Goodwill Automation in SAP BusinessObjects Financial Consolidation Starter Kit

Applies to:

SAP BusinessObjects Financial Consolidation V10.0.

Summary

Goodwill automation constitutes a recurring request from SAP® BusinessObjects™ Financial Consolidation customers and partners. This document explains how this automation is included in the new release of the starter kit for IFRS available from the end of October 2011.

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Summary

Goodwill automation constitutes a recurring request from customers and prospects. This document explains how this automation is included in the new release of the starter kit for IFRS available from the end of October 2011.

The starter kit for IFRS is a configuration of SAP® BusinessObjects^{TM} Financial Consolidation – part of SAP BusinessObjects enterprise performance management (EPM) solutions – designed to perform, validate and publish a statutory consolidation in accordance with IFRS.

Firstly, this document summarizes IFRS requirements regarding goodwill. It refers to the standards (mainly IFRS3 and IAS28) currently in force and does not take into account the new standards on consolidation published by the IASB mid-2011. However, these changes are not expected to have many impacts on goodwill measurement or recognition.

Secondly, this document presents how the accounting of goodwill was historically handled in the starter kit.

The last part is dedicated to the enhancements made to the starter kit, focusing on the functional scope (which event will be covered by the automated goodwill calculation) and the overall calculation and configuration principles. More detailed information on implied changes in the configuration is provided within the release note delivered together with the starter kit.

IFRS Requirements

Goodwill in IFRS

The notion of goodwill is addressed in both IFRS 3 *Business Combinations* and IAS *28 Investments in Associates*.

IFRS 3 specifies the accounting treatment of business combinations, which are defined as transactions in which an acquirer obtains control of one or more businesses. Therefore it only addresses the acquisition of subsidiaries. It gives the following definition of goodwill:

> "The acquirer shall recognize goodwill as of the acquisition date measured as the excess of (a) over (b) below:
>
> (a) the aggregate of:
>
> − the consideration transferred measured in accordance with this IFRS, which generally requires acquisition-date fair value;
>
> − the amount of any non-controlling interest (NCI) in the acquiree measured in accordance with this IFRS; and
>
> − in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree.
>
> (b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this IFRS." (IFRS3.32)

If the fair value of the identifiable net assets exceeds the sum of the consideration paid and the amount of NCI, the acquirer recognizes the resulting gain in profit or loss as a bargain purchase. This gain shall be attributed to the acquirer (IFRS 3.34).

IAS 28 is dedicated to the accounting of investments in associates and includes specific provisions for the treatment at the acquisition date.

> "On acquisition of the investment any difference between the cost of the investment and the investor's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as follows:
>
> − Goodwill relating to an associate is included in the carrying amount of the investment.
>
> − Any excess of the investor's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired." (IAS28.23)

IAS 31 Interests in Joint Ventures does not make any reference to goodwill. It tends to show that most joint ventures are established by co-venturers and not acquired. Nevertheless the acquisition method as defined in IFRS 3 is usually applied in practice when an interest in a joint venture is acquired.

What events are affected in practice?

Based on the IFRS listed above, the following events should give rise to a goodwill calculation:

− Acquisition of a subsidiary

− Acquisition of an interest in an associate

− Associate becoming a subsidiary (business combination achieved in stages)

− Joint-venture becoming a subsidiary (business combination achieved in stages)

− Subsidiary becoming an associate (gain or loss on sale calculated according to IAS 27 then application of IAS 28 provisions regarding the acquisition of an interest in an associate)

Even if not explicitly stated in IFRS, a goodwill may also be calculated on the following events:

– Acquisition of a joint venture
– Increase in ownership interest in an associate
– Associate becoming a joint-venture
– Joint venture becoming an associate (gain or loss on sale calculated according to IAS 31 then application of IAS 28 provisions regarding the acquisition of an interest in an associate)

How to measure goodwill?

Subsidiary: partial or full goodwill

For each business combination, the acquirer can measure any non-controlling interest in the acquired subsidiary either at fair value or at its proportionate share of the acquiree's identifiable net assets. When non-controlling interests are measured at fair value, their share of goodwill is recognized ("full goodwill method").

The calculation can be summarized as follows:

Components of goodwill (IFRS3)
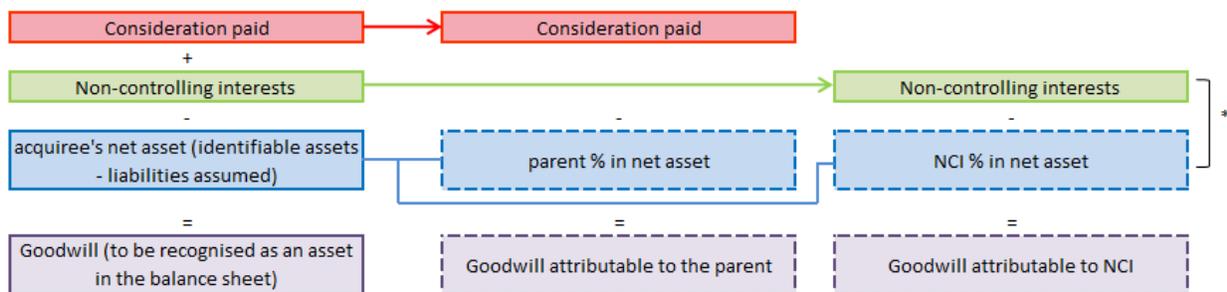
* When NCI are measured at their proportionate share of assets, the outcome is nul (no goodwill is recognised on the NCI's share => partial goodwill method)

Whatever the method chosen, the goodwill attributable to the parent is unchanged and can be calculated independently from the one attributable to NCI if any. See example in appendix 1.

Associate

Calculation principles are the same as explained above for the parent's share in goodwill: goodwill is the difference between the cost of the investment ("consideration paid") and the investor's share of the net fair value of the associate's identifiable assets and liabilities ("% in net assets").

However, goodwill is not recognized as such in the balance sheet but included in the line item "investments in associates".

In a business combination achieved in stages

A business combination achieved in stages is similarly treated as if the previously held interest (e.g. interest in an associate) was disposed of and a new controlling interest was acquired. Thus, the cost of shares held by the parent in the "new" subsidiary includes:

– the consideration paid for the latest shares acquired (which give the control),
– the previously held interest in the subsidiary remeasured to fair value at the date the control is gained

In other words, the gain or loss on "disposal" (the term 'disposal' is not really appropriate as the previously held interest is not disposed of) has to be calculated first as it has a direct impact on the amount of goodwill.

An example of an associate becoming a subsidiary is presented in appendix 2.

Subsequent periods: what accounting entries related to goodwill should be recognized?

During subsequent periods, the following items may have an impact on the amount of goodwill:

- adjustment during the measurement period,

- impairment loss,

- changes in foreign exchange rates where goodwill is recognized in a foreign currency,

- changes in ownership interests (with or without a change in control).

Measurement period

The measurement period is the period after the acquisition date during which the acquirer may adjust the provisional amounts recognized for a business combination. The measurement period ends as soon as the acquirer receives the information needed. It cannot exceed one year from the acquisition date.

The adjustments to provisional amounts should be recognized as if the accounting for the business combination had been completed at the acquisition date. Therefore, comparative information for prior periods presented in the financial statements is revised.

Impairment

In accordance with IAS 36, goodwill is not amortized, but is tested for impairment at least annually. As goodwill does not generate cash flows independently from other assets or groups of assets, the recoverable amount of goodwill as an individual asset cannot be determined. Therefore, the impairment of goodwill acquired is assessed by considering the recoverable amount of cash-generating unit(s)[1] to which it is allocated.

An impairment loss is recognized for a cash-generating unit when its recoverable amount is less than its carrying amount: goodwill is reduced first, then other assets of the unit are reduced pro rata. An impairment loss for goodwill is recognized in profit or loss and cannot be reversed in subsequent periods.

Changes in foreign exchange rates

IAS 21 *The Effects of Changes in Foreign Exchange Rates* requires that any goodwill arising on the acquisition of a foreign operation should be expressed in its functional currency and translated using the closing rate method as any other asset.

Therefore, the value of the goodwill may vary over time for held companies reporting in a foreign currency. This variation of the goodwill's converted value is recognized in other comprehensive income and affects the foreign currency translation reserve.

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[1] A cash-generating unit is the smallest group of assets that generates independent cash flows.

Changes in ownership interests

Changes in parent's ownership interests that do not result in a loss of control

According to IFRS 3 and IAS 27, only a change in control is a significant economic event. Once control has been achieved, any subsequent transactions that do not result in a loss of control are accounted for as equity transactions.

> Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognized directly in equity and attributed to the owners of the parent. (IAS 27.30 & IAS 27.31)

IAS 27 states that no change in the carrying amounts of the subsidiary's assets (including goodwill) should be recognized as a result of such transactions. But it does not specify whether the allocation of goodwill between parent and NCI shall be modified.

In the Basis for conclusions on IFRS 3, the Board explains that the adjustment to the carrying amount of NCI, that will be recognized when the acquirer purchases some (or all) of the shares held by NCI, will be affected by the choice of measurement basis for NCI at acquisition date (fair value or proportionate share of net assets). It means that, when parent acquires NCI (part or all of them) that have been initially measured at their fair value, goodwill (part or all) is included in the carrying amount of non-controlling interests that is transferred to group equity.

As regards partial disposals (parent disposes part of its interest to NCI without losing control), the question remains whether part of the parent's goodwill should be transferred to NCI or not. According to some interpretations published by professional bodies, no goodwill has to be allocated to NCI in that case whereas others estimate that part of goodwill should be transferred to NCI.

Increase in ownership interests in an associate or a joint-venture

Neither IAS28 nor IAS31 specify how to deal with an increase in ownership interests where it does not change the situation in terms of control (associate/joint-venture remaining an associate/a joint-venture). Some estimate that an additional goodwill can be recognized in such operations.

Decrease in ownership interests in an associate or joint-venture

IAS 28 and IAS 31 make provision for partial divestiture in associates and joint-ventures. In both cases, a gain or loss should be recognized in profit or loss meaning that a proportion of goodwill should be derecognized (as a part of the carrying amount of the investment).

Increase in ownership interests that give control (Associate or joint-venture becoming a subsidiary)

This case has been previously addressed (business acquisition achieved in stages).

Loss of control

On the loss of control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary are derecognized. Any investment retained in the former subsidiary is remeasured at fair value. It means that any existing goodwill should be derecognized in full, even if a non-controlling interest is retained (e.g. subsidiary becoming an associate).

Goodwill in the starter kit

Principles

Historically, in the current starter kit, goodwill and bargain purchase are declared manually on dedicated off-balance accounts. These accounts (XA1300 for bargain purchase, XA1310 for goodwill, XA1312 for impairment) are used to automatically book the goodwill or the bargain purchase in the balance sheet or profit and loss.

> EXAMPLE (see data in appendix 1, option 2)
>
> Goodwill is 500, parent company P's share is 440, NCI's share is 60. The manual journal entry to enter the amount of goodwill is as follows:
>
> Entity: S (subsidiary)
>
> Audit-ID: GW01
>
> | Account | Flow | Debit | Credit | Share | Debit | Credit |
> |---|---|---|---|---|---|---|
> | XA1310 – Goodwill declared | F01 | 500 | | P | 440 | |
> | | | | | TP-999 | 60 | |
>
> Based on this, the following accounting entry will be automatically recognized:
>
> Audit-ID: GW10
>
> | Account | Flow | Debit | Credit |
> |---|---|---|---|
> | A1310 – Goodwill (asset) | F01 | 500 | |
> | E1610 – Retained earnings | F01 | | 440 |
> | E2010 – Non-controlling interests | F01 | | 60 |

Scope

The account/flow pairs that trigger an automatic accounting entry are listed below, along with the event to which they can be associated:

Accounts			Flows	Corresponding "event"
XA1300 (bargain purchase)	XA1310 (gross amount)	XA1312 (acc. impairment)		
	✓	✓	F00	1st consolidation with the software (recovery of historical data)
✓	✓		F01	Incoming entity (acquisition)
✓	✓		F03	Business acquisition achieved in stages (EM->FC) or loss of control in a FC that becomes associate
✓	✓		F04	Increase in ownership interest in a PC or EM
	✓	✓	F09	Change in accounting method that impacts goodwill
		✓	F25	Impairment loss
	✓	✓	F50	Adjustment during the measurement period
	✓	✓	F70	For adjustment of goodwill related to an internal merger (but transfer from acquired to acquiring is automatic)
	✓	✓	F80	Technical amount not entered but generated by the consolidation engine to store the impact of changes in foreign exchange rates
	✓	✓	F92	Transfer from group to NCI or conversely (equity transactions)

Enhancements Made in the New Release

Basics

The objective is to offer an automatic calculation of goodwill whenever possible. However this calculation should remain optional. It implies that the corresponding rules (to be created) can be easily removed from the set of rules with no other change in configuration needed.

In that context the best solution consists in using the existing technical accounts and feeding them automatically by calculation rules.

Functional scope

Before elaborating on calculation principles, it is necessary to list the events that can give rise to an automatic calculation. In other words, we have first to define which technical account / flow pairs can be automatically fed, based on the pairs listed above that trigger the automatic accounting entries.

Recovery of historical data (flow F00)

Given that the needed information (e.g. equity at acquisition date) is not available, the automatic calculation of historical goodwill is not possible.

Incoming entities (acquisition of a new subsidiary, joint-venture or associate)

This case is obviously the central point of goodwill automation and should necessarily be covered.

Business acquisition achieved in stages

This refers to the case where an associate or a joint-venture becomes a subsidiary. Two manual journal entries are currently needed to account for this kind of operation:

- one to account for the gain or loss on the revaluation of the previously held interest
- one to declare the goodwill on the new subsidiary

The second one depends on the first one as the calculation of goodwill is based on the fair value of the previously held interest at the acquisition date. It means that the cost of investment (account A1810) to be taken into account should include the revaluation of the shares already held at opening (see example in appendix 2).

As the accounting for the gain or loss on revaluation cannot be automated, calculating and computing goodwill automatically does not seem advisable in that case. If the manual journal entry regarding the revaluation is not entered properly, the "automatic" goodwill will be incorrect. Therefore, this event will not be covered.

Subsidiary or joint-venture becoming an associate

This case raises the same issue as the previous one: the gain or loss on this kind of operation includes the gain or loss on the revaluation of the interest retained (that qualifies as associate). The goodwill to be recognized on the associate should be based on the fair value of the corresponding investment (which means: historical value of the retained shares plus revaluation). Therefore, this event will not be covered by the automatic calculation of goodwill to avoid any mistake.

Increase in ownership interest in a joint-venture or an associate

As explained in the first part, IFRS do not specify how to deal with such operations. Therefore, even if some estimate that an additional goodwill should be recognized in those cases, it seems preferable not to automate its calculation.

Change in accounting methods (flow F09)

The flow F09 is available on the technical accounts XA1310 (goodwill, gross) and XA1312 (impairment) to enable users to account for adjustments that may be required by a change in accounting methods. There is no recent example as the latest changes to the accounting of business combinations in IFRS

have always been applied prospectively (and not retrospectively). However this case may arise in the future.

Anyway the potential adjustment to goodwill that may be required in such cases cannot be automatically calculated.

Impairment loss (flow F25)

As impairment tests cannot be performed in the software, impairment losses, if any, cannot be automatically calculated and recognized.

Adjustment during the measurement period (flow F50)

During the measurement period, new information obtained may result in adjustments to the provisional amount of some assets or liabilities and therefore to the amount of goodwill. In the starter kit, these adjustments are entered using flow F50, which is also used for reclassifications or miscellaneous entries.

Because the adjustments during the measurement period cannot be identified from other entries on flow F50, the corresponding impact on goodwill cannot be calculated automatically.

Internal merger (flow F70)

Transfer of goodwill from the merged company to the acquiring one is already done by consolidation rules in the starter kit. However, the flow F70 is available on the technical accounts XA1310 (goodwill, gross) and XA1312 (impairment) to enable users to account for any potential adjustment that may be required by a merger. As this kind of adjustment can only be assessed on a case-by-case basis, it cannot be automated.

Changes in exchange rates (flow F80)

The impact of changes in exchange rates is already accounted for automatically in the starter kit.

Equity transactions (flow F92)

As explained in the first part, goodwill should be transferred from NCI to group when the parent's ownership interest in a subsidiary increases. When the parent's ownership interest decreases, the question remains whether a symmetric transfer should arise or not. In that context it seems preferable to exclude equity transactions from the scope of our enhancements.

Conclusion

As a first step the scope will be limited to the case of incoming entities (which is the most common event that requires goodwill recognition).

Calculation principles

Calculation should be done for a couple (holding / held company) and consists in a comparison between consideration paid (cost of investment in the holding's ledgers) and the corresponding share in the held company's net assets.

Calculation should be done at converted level because currencies used by both companies (holding and held) can be different; however, goodwill should be recognized in the held company's currency to comply with IAS 21 requirements.

That being said – in a very simple way – it is now necessary to elaborate on each step of the calculation process.

Consideration paid

This corresponds to the cost of shares acquired by the holding company (flow F20 on account A1810). To cover the case where some shares were already held at opening (but without any significant influence in the

held company, meaning that this company was not included in the consolidation scope at opening), the cost of shares taken into account to calculate goodwill also includes amounts stored on flows F00 and F50[2].

Share in net assets

The share held in the acquired company's net assets is calculated by multiplying the held company's equity (on incoming flow F01) by the direct financial interest rate of the holding company in the held company.

From a configuration standpoint, this calculation requires to write a new coefficient using portfolio's direct rates. Such coefficients did not exist previously in the starter kit.

From an operating standpoint, it presupposes that the scope used for the consolidation is a statutory one (as opposed to a reporting scope). A statutory scope must be built from an underlying portfolio, which guarantees that the direct interest rates are stored in the database.

Resulting goodwill or bargain purchase

The last step of the calculation is quite tricky.

Firstly, the resulting amount should be affected to a different technical account depending on whether it represents a bargain purchase (XA1300) or a goodwill (XA1310).

Secondly, the resulting amount has been calculated in the consolidation currency. As it must be recorded in the held company's currency to comply with IAS21, it should be "de-converted". This feature is not native in the software. This currency translation should then be done by the consolidation rule using a dedicated coefficient (to be created).

Lastly, the resulting amount should be stored if and only if the direct interest rate of the holding in the held company exists. Indeed, it is not possible to guarantee that the calculated amount of goodwill will always be correct, because calculation is based on data entered that may be wrong (e.g. fair value entered for acquired assets). However, some mistakes can be detected. This is the case when direct interest rates are not available in the database. This can proceed from an incomplete entry of portfolio data or from the use of a reporting scope[3] (as opposed to a statutory scope). The resulting amount of goodwill would be wrong as it would correspond to the cost of investment (share in net assets would equal zero).

Specific cases

Full goodwill method

Firstly, it should be reminded that the choice between partial and full goodwill method is to be made for each operation. In other words, it is not an accounting method (as, for example, the choice between cost accounting or revaluation method for PPE) but an option to be taken on a case-by-case basis. Secondly, the goodwill attributable to the parent – calculated as explained above - remains unchanged whatever the method chosen. It means that goodwill attributable to parent on one hand and goodwill attributable to NCI on the other hand, if any, can be calculated independently.

When it comes to automating the goodwill calculation, the question arises whether the goodwill attributable to NCI can be automated or not. The issue is that the fair value of NCI does not correspond to an accounting data that would be available in the packages. Therefore, two solutions have been considered:

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[2] Flow F50 is used to declare shares held at opening where the held company was not declared in the list of reporting units at the end of the previous closing (reclassification from share "TP-999" to the code attributed to the incoming entity)

[3] It should be noticed that even if a reporting scope is initialized from a portfolio, the corresponding data are not stored in the database

- make it possible to enter the fair value of NCI on a technical account[4] which would be used for an automatic goodwill calculation
- keep the principle currently used in the starter kit, which means that the amount of goodwill attributable to NCI would still be entered manually on the technical account XA1310 (XA1300 in case of a bargain purchase).

Given that, in both cases, a manual journal entry using a technical account would remain necessary, it seemed preferable to keep the current configuration.

Business combination achieved by capital issuance

When control is achieved by a subscription to the acquired entity's capital issuance, it raises the issue of how to account for this subscription in the acquiring entity's package. In the starter kit, subscriptions to capital issuance should normally be declared using the dedicated flow F40 of the account A1810. However, this flow cannot be taken into account for goodwill calculations as it may correspond also to a capital issuance that would take place after the acquisition (to be accounted for as an equity transaction). Therefore, we suggest that the package data entry guide should be enhanced to specify that in such cases the subscription should be declared using flow F20 (as an acquisition).

It should be reminded that this capital issuance is not entered as such in the acquired entity's package but is part of the acquired equity (on flow F00).

Acquisition of a subsidiary and purchase of NCI in the same period

When control is taken over a subsidiary and non-controlling interests (part or all) are purchased subsequently, the two operations should be accounted for separately:

- the acquisition of shares that give control is accounted for as a business combination with a goodwill or a bargain purchase being recognized
- the purchase of NCI is accounted for as an equity transaction (transfer from NCI to group without any impact on the goodwill previously recognized).

From a software standpoint, these operations raise the following issue where they take place in the same period. In the portfolio, shareholding details can only be entered for the closing position. Whereas it is possible to enter an intermediate interest rate in the consolidation scope for that kind of situation (that would represent the group's ownership after the first acquisition but before purchasing NCI), such information cannot be specified in the portfolio. Therefore, the automatic calculation of goodwill would not be correct in that case as it would be based on the closing situation (after purchase of NCI). For that reason, goodwill will not be automatically calculated for incoming entities where an intermediate interest rate has been entered (meaning that a subsequent purchase of NCI has occurred after the initial business combination).

From a configuration standpoint

Without going into details, some questions regarding configuration are worth considering.

Firstly, the question arises whether the calculated amount of goodwill should be recognized on the same audit-ID as the declared ones (GW01). For audit purposes and in line with the starter kit's general principles, it seemed advisable rather to create a new audit-ID GW00.

The second question relates to the position of these new rules within the existing set of rules. Starting from the premise that goodwill automation should remain optional, it is necessary to gather calculation rules together in a dedicated subset. This subset should be put into the existing sets of rules (A-MCT, A-QCT, A-YTD) just before the subset dedicated to the accounting of goodwill (12-GW) and can be easily removed by customers that would not want to use this automation.

Lastly, using a new audit-ID for calculated goodwill makes it necessary to modify the current accounting rules included in the subset 12-GW, so that the new audit-ID will be taken into account along with the existing GW01.

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[4] It would not be possible to use the accounting account E2010 because this revaluation would then be redundant with the ensuing goodwill entry.

Appendix 1 – Example: goodwill calculation

Parent P pays CU 1,000 for 80% of subsidiary S

Net assets of S are as follows :

	Carrying amount	Fair value
PPE	500	800
Less : Liabilities	(100)	(100)
Net assets	400	700

Option 1 : NCI are measured at their proportionate share of S' net assets

Consideration paid	1,000 (i)
Fair value of S's net assets	700
%	80%
Parent's share in F's net asset	560 (ii)
Goodwill	440 (i) - (ii)

Option 2 : NCI are measured at fair value

Through valuation techniques, fair value of non-controlling interest is determined to be 200
"Full" goodwill is calculated as follows :

Consideration paid	1,000
Fair value of the NCI	200
	1,200
Fair value of S's net assets	(700)
Total Goodwill	500 (i)
Parent's goodwill (see above)	440 (ii)
NCI share of goodwill	60 (i) - (ii)

Consolidated statement of financial position

	Option 1	Option 2		Option 1	Option 2
Goodwill	440	500	Capital (parent company)	1,000	1,000
PPE	800	800	Non-controlling interest	140	200
			Liabilities	100	100
Total assets	**1,240**	**1,300**	**Total equity & liabilities**	**1,240**	**1,300**

NCI % in S's net assets :
20 % x 700

Appendix 2 – Example: associate becoming a subsidiary

Following data comes from an example published in Deloitte's guide *Business Combinations and changes in ownership interests* (available on www.iasplus.com).

C acquired a 75% controlling interest in D in two stages.

‒ In 20X1, C acquired a 40% equity interest for CU 40,000. C classified the interest as an associate. At the date that C acquired its interest, the fair value of D's identifiable net assets was CU 80,000. From 20X1 to 20X6, C equity accounted for its share of undistributed profits totalling CU 5,000 and included its share of an IAS 16 revaluation gain of CU 3,000 in OCI. Therefore, in 20X6, the carrying amount of C's interest in D was CU 48,000

‒ In 20X6, C acquired a further 35% equity interest for CU 55,000. C identified net assets of D with a fair value of CU 110,000. C elected to measure NCI at fair value of CU 30,000. On the date of acquisition, the previously-held 40% interest had a fair value of CU 50,000

In 20X6, C will include CU 2,000 in profit or loss, being:

Fair value of previously-held interest	50 000
Less : carrying amount under IAS 28	(48 000)
	2 000

The revaluation gain of CU 3,000 previously recognized in OCI is not reclassified to profit or loss because it would not be reclassified if the interest in D were disposed of.

In 20X6, C will measure goodwill as follows:

Consideration paid	55 000
Fair value of NCI	30 000
Fair value of previously-held interest	50 000
Sub-total	135 000
Less : fair value of net assets of acquiree	(110 000)
	25 000

The consolidated balance sheet could be presented as follows:

	Opening	Disposal of D as an associate		Acq. of D as a subsidiary	Closing
		Net profit	Recycling reval. surplus		
Goodwill				25 000	25 000
Investments in associates	48 000	(48 000)			
Investments at cost		50 000		(50 000)	
Other assets (D)				110 000	110 000
Cash	60 000			(55 000)	5 000
Total assets	108 000	2 000	0	30 000	140 000
Capital (company C)	100 000				100 000
Retained earnings (D)	5 000	(5 000)			0
Retained earnings (C)		7 000	3 000		10 000
including net profit of :		*2 000*			*2 000*
Revaluation surplus (D)	3 000		(3 000)		0
Non-controlling interests				30 000	30 000
Total equity	108 000	2 000		30 000	140 000
Total equity & liabilities	108 000	2 000	0	30 000	140 000

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