

# BUSINESS COMBINATION & CONSOLIDATION

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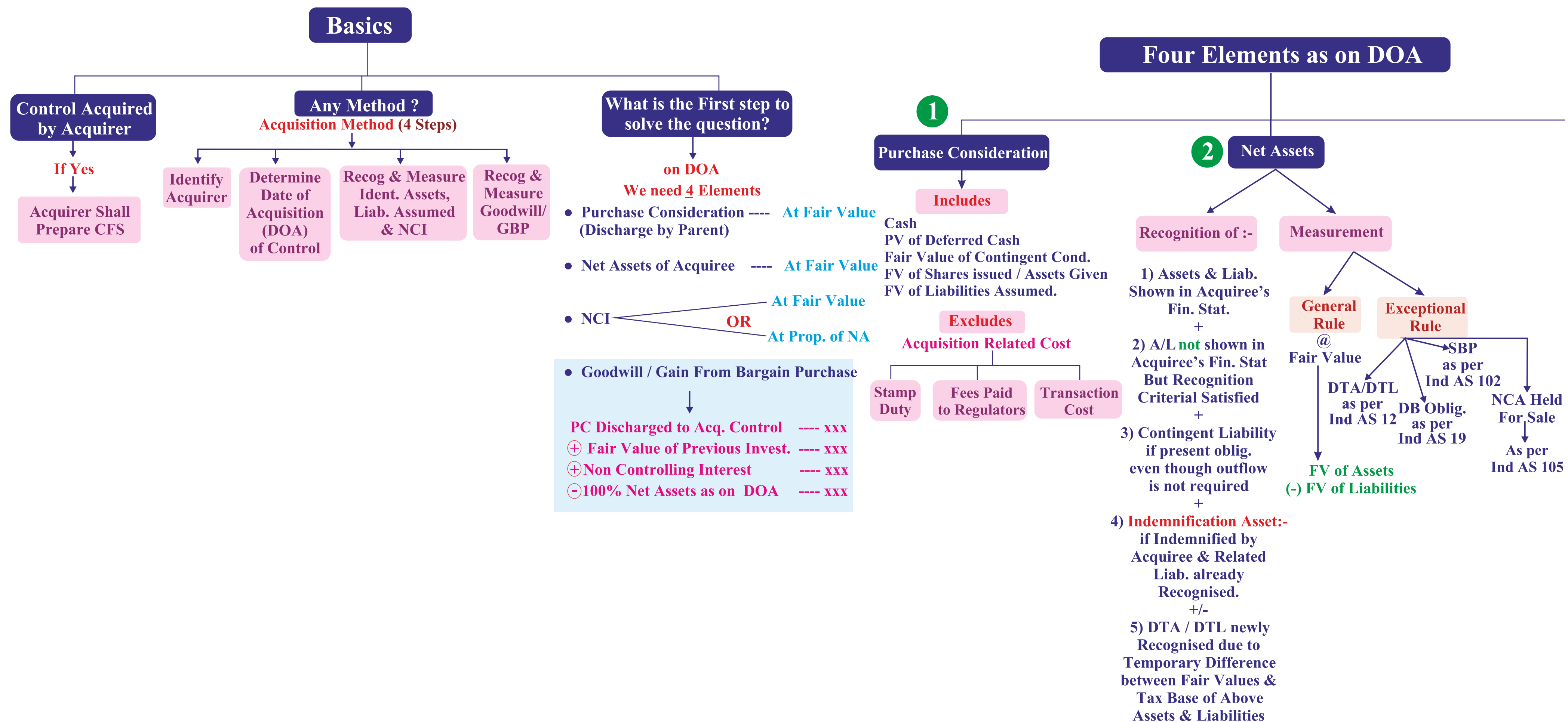
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## Four Elements as on DOA

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### 3 Non Controlling Interest (Can be Negative)

Portion of Acquiree's  
Equity not directly  
or indirectly owned  
by Parent

How to Calculate?

Fair Value

MP per Share  
on DOA X No.  
of Share of NCI

OR  
 $\frac{PC}{\text{Acquirer's Share \%}} \times \text{NCI Share \%}$

Types of  
NCI

Qualifying

Ordinary  
Equity  
Owners

Always  
Apply Fair  
Value Method for  
Non-Qualifying

Non  
Qualifying

Other Components  
of Equity  
(Not Ordinary)

- ESOP
- Convertible Securities
- Share Warrants

### 4 Goodwill / G.B.P

Full Goodwill  
Method

Where NCI is  
Taken at Fair Value

Partial  
Goodwill  
Method

NCI is Taken  
at Prop. Share  
of NA

Goodwill  $\rightarrow (PC + NCI)$  is Higher than NA  
G.B.P  $\rightarrow NA$  is Higher than  $(PC + NCI)$

Through OCI it is to be  
Shifted to CR under SOCIE

## Measurement Period Window

(Max. Period 12m)

NA are Measured  
at **Provisional Basis**  
On DOA Due to  
**Unavailability of  
sufficient Info**

Subsequently  
New Information  
arise after  
DOA for Assets & liabilities  
that were  
Existed on DOA (OR)  
based on  
Facts Existed on DOA

If Such new info would  
have been Available on DOA  
the NA, NCI & Goodwill  
may have been changed

Parent is allowed  
to incorporate  
such new info in  
the Buss. Comb  
Transaction & Make  
Required changes in :-  
**NA & NCI**

Any difference  
would be Adjusted  
in Goodwill / CR

IF new Info. arise  
after closure  
of Window

Treated as **ERROR**  
& make Retrospective  
Changes & Prepare  
Opening B/S

Journal Entry :-

NA a/c Dr. (or) NA a/c Dr.  
To NCI To Goodwill/CR Dr.  
To Goodwill/CR To NA a/c

## Special Adjustments

### 1 Abnormal Items

- Eliminate Effect of  
Abnormal Items from  
Changes Column
- Make Time  
Adjustment
- Re-instat the effect of  
Abnormal Items in  
Respective column  
either in DOA Column  
or Change Column

### 2 Revaluation of Assets & Liabilities on DOA

Revaluation G/L

MV on DOA — xxx  
(-) BV On DOA — xxx

BV on DOA – Calculate  
by Reverse Working  
through Dep Rate or  
Useful Life

Transfer G/L to DOA  
Column After  
Time Adjustment

Calculate DTA / DTL  
also on G/L

\* Ignore DTA / DTL if  
Tax Rate is not given

Depreciation  
Effect

Calculate Dep. effect  
as under (a-b)

(a) Dep that should be  
Charged for post  
Acquisition Period  
(Calculated on FV  
on DOA)

Less  
(b) Dep Actually / Already  
Charged for Same Period  
= Additional / Saving

Dep. Effect Transfer to  
Change Column  
after Time Adjustment

Calculate DTA/DTL also

### 3 Treatment of Dividend Paid by Subsidiary / Acquiree Co.

What Acquirer will do?  
Recognise as  
Income when  
Declared, in P&L  
a/c in SFS  
Bank/Divd Receivable Dr.  
To P&L a/c

What Acquiree will do ?  
**Must have Passed Entry  
in the year of Declaration  
(i.e. C.Y.)**

Under Statement of NA

- Add Back in Post acq. Column
- Make Time Adjustment

Under NCI & Consol. SOCIE

Deduct  
NCI's Share

Deduct  
Parent's Share

### 4 Step Acquisition (Acquisition of Shares of Acquiree More than Once)

CFS Shall be Prepared  
only when it Results  
in Acquisition of  
Control

For Goodwill / GBP, take  
Fair Value of Previous  
Investment on DOA of  
Control

\* It's Second effect i.e.  
Fair Value gain on  
Restatement of previous  
Investment Shall  
be transfer to  
Consolidated SOCIE  
thru P&L a/c

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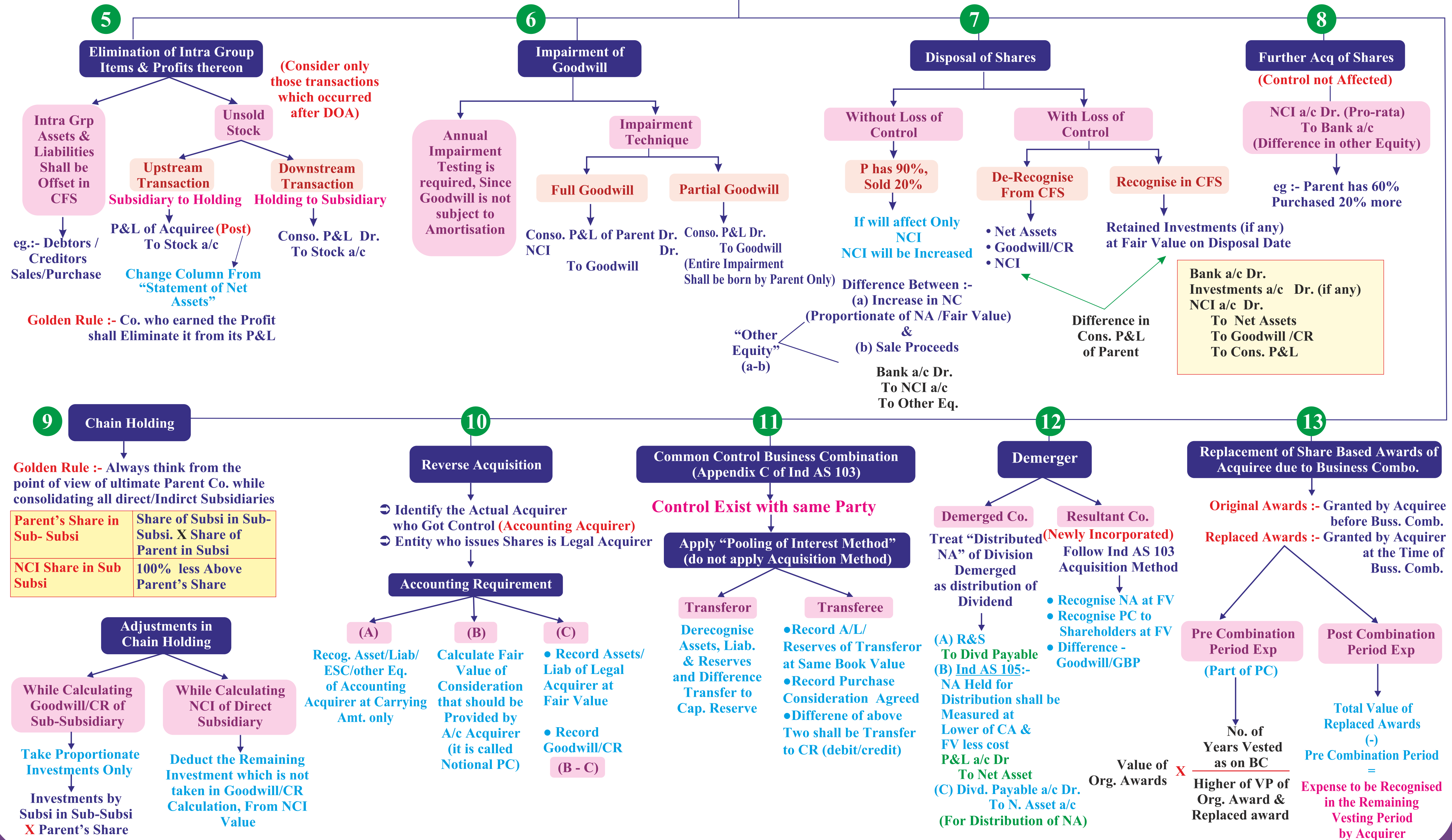


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## Special Adjustments



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