

#### Example 4 Subsidiary converts into ordinary investment

##### Consolidated statement of financial position

	Rs (000)	Rs. (000)
Assets		
Other sundry net assets	85,800	
Goodwill	1,000	
Ordinary investment	5,700	92,500
		<u>92,500</u>
Equity and liabilities		
Equity		
Ordinary share capital	30,000	
Consolidated retained earnings	55,500	85,500
NCI		6,000
		91,500
Provision for taxation		1,000
		<u>92,500</u>

##### Consolidated statement of comprehensive income

###### Profit or loss account

	P Rs (000)	Y Rs (000)	Z Rs (000)	Adjustments Rs. (000)	Consolidated Rs. (000)
Sales revenue	100,000	55,500	19,350	--	174,850
Operating costs	(50,000)	(27,750)	(9,675)	--	(87,425)
Dividends receivable – Y	4,000			(4,000)	--
Fair value gain on At FVTHPL				200	200
Disposal gain				2,612.5	2,612.5
Dividends receivable – Z	400			--	400
Profit before tax	54,400	27,750	9,675	(1,187.5)	90,637.5
Income tax expenses	(16,000)	(9,250)	(3,225)		(28,475)
Profit after tax	38,400	18,500	6,450	(1,187.5)	62,162.5
NCI	--	(3,700)	(1,612.5)	--	(5,312.5)
Profit attributable to group	<u>38,400</u>	<u>14,800</u>	<u>4,837.5</u>	<u>(1,187.5)</u>	<u>56,850</u>

###### Consolidated statement of changes in equity

	Ordinary share capital Rs (000)	Consolidated retained earnings Rs (000)	Total Rs (000)	NCI Rs. (000)	Total Rs. (000)
B / f	30,000	13,650	43,650	7,150	50,800
Total comprehensive income		56,850	56,850	5,312.5	62,162.5
Dividend for the year		(15,000)	(15,000)	(1,000)	(16,000)
Subsidiary company disposal	--	--	--	(5,462.5)	(5,462.5)
	<u>30,000</u>	<u>55,500</u>	<u>85,500</u>	<u>6,000</u>	<u>91,500</u>

**W-1**

Group structure

Group  
NCI

	Before		After	
	Y	Z	Y	Z
	%	%	%	%
	80	75	80	10
	20	25	20	--
	<u>100</u>	<u>100</u>	<u>100</u>	<u>10</u>

**W-2**Goodwill  
Cost of investment  
Fair value of net assets  
Share capital  
Retained earnings –pre

	Y		Z	
	RS. (000)	RS. (000)	RS. (000)	RS. (000)
		13,000		11,000
	8,000		7,500	
	4,000	<u>12,000</u>	3,000	<u>10,500</u>
		<u>1,000</u>		<u>500</u>

**W-3****CRE-openings**P  
Y (6,500-5,000)x.80  
Z (5,400-4,000)x.75

	W-4		Y	Z
	NCI-opening			
	11,400	Share capital	2,000	2,500
	1,200			
	<u>1,050</u>	Opening RE	<u>1,300</u>	<u>1,350</u>
	<u>13,650</u>		<u>3,300</u>	<u>3,850</u>

**W-5****Net assets at the date of disposal**Share capital  
  
Retained earnings b/ f  
Profit for the year (8,600x9/12)  
  
Group share  
NCI share

	Z	W-6	
	RS. (000)	Disposal	RS. (000)
	10,000	Proceeds	15,000
		Fair value of Ord. Invet.	5,500
	5,400	Net assets share	(16,387.5)
	6,450	Goodwill	(500)
		Taxes payable	<u>(1,000)</u>
	<u>21,850</u>	Gain on disposal	<u>2,612.5</u>
	<u>16,387.5</u>		
	5,462.50		