

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	Y	Z	Adjustments	Consolidated
	Rs (000)	Rs (000)	Rs (000)	Rs. (000)	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	38,400	14,800	4,837.5	(1,187.5)	56,850

Consolidated statement of changes in equity

	Ordinary share capital	Consolid ated retained earnings	Total	NCI	Total
	Rs (000)	Rs (000)	Rs (000)	Rs. (000)	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			
1,050	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)

Z		W-6	
Disposal			
RS. (000)		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>	
16,387.5			
5,462.50			

Group share

NCI share