Consolidated financial statements questions and answers acca

 Correct answer A. Note: Answer B ignores that Red Co bought only 80% of the shares and miscalculed the investment cost at 40,000 x $3.50 = $140,000 – so $140,000 + $30,000 - $125,000 = $45,000. Although Answer C accurately calculated the cost of investing $112,000 + $30,000 = $142,000 in non-controlling interest, the wrong (80% x $125,000) decreases as a share of net assets in the purchase giving goodwill to $42,000. (5) What is a partner and how does equity accounting work? We started this article by considering how we can identify a subsidiary, and we conclude that by considering the relationship between a parent and a partner. The Paper FA curriculum is limited to the definition and identification of a Pre-license and defines only the principle of equity accounting. A partner is identified by IAS 28, Investments on Associates and Joint Ventures as 'an asset with a significant impact on the investor'. The significant impact is the power of the invested to participate in financial and business policy decisions, but it is not control or common control over these policies. IAS 28 can also be assumed that 20% or more of the adi (oy) shares can have a significant impact on the investor, unless otherwise proven. You should use the 20-50% range of votes in the exam as the main indicator of significant impact. However, be sure to read other information about participation power or other stocks (see figure 6). In contrast, in cases where less than 20% of voting rights are obtained and often proven, a significant impact can be shown: the provision of basic technical information from investors and management personnel is represented on the board of directors of those who invest in material transactions in the process of investing. Once you have determined that a partner is there, we do not merge row by line as we do for a subsidiary. That's because we don't have control. Equity accounting is not the same process as consolidation. We should use the equality method for a partner, which means we only get our share of the partner's results. In the consolidated profit or loss table, dividend income from the partner is replaced by a line indicating the parent's profit of the main share. This is presented as an 'Associate dividend' as a new title just before consolidated profits before tax. In the consolidated table of the financial position, the joint investment is shown as a single number in the standing assets. Calculated cost of investment + parental share of protected profits after purchase (i.e. profit earned jointly because the parent has a significant impact). Illustration (6) Which of the following investments belonging to Indigo Co should be calculated using the equity method in consolidated financial tables? While 30% of the voting preference capital in Yellow Co is 18% of the ordinary capital in Blue Co, indigo co's directors own two of the five places on blue co's board of directors, which is 45% of blue co's usual capital. The directors of Indigo Co. had four of the six rows on the board of only D 2 and 3 of Red Co 1 and 2 B 2. Statement (1): Even if a 30% holding is in the 20-50% range, the capital of preference capital that cannot vote is 30%. This does not give Indigo Co. a significant impact on Yellow Co. and therefore, Yellow Co. is not a partner and will not be accounting for equity. Description (2): Despite only 18% of the sleath capital that Indigo Co. has, as we discussed before, we are not only considering the percentage of stocks, but also looking at whether it can make a significant impact. Having two out of five executives gives Indigo Co an effective influence on decision-making at the company, but it doesn't control it, and therefore Blue Co is a partner and becomes accounting for equity. Expression (3): Just look at holding 45% and don't suppose you are a partner without considering other facts. Based on its ability to direct, it shows that Indigo Co has four out of six executives, giving the company effective power and control over decision-making. Having power and control should make you realize that Red Co is actually a subsidiary and therefore will be consolidated line by line in group accounts and will not be taken into an equity account. Therefore, the correct answer is B – Expression 2 only. (6) Note that the results exam tips paper fa, a good robust platform is needed to understand the principles of consolidation. This is because although we use OT's to show how consolidation principles can be examined, they can also be evaluated using MTQs in section B of the exam. Usually this includes calculating figures for profit or loss or a consolidated table of financial position. You should make sure that you look at the sample paper (full exam amd additional MTQs) for more comprehensive reinforcement exam questions to be applied. You will provide more application at the banks and revision material to question your learning providers. Full-length consolidation questions will help you grasp a better understanding of practical consolidation. It is important to understand how each calculation fits into the consolidated financial statements, and this then paper fr and paper sbr work. When answering OTs and MTQs, remember: read the questions carefully and understand the correct figure asked to think about the functioning or extracts of the relevant consolidation that can help you think about what OT answer options are before looking - be careful not to let distractions catch you, so think carefully about the calculation, understand it and check if the first set of questions matches any of the answer options. Written by a member of the FA review team