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ACCA F7

Financial Reporting(INT.)

财务报告（国际会计准则）

Chapter 13 consolidated FS（3）

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1 Example

Statement of Profit or Loss and other Comprehensive Income

On 1 July 20X8 Crystal acquired 60,000 of the 100,000 shares in Pebble, its only subsidiary. The draft statements of profit or loss and other comprehensive income of both companies at 31 December 20X8 are shown below:

	Crystal	*Pebble*
	$'000	$'000
Revenue	43,000	26,000
Cost of sales	(28,000)	(18,000)
Gross profit	15,000	8,000
Other income – dividend received from Pebble	2,000	-
Distribution costs	(2,000)	(800)
Administrative expenses	(4,000)	(2,200)
Finance costs	(500)	(300)
Profit before tax	10,500	4,700
Income tax expense	(1,400)	(900)
Profit for the year	9,100	3,800
Other comprehensive income:		
Gain on property revaluation (Note (i))	–	2,000
Investment in equity instrument	200	–
Total comprehensive income for the year	9,300	5,800

Additional information:

(i) At the date of acquisition the fair values of Pebble's assets were equal to their carrying amounts with the exception of a building which had a fair value $1million in excess of its carrying amount. At the date of acquisition the building had a remaining useful life of 20 years. Building depreciation is charged to administrative expenses. The building was revalued again at 31 December 20X8 and its fair value had increased by an additional $1million.

(ii) Sales from Crystal to Pebble were $6million during the post-acquisition period. All of these goods are still held in inventory by Pebble. Crystal marks up all sales by 20%.

(iii) Despite the property revaluation, Crystal has concluded that goodwill in Pebble has been impaired by $500,000.

(iv) It is Crystal's policy to value the non-controlling interest at full (fair) value.

(v) Income and expenses can be assumed to have arisen evenly throughout the year.

Prepare the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 20X8.

Answer

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	$'000
Revenue (43,000 + (26,000 × 6/12) – 6,000 (W1))	50,000
Cost of sales (28,000 + (18,000 × 6/12) – 6,000 + 1,000 (W1))	(32,000)
Gross profit	18,000
Distribution costs (2,000 + (800 × 6/12))	(2,400)
Administrative expenses (4,000 + (2,200 × 6/12) + 25 (W2) + 500 impairment)	(5,625)
Finance costs (500 + (300 × 6/12))	(650)
Profit before tax	9,325
Income tax expense (1,400 + (900 × 6/12))	(1,850)
Profit for the year	7,475
Other comprehensive income:	
Gain on property revaluation(post-acquisition)	1,000
Investment in equity instrument	200
Total comprehensive income for the year	8,675
Profit attributable to:	
Owners of the parent	6,925
Non-controlling interest (W3)	550
	7,475
Total comprehensive income attributable to:	
Owners of the parent	7,725
Non-controlling interest (550 + (1,000 × 40%)	950
	8,675

Workings

1 *Unrealised profit*

Remove intercompany trading:

DR Revenue \$6m / CR Cost of sales \$6m

Unrealised profit = 6,000 × 20/120 = 1,000 – add to cost of sales

2 *Movement on fair value adjustment*

The fair value adjustment of \$1m will be depreciated over the remaining life of the building. The amount to be charged at 31 December is:

1,000,000 / 20 × 6/12 = 25,000

40% of this (10,000) will be charged to the NCI.

3 *Non-controlling interest – share of profit for the year*

	$'000
Share of post-acquisition profit (3,800 × 6/12 × 40%)	760
Movement on fair value adjustment (25 × 40%)	(10)
Share of goodwill impairment (500 × 40%)	(200)
	550

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Thank You!