		Owners' Equity	40.000
Total Investments	40.000	Total Sources	40.000

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

20X0

Share Capital	40.000
Retained Earnings	-
Net Profit After Tax	-
Owners' Equity	40.000

20X5

Share Capital	40.000
Retained Earnings	11.700
Net Profit After Tax	4.100
Owners' Equity	55.800

20X9

Share Capital	40.000
Retained Earnings	27.700
Net Profit After Tax	9.100
Owners' Equity	76.800



HYPOTHESIS 1 - YEAR 20X0

P Company			
Cash	22.000	Short Term Liabilities	70.700
Other Current Assets	35.000	Long Term Liabilities	136.300
Investments in S	40.000	Total Liabilities	207.000
Other Non Current Assets	160.000	Stated Capital	10.000
		Retained Earnings	36.200
		Net Profit After Tax	3.800
		Owners' Equity	50.000
Total Investments	257.000	Total Sources	257.000

40.00%

400 @ 10 \$/#

400 @ 50 \$/#



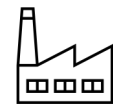
60.00%

600 @ 10 \$/#

600 @ 50 \$/#

S Company			
Cash	40.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Investments in Other Companies	-	Total Liabilities	-
Other Non Current Assets	-	Stated Capital	40.000
		Retained Earnings	-
		Net Profit After Tax	-
		Owners' Equity	40.000
Total Investments	40.000	Total Sources	40.000

100.00%



100 @ 400 \$/#

100 @ 400 \$/#

HYPOTHESIS 1 - YEAR 20X0

P Company			
Cash	22.000	Short Term Liabilities	70.700
Other Current Assets	35.000	Long Term Liabilities	136.300
Investments in S	40.000	Total Liabilities	207.000
Other Non Current Assets	160.000	Stated Capital	10.000
		Retained Earnings	36.200
		Net Profit After Tax	3.800
		Owners' Equity	50.000
Total Investments	257.000	Total Sources	257.000

S Company			
Cash	40.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Investments in Other Companies	-	Total Liabilities	-
Other Non Current Assets	-	Stated Capital	40.000
		Retained Earnings	-
		Net Profit After Tax	-
		Owners' Equity	40.000
Total Investments	40.000	Total Sources	40.000

GROUP			
Cash	62.000	Short Term Liabilities	70.700
Other Current Assets	35.000	Long Term Liabilities	136.300
Non Current Assets	160.000	Total Liabilities	207.000
		Stated Capital	10.000
		Retained Earnings	36.200
		Net Profit After Tax	3.800
		Owners' Equity	50.000
Total Investments	257.000	Total Sources	257.000

40.00%

400 @ 10 \$/#

400 @ 50 \$/#



60.00%

600 @ 10 \$/#

600 @ 50 \$/#

HYPOTHESIS 1 - YEAR 20X5

P Company			
Cash	39.400	Short Term Liabilities	98.600
Other Current Assets	68.600	Long Term Liabilities	221.000
Investments in P	40.000	Total Liabilities	319.600
Other Non Current Assets	240.000	Stated Capital	10.000
		Retained Earnings	52.000
		Net Profit After Tax	6.400
		Owners' Equity	68.400
Total Investments	388.000	Total Sources	388.000

40.00%

400 @ 10.00 \$/#

400 @ 68.40 \$/#



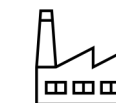
60.00%

600 @ 10.00 \$/#

600 @ 68.40 \$/#

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

100.00%



100 @ 400 \$/#

100 @ 558 \$/#

HYPOTHESIS 1 - YEAR 20X5

P Company			
Cash	39.400	Short Term Liabilities	98.600
Other Current Assets	68.600	Long Term Liabilities	221.000
Investments in P	40.000	Total Liabilities	319.600
Other Non Current Assets	240.000	Stated Capital	10.000
		Retained Earnings	52.000
		Net Profit After Tax	6.400
		Owners' Equity	68.400
Total Investments	388.000	Total Sources	388.000

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

GROUP			
Cash	41.700	Short Term Liabilities	105.000
Other Current Assets	74.300	Long Term Liabilities	256.800
Non Current Assets	330.000	Total Liabilities	361.800
		Stated Capital	10.000
		Retained Earnings	63.700
		Net Profit After Tax	10.500
		Owners' Equity	84.200
Total Investments	446.000	Total Sources	446.000

40.00%

400 @ 10 \$/#

400 @ 50 \$/#



60.00%

600 @ 10 \$/#

600 @ 50 \$/#

HYPOTHESIS 1 - YEAR 20X9

P Company			
Cash	37.350	Short Term Liabilities	133.200
Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in P	40.000	Total Liabilities	210.150
Other Non Current Assets	185.000	Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
Total Investments	325.350	Total Sources	325.350

40.00%

400 @ 10.00 \$/#

400 @ 115.20 \$/#



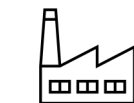
60.00%

600 @ 10.00 \$/#

600 @ 115.20 \$/#

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

100.00%



100 @ 400 \$/#

100 @ 768 \$/#

HYPOTHESIS 1 - YEAR 20X9

P Company

Cash	37.350	Short Term Liabilities	133.200
Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in P	40.000	Total Liabilities	210.150
Other Non Current Assets	185.000	Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
Total Investments	325.350	Total Sources	325.350

S Company

Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

GROUP

Cash	38.150	Short Term Liabilities	150.800
Other Current Assets	91.700	Long Term Liabilities	87.050
Non Current Assets	260.000	Total Liabilities	237.850
		Stated Capital	10.000
		Retained Earnings	125.100
		Net Profit After Tax	16.900
		Owners' Equity	152.000
Total Investments	389.850	Total Sources	389.850

40.00%

400 @ 10 \$/#

400 @ 50 \$/#



60.00%

600 @ 10 \$/#

600 @ 50 \$/#



HYPOTHESIS 2



S Company			
Cash	40.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Investments in Other Companies	-	Total Liabilities	-
Other Non Current Assets	-	Stated Capital	40.000
		Retained Earnings	-
		Net Profit After Tax	-
		Owners' Equity	40.000
Total Investments	40.000	Total Sources	40.000

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

20X0

Share Capital	40.000
Retained Earnings	-
Net Profit After Tax	-
Owners' Equity	40.000

20X5

Share Capital	40.000
Retained Earnings	11.700
Net Profit After Tax	4.100
Owners' Equity	55.800

20X9

Share Capital	40.000
Retained Earnings	27.700
Net Profit After Tax	9.100
Owners' Equity	76.800



HYPOTHESIS 2



S Company			
Cash	40.000	Short Term Liabilities	-
Other Current Assets	-	Long Term Liabilities	-
Investments in Other Companies	-	Total Liabilities	-
Other Non Current Assets	-	Stated Capital	40.000
		Retained Earnings	-
		Net Profit After Tax	-
		Owners' Equity	40.000
Total Investments	40.000	Total Sources	40.000

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

20X0

Share Capital	40.000
Retained Earnings	-
Net Profit After Tax	-
Owners' Equity	40.000

20X5

Share Capital	40.000
Retained Earnings	11.700
Net Profit After Tax	4.100
Owners' Equity	55.800

20X9

Share Capital	40.000
Retained Earnings	27.700
Net Profit After Tax	9.100
Owners' Equity	76.800



HYPOTHESIS 2 - YEAR 20X5

P Company			
Cash	23.600	Short Term Liabilities	98.600
Other Current Assets	68.600	Long Term Liabilities	221.000
Investments in S	55.800	Total Liabilities	319.600
Other Non Current Assets	240.000	Stated Capital	10.000
		Retained Earnings	52.000
		Net Profit After Tax	6.400
		Owners' Equity	68.400
Total Investments	388.000	Total Sources	388.000

40.00%

400 @ 10.00 \$/#

400 @ 68.40 \$/#



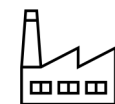
60.00%

600 @ 10.00 \$/#

600 @ 68.40 \$/#

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

100.00%



100 @ 400 \$/#

100 @ 558 \$/#

HYPOTHESIS 2 - YEAR 20X5

P Company			
Cash	23.600	Short Term Liabilities	98.600
Other Current Assets	68.600	Long Term Liabilities	221.000
Investments in S	55.800	Total Liabilities	319.600
Other Non Current Assets	240.000	Stated Capital	10.000
		Retained Earnings	52.000
		Net Profit After Tax	6.400
		Owners' Equity	68.400
Total Investments	388.000	Total Sources	388.000

S Company			
Cash	2.300	Short Term Liabilities	6.400
Other Current Assets	5.700	Long Term Liabilities	35.800
Investments in Other Companies	-	Total Liabilities	42.200
Other Non Current Assets	90.000	Stated Capital	40.000
		Retained Earnings	11.700
		Net Profit After Tax	4.100
		Owners' Equity	55.800
Total Investments	98.000	Total Sources	98.000

GROUP			
Cash	25.900	Short Term Liabilities	105.000
Other Current Assets	74.300	Long Term Liabilities	256.800
Non Current Assets	330.000	Total Liabilities	361.800
		Stated Capital	10.000
		Retained Earnings	52.000
		Net Profit After Tax	6.400
		Owners' Equity	68.400
Total Investments	430.200	Total Sources	430.200

40.00%



400 @ 10.00 \$/#

400 @ 68.40 \$/#

60.00%



600 @ 10.00 \$/#

600 @ 68.40 \$/#



HYPOTHESIS 2 - YEAR 20X9

P Company			
Cash	21.550	Short Term Liabilities	133.200
Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in P	55.800	Total Liabilities	210.150
Other Non Current Assets	185.000	Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
<i>Total Investments</i>	<i>325.350</i>	<i>Total Sources</i>	<i>325.350</i>

40.00%

400 @ 10.00 \$/#

400 @ 115.20 \$/#



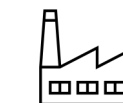
60.00%

600 @ 10.00 \$/#

600 @ 115.20 \$/#

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
<i>Total Investments</i>	<i>104.500</i>	<i>Total Sources</i>	<i>104.500</i>

100.00%



100 @ 400 \$/#

100 @ 768 \$/#

HYPOTHESIS 2 - YEAR 20X9

P Company

Cash	21.550	Short Term Liabilities	133.200
Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in P	55.800	Total Liabilities	210.150
Other Non Current Assets	185.000		
		Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
Total Investments	325.350	Total Sources	325.350

S Company

Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000		
		Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

GROUP

Cash	22.350	Short Term Liabilities	150.800
Other Current Assets	91.700	Long Term Liabilities	87.050
Non Current Assets	260.000	Total Liabilities	237.850
		Stated Capital	10.000
		Retained Earnings	113.400
		Net Profit After Tax	12.800
		Owners' Equity	136.200
Total Investments	374.050	Total Sources	374.050

40.00%

400 @ 10.00 \$/#

400 @ 136.20 \$/#



60.00%

600 @ 10.00 \$/#

600 @ 136.20 \$/#



HYPOTHESIS 3



S Company				S Company				S Company			
Cash	40.000	Short Term Liabilities	-	Cash	2.300	Short Term Liabilities	6.400	Cash	800	Short Term Liabilities	17.600
Other Current Assets	-	Long Term Liabilities	-	Other Current Assets	5.700	Long Term Liabilities	35.800	Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	-	Investments in Other Companies	-	Total Liabilities	42.200	Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	-			Other Non Current Assets	90.000			Other Non Current Assets	75.000		
		Stated Capital	40.000			Stated Capital	40.000			Stated Capital	40.000
		Retained Earnings	-			Retained Earnings	11.700			Retained Earnings	27.700
		Net Profit After Tax	-			Net Profit After Tax	4.100			Net Profit After Tax	9.100
		Owners' Equity	40.000			Owners' Equity	55.800			Owners' Equity	76.800
Total Investments	40.000	Total Sources	40.000	Total Investments	98.000	Total Sources	98.000	Total Investments	104.500	Total Sources	104.500



20X0

20X5

20X9

Share Capital 40.000

Retained Earnings -

Net Profit After Tax -

Owners' Equity 40.000

Share Capital 40.000

Retained Earnings 11.700

Net Profit After Tax 4.100

Owners' Equity 55.800

Share Capital 40.000

Retained Earnings 27.700

Net Profit After Tax 9.100

Owners' Equity 76.800



HYPOTHESIS 3 - YEAR 20X9

P Company			
Cash	550	Short Term Liabilities	133.200
Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in S	76.800	Total Liabilities	210.150
Other Non Current Assets	185.000	Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
Total Investments	325.350	Total Sources	325.350

40.00%

400 @ 10.00 \$/#

400 @ 115.20 \$/#



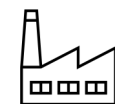
60.00%

600 @ 10.00 \$/#

600 @ 115.20 \$/#

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000	Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

100.00%



100 @ 400 \$/#

100 @ 768 \$/#

HYPOTHESIS 3 - YEAR 20X9

P Company			
Cash	550	Short Term Liabilities	133.200
Other Current Assets	63.000	Long Term Liabilities	76.950
Investments in S	76.800	Total Liabilities	210.150
Other Non Current Assets	185.000		
		Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
Total Investments	325.350	Total Sources	325.350

S Company			
Cash	800	Short Term Liabilities	17.600
Other Current Assets	28.700	Long Term Liabilities	10.100
Investments in Other Companies	-	Total Liabilities	27.700
Other Non Current Assets	75.000		
		Stated Capital	40.000
		Retained Earnings	27.700
		Net Profit After Tax	9.100
		Owners' Equity	76.800
Total Investments	104.500	Total Sources	104.500

GROUP			
Cash	1.350	Short Term Liabilities	150.800
Other Current Assets	91.700	Long Term Liabilities	87.050
Non Current Assets	260.000	Total Liabilities	237.850
		Stated Capital	10.000
		Retained Earnings	97.400
		Net Profit After Tax	7.800
		Owners' Equity	115.200
Total Investments	353.050	Total Sources	353.050

40.00%

400 @ 10.00 \$/#

400 @ 115.20 \$/#



60.00%

600 @ 10.00 \$/#

600 @ 115.20 \$/#

