CH5 ①

Consolidation of less-than-wholly-Owned Subsidiaries aquired at more than the Book Value

→ less than 100% → Non controlling Interest

→ FMV > B.V → Differential

FMV of Consideration (80%) = $ 310,000
FMV of Noncontrolling Interest (20%) = $77,500

$ 387,500

* Total [FMV of Sub.]

FMV of Net Identifiable Assets = $ 375,000
B.V of Net Identifiable Assets = $ 300,000
↳ C.S + R.E

FMV of Sub	FMV of Net Identifiable Asset	B.V Net Identifiable Assets
$ 387,500	$ 375,000	$ 300,000

$\underbrace{\$387,500 : \$375,000}_{\$12,500 \text{ Good will}}$

$\underbrace{\$375,000 : \$300,000}_{\$75,000 \text{ FMV > B.V}}$

	Increased by
Inventory	\$ 5,000
Land	\$ 10,000
B & E	\$ 60,000
Goodwill	\$ 12,500
FMV > B.V	\$ 75,000
Total Differential	\$ 87,500

← زي معطيات CH.3

Parent Entry:

Dr. Investment In Sub. 310,000
  Cr. Cash 310,000

Elimination Entries @ B.C Date:

* Optional Elimination Entry:

Dr. Acc. dep. -s 300,000
  Cr. B & E -s 300,000

* Basic & Reclassification Entry:

Dr. C.S -s 200,000
  R.E -s 100,000

Diferential
  Inventory -s 5000
  land -s 10,000
  B&E -s 60,000
  Goodwill -s 12,500

  Cr. Investment In Sub.-P 310,000
    NCI in Net asset of sub 77,500

Total Differential = $87,500
- $ 12,500 Goodwill
- $ 75,000 FMV > BV

$ 70,000 ← parent 80%

$ 17,500 ← NCI 20%

Good-will 12,500
- 80% parent $ 10,000
- 20% NCI $ 2,500

FMV > B.V $75,000
- 80% parent $ 60,000
- 20% NCI $ 15,000

after 1year from B.C

Sub. Net Income → $50,000
- 80% parent = $40,000
- 20% NCI = $ 10,000

Dividends → $ 30,000
- → 80% parent = $ 24,000
- → 20% NCI = $ 6,000

Incom ⇒ 80% x 50,000 = 40,000

① Dr. Investment In Sub. 40,000
Cr. Income from sub. 40,000

Div ⇒ 80% x 30,000 = $24,000

② Dr. Cash 24,000
Cr. Investment In Sub 24,000

معطى Inventory sold during 2011 → COGS = $ 5000

معطى G.W Impairment loss → 3,125

Dep. Exp. → $\frac{60,000}{10(U.L)}$ → $ 6000 (Increase in P&E)

Differential amortization → $14,125

Total Differential = $14,125 < 20% NCI = $ 2,825
80% parent = $11,300

Diff. Amortization Entry [80% x 14,125 = $11,300]

Dr. Income from Sub. 11,300
Cr. Investment In Sub 11,300

[80%]
Investment In Sub

I.I	310,000	Diff. Amortization	11,300
N.I	40,000		
	314,000		

[20%]
Incom from Sub

Diff. Amortization	11,300	NI	40,000
			28,700

20% NCI in Net Asset

I.I	77,500
Add: NI	10,000
less: ~~D/A~~ Div.	(6000)
less: D.A	(2,825)
	$ 78,675

20% NCI in Net Income

N.I	10,000
less: D.A	(2,825)
	$ 7,175

* 80% parent differential

$ 11,300 → COGS (80% x 5000) $ 4000
→ G.W Impairment loss (80% x 3,125) $ 2,500
→ Dep. Exp (80% x 6000) $ 4,800

Elimination Entries: 2011

① Optional Elimination Entry:

Dr. Acc. Dep.	300,000	
Cr. B & E		300,000

② Basic & Reclassification Elimination Entry:

	Dr. C.S-S	200,000	
	RE-S	100,000	
End. BAL ←	Income from sub-P	28,700	
	NCI in NI of sub	7,175	
	Goodwill-S	9,375	
	land-S	10,000	
	B&E-S	60,000	
diff. Amortization	Dep. Exp.-S	6000	
diff. Amortization	COGS-S	5000	
diff. Amortization	Impairment loss-S	3,125	
	Cr. Dividends declared-S		30,000
End. BAL ←	Investment in sub-P		310,000
	~~Noncontrolling Interest~~ Acc. Dep.		6000
	↳ لـ ٣ سنة الثالثة بكون [3 X 6000 = 18,000]		
End. BAL ←	NCI in Net Asset of sub.		78,675

* Consolidated Net Income 2011:

Net Incom of parent	$ 140,000
Add: Net Incom from Sub	50,000
Less: Differential Amortization	(14,125)
(A) Consolidated Net Income	$ 175,875

total فقط
بدون خصم NCI

* Income Available to controlling Interest:

Consolidated Net Income (A)	$ 175,875
less: NCI in Net Income of sub	(7,175)
(B) Income to Controlling Interest	$ 168,700

* Consolidated R.E:

Beg. R.E (parent)	300,000
Add: Income to controlling Interest (B)	168,700
less: Dividends (parent)	(60,000)
Consolidated R.E	$ 408,700

* في CH.4 كان (A و B) متساويات لأني كنت
بملك كل الشركة ،، أنا الدولة والدولة أنا - لا قبلي ولا بعدي " د. سامة - شماس
و فش NCI

After 2-year → 2012
from B.C

Sub. Net Income = \$75,000 < 80% parent \$60,000 ; 20% NCI \$15,000

Sub. Div. = \$40,000 < 80% parent \$32,000 ; 20% Sub \$8,000

Diff Amortization → only Dep. Exp. = 6,000 < 80% parent \$4,800 ; 20% Sub \$1,200

* Sub. NI 80% × 75,000 = \$60,000

Dr. Inv. in Sub. 60,000
Cr. Income from Sub. 60,000

* Sub. div 80% × 40,000 = \$32,000

Dr. Cash 32,000
Cr. Inv. in Sub. 32,000

* Diff. Amortization → only Dep. Exp. = 80% × 6000 = \$4,800

Dr. Income from Sub. 4,800
Cr. Inv. In Sub. 4,800

[80%]

Inv. in Sub

B.B	314,700	Diff. Amortization	4,800
NI	60,000		
	337,900		

[80%]

Income from sub.

diff. Amortization	4,800	NI	60,000
			55,200

20% NCI in Net Income

NI	15,000
less: D.A	1,200
	$13,800

20% NCI in Net Asset

B.B	78,675
Add: NI	15,000
Less: Div	(1,200)
	$84,475

Elimination Entries: 2012

① Optional Elimination Entry

Dr. Acc. Dep	300,000	
Cr. B & E		300,000

② Basic & Reclassification Elimination Entries:

	Dr. CoS-S	200,000	
Beg. 2012	← R.E-S*	120,000	
End. BAL	← Incom from sub.-P	55,200	
End. BAL	← NCI in Net Income of sub*	13,800	
	Godwill-s	4,375	
	land-s	10,000	
	B & E-s	60,000	
	Dep. Exp.-s	6000	
	Cr. Div. declared-s		40,000
End. BAL	← Inv. In Sub-P		337,900
End. BAL	← NCI In Net Asset of sub*		84,475
	[2 x 6000] Acc. Dep.		12,000

^ 1. Entry: Cost method (11)

Beg. R.E of sub: 2012 (9)

Beg. R.E 2011	100,000
Add: Net Income	50,000
less: Dividends	(30,000)
End. R.E 2011	$120,000

↳ Beg. 2012

← لو أصدرت Sub. ← CoS هلأ 2012 برضو
بعملهم إقصاء [Elimination].

* Consolidated NI

Net Income of parent	$ 160,000
Add: Incom from sub (100%)	75,000
less: Diff. Amortization (100%)	(6000)
Consolidated N.I	$ 229,000

*Income Available to controlling Interest

Consolidated NI	$ 229,000
less: NCI in Net Income of sub.	13,800
Income to controlling interest	$ 215,200

The consolidated R.E

Beg. R.E (parent)	$ 408,700
Add: Income to controlling Interest	215,200
less: Dividends (parent الأم فقط)	(60,000)
Consolidated R.E	$ 563,900

Treatment of Other Comprehensive Income:

E.X: Assume in the second year during 2012 in the sub. purchased an investment classified as available for Sale (AFS) for $20,000

لاستثمار، أقل من 20% [Insignificant Influance]

@ the Date of Sub. [In Sub. Book]

Dr. Investment in-AFS securities 20,000
    Cr. Cash 20,000

@ Reporting Date [Dec. 31. 2012]

لازم نعيد تقييم الاستثمار

Insignificant Infuance → Use Cost method

Cost : FMV
20,000 < 30,000 → Increase by $10,000

OCI بنحط في ← Unrealized holding Gain/loss ~~AOCI~~-OCI

لما كنا نحط في الشركة - Equity

Adj. Entry: Cost method

Dr. Investment in AFS securities 10,000

Cr. Unrealized holding Gain/loss - OCI 10,000

Closing Entry:

Dr. Urealized holding Gain/loss - OCI 10,000

Balance sheet SHE account ← Cr. Acc. OCI 10,000

Balance Sheet Account

Acc. OCI

	B.B 0
	1.1 10,000
	10,000

* لو الحالة كانت خسارة تكون القيود معكوسة.

2012:

* Sub. $\boxed{\text{Net Income}}$ \$75,000
  - 80% parent \$60,000
  - 20% Sub. \$15,000

* Sub. $\boxed{\text{OCI}}$ \$10,000
  - 80% parent \$8000
  - 20% Sub. \$2000

Net Income + OCI = Comprehensive Income \$85,000

* Sub. Dividends \$40,000
  - 80% parent \$32,000
  - 20% Sub. \$8000

* Sub. Diff. Amortization Dep. Exp. = \$6000
  - 80% parent \$4,800
  - 20% Sub. \$1,200

Parent Book:

1. Sub. NI 80% x 75,000 = $60,000

Dr. Inv. In Sub. 60,000

Cr. Income from Sub. 60,000

صنوي ! ح2ج
Net Income
OCI ج
ع بيند واحد

2. Sub. OCI 80% x 10,000 = $8000

Dr. Inv. In Sub. 8000

Cr. OCI from Sub. 8000

OCI → other comprehensive Income

3. Sub. dividends 80% x 40,000 = $32,000

Dr. Cash 32,000

Cr. Inv. In Sub. 32,000

4. Differential Amortization [Dep. Exp. = 6000 x 8%] $4,800

Dr. Income from Sub. 4,800

Cr. Inv. In Sub. 4,800

[80%] Inv. In Sub

B.B	314,700	32,000	div
NI	60,000	4,800	D.A
OCI	8,000		
	345,900		

↓

20% NCI in Net Asset

B.B	78,675
+ NI	15,000
- (Div)	(8000)
+ OCI	2000
	$86,475

[80%] Income from Sub.

D.A	4,800	NI	60,000
			55,200

↓

20% NCI in NI

NI	15,000
-(D.A)	(1,200)
	$13,800

[80%] OCI from Sub

	OCI from sub 8,000
	8,000

↓

20% NCI in OCI

OCI	2000
	$2000

Elimination Entries

① Optional Entry:

Dr. Acc. dep.	300,000	
Cr. B & E		300,000

② Basic & Reclassification Elimination Entries

Dr. CoS-S	200,000	
R.E-S	120,000	
واجب نشوف على Beg. م من كان فيه ← Acc. OCI	0	
Income from sub.-P	55,200	
OCI From sub.-P	8000	
~~Net Income~~ NCI in Net Income of sub.	131,800	
NCI in OCI of sub.	2000	
	9,375	
Goodwill-s	10,000	
land-S	60,000	
B&E-S	6000	
Dep. Exp-S		0
		40,000
Cr. Dividend declared-s		345,900
End BAL ← Inv. In Sub.-P		861,475
NCI in Net Asset of sub.		12,000
6000 X 2 ← Acc. Dep.		

If the Sub. Sold the Investment

Sub. NI ﻳﻨﺘﺞ ربح أو خسارة Realized ﻳﺘﻢ تصنيفها في

Other Rev. and Gains

Other Exp. and losses

Sub. Books:

[100%]

Acc. OCI

	B.B 10,000 (page 11)
	OCI-gain 5000
	15,000

لا أعمل قيود اقفال لعام 2013

Elimination the AOCI by ﻧﻌﻤﻞ.

Beg. BAL ($10,000)

$15,000 ← 2014 لعام

لعام 2012 كان رصيده صفر.

نرجع للمثال السابق

Dec. 31. 2012

30,000 > 20,000 → $10,000

Dec. 31. 2013

B.V 30,000 < FMV 35,000 → $5,000

Unrealized holding Gain/loss - OCI

Closing بعملها

A.OCI

* Consolidated Comprehensive Income:

Consolidated Net Income
+ Other comprehensive Incom < Parent + Sub.

Total Consolidated Comprehensive Incom

* Comprehensive Income Available to controlling Interest

Consolidated Comprehensive Income
less: NCI in Comprehensive Income
→ NCI in Net Income of Sub.
~~of Sub.~~
→ NCI in OCI of Sub

Comprehensive Income Available to controlling Interest

* Comprehensive Income Available to NCI

NCI in Net Income of sub.
add: NCI in OCI of Sub.

Comprehensive Income Available to NCI

more than 50% → Consolidation

Discontinuous of Consolidation:

يعني كان العلاقة بينهم شركة أم وشركة تابعة، وهذا !
حدث بسبب :

① مثلاً parent باعت جزء من استثمارها في Sub
وصارت ملكها أقل من 50% ، أو باعت كل
حصتها.

② مثلاً Sub. رجعت باعت أسهم إضافية فبتزيد Outstanding Cos
ونقل حصة parent من 50% [في حال ما رجعت اشترت وحافظت على نسبتها]

③ ممكن parent توقع على Agreement تتنازل فيه عن صلاحيات السيطرة.

④ ممكن Sub. صارت تخضع لسيطرة المحكمة (إفلاس) أو سيطرة الحكومة.

← هنا الشركة تخسر التحكم عن طريق بيع حصتها كاملة أو جزء منها
/ في عنا Gain or loss

* Extreme lose of Investment
(Sale all Investment)

No longer holds an equity Interest in the former sub.
كانت شركة تابعة وبطلت

[0% ownership]

Cash received > Carring Value of Investment → Gain on sale of Inv.
[End BAL]

Cash received < Carring Value of Inv. → loss on Sale of Inv.

* lose of Control, but still hold a # of Share in the Former Sub. (Sale part of Investment)

[less than 50%] Control ← هسا ما بتغير

[20% - 50%] Significant Influance ← بس ممكن يكون عنا

[less than 20%] Insignificant

$$\left[\text{Cash received} + \begin{matrix}\text{FMV of remaining} \\ \text{Equity Investment}\end{matrix}\right] : \text{C.V of Investment [End. BAL]}$$

A : B

A > B → Gain on Sale

A < B → loss on Sale

example:

Balanse sheet (2011)

80% Inv. in Sub.

1.1	310,000	D.A	11,300
N.I	40,000		
	314,700		

314,700 → C.V(B)

Assume the parent sold $\frac{3}{4}$ from Inv. in sub. @ Jan. 1. 2012

sold: $\frac{3}{4}$ = 75% × 80% = 60% Sold

Remaining: $\frac{1}{4}$ = 25% × 80% = 20% Remaining ← بس انا من ميزان المشتري بس مش parent

FMV = \$410,000 (100%)

∴ Cash received = 410,000 × 60% = \$246,000

FMV of Remaining Equity = 410,000 × 20% = \$82,000

] A = \$328,000

~~[illegible]~~

314,700 (B) < 328,000 (A) → Gain on Sale (\$13,300)

Entry:

Dr. Cash	246,000
$\boxed{\text{Cr. Inv. In. Sub}}$	$\boxed{232,700}$
Gain On Sale	13,300

لازم أقفل حساب الاستثمار (60%)
لكن رح أخصم منه قيمة Gain

$\underset{\text{Cash received}}{246,000} - \underset{13,300}{\text{Gain on sale}} = \$232,700$

* لو كانت الحالة loss
بحمله لحساب الاستثمار قيمة الخسارة
وبتكون الخسارة في جانب Dr.

RUBA MTOOR