

# Decrease in Shareholding

Subsidiary to subsidiary

Subsidiary to associate

Subsidiary to investment



# Summary of what you are going to know

- You sell shares in a subsidiary and you lose control
  - IFRS10.25 and IFRS10.26 and B99 - 99A
  - Do you retain significant influence? - IAS 28
  - Do you retain joint control? - IFRS11
  - Do you have a financial instrument? - IFRS 9

# Decrease in Shareholding

Subsidiary to subsidiary

Subsidiary to associate

Subsidiary to investment



# Disposals of interests in existing subsidiaries



**Paragraph 23 - 26 and B96 - B99 of IFRS 10**



**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 (i.e. transactions with owners)**



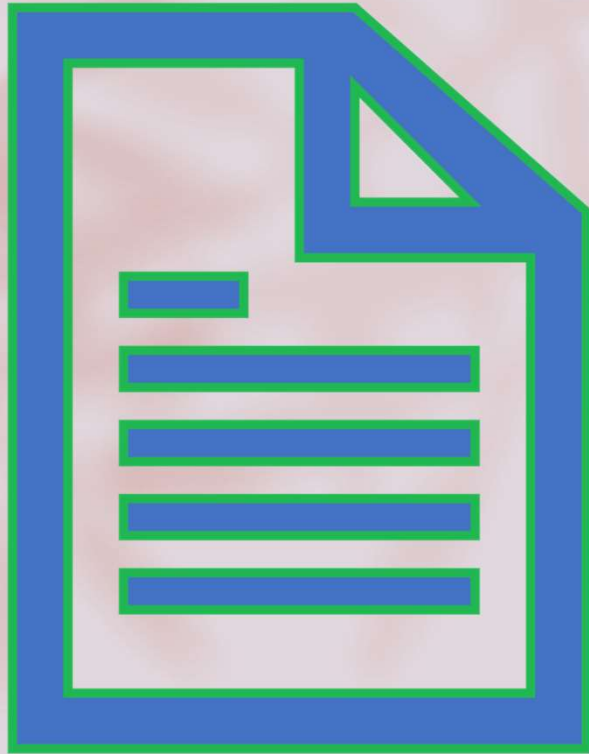
**Carrying amounts of controlling and non-controlling interests should be adjusted with the change.**



**No change in the carrying amounts of the subsidiaries assets or liabilities (including goodwill).**



**Any difference between the amount by which the NCI is adjusted and the FV of consideration received = recognised directly in equity.**



Partial Disposal –  
Subsidiary remains a  
subsidiary

**No Goodwill**

### CHANGES IN HOLDINGS - Disposals

#### 1. Disposal of part of holding: **H retains control of subsidiary**

##### 1.1 Partial disposal of a subsidiary in current Year.

##### Shares acquired at Net Asset Value

Trial balance at 31 December 20X17	H LTD	S LTD
Share capital (R1 shares)	10,000	5,000
Retained earnings at 1 January 20X17	13,000	9,000
Profit after tax	12,358	6,000
SARS liability (capital gains tax)	392	
	35,750	20,000
Investment in S Limited at cost (3000 shares)	3,750	-
Other assets	32,000	20,000
	35,750	20,000

When H Ltd acquired 4000 shares in S Ltd for R 5000, the retained earnings of S Limited was R1250.

All net identifiable assets were fairly valued at the acquisition date.

1000 shares in S Ltd were sold on 1 Feb 20X17. Profit on sale of shares in S Ltd and related capital gains tax has been correctly recorded in the separate financials of H Ltd.

Profit is earned evenly throughout the year. Tax rate is 28%. The annual CGT inclusion rate is 80%

**Non-controlling interest are measured at their proportionate share of net identifiable assets at acquisition date.**

## WORKINGS

### W1 Analysis of S Limited at 31 December 20X17

	Total	20%/40%	80%/60%
<b>At date of acquisition</b>			
Share capital	5,000		
Retained earnings	1,250		
	6,250	1,250	5,000
Retained earnings at BOY	9,000		
On acquisition	(1,250)		
Retained earnings movement	7,750	1,550	6,200
Current income			
Profit to 1/2/X9			
(1/12 x 6 000)	500	100	400
Net Asset Value at date of sale	14,500	2,900	11,600
Sale of 20% shares (11 600 x 1000/4000)		2,900	(2,900)
Profit for remaining year 11/12 x 6 000	5,500	2,200	3,300
	20,000	8,000	12,000

# Profit on sale of shares

## Calculation of H Profit recognized in separate

Cost of sold shares	R1 250
Proceeds on sale of shares	R3 000
H Ltd Profit	R1 750

## Calculation of Profit from group perspective

NAV of sold shares	R2 900
Proceeds on sale of shares	R3 000
Group profit	R100

<b>Consolidating Journal entries</b>		
Share capital	R5 000	
Retained earnings	R1 250	
Non-controlling interest		R1 250
Investment in S Ltd		R5 000
<i>At acquisition elimination journal</i>		
Retained earnings	R1 550	
Non-controlling interest		R1 550
<i>Recognition of non-controlling interest in the prior year</i>		
NCI Share of profits	R2 300	
NCI		R2 300
<i>NCI portion of current year profit</i>		
Investment In S Ltd	R1 250	
Profit on sale of shares recognized in H	R1 750	
NCI		R2 900
Retained earnings (Group profit on sale of shares)		R100

Retained earnings	R392	
Tax expense		R392
<i>Reclassification of tax to equity on consolidation</i>		



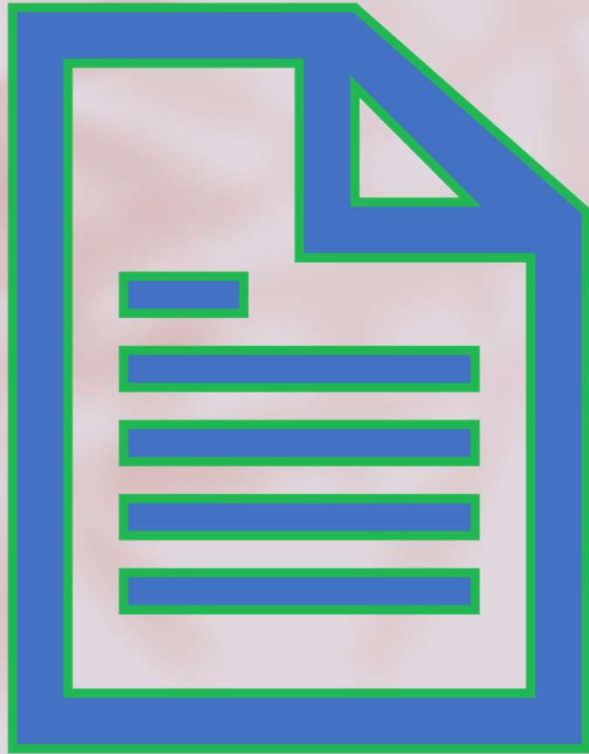
b) Prepare the consolidated statement of comprehensive income and profit and loss s for the year ended 31 December 20x17

**H Ltd Group Consolidated Statement of comprehensive income and profit and loss for the year ended 31 December 20x17**

Profit for the period (12 358 H + 6 000 H - 1 750(H Profit) + 392(Tax))	17,000				
<b>Attributable to:</b>					
Non-controlling interest (2 200 + 100)	2,300				
Owners of Parent (Balancing)	14,700				

**Statement of Changes in Equity for the year ended 31 December 20X17**

	Share capital		Retained earnings		Non-controlling Interest		Total
Balance at 31 December 20X8	10,000	N1	19,200	N2	2,800	N3	32,000
(13 000+6 200) RE (1 250 + 1 550) NCI							
Sale of shares in subsidiary (transaction with owners) (100 - 392)			-292	N4	2,900	N5	2,608
Total comprehensive income for the period			14,700	N6	2,300	N6	17,000
Balance at 31 December 20X9	10,000		33,608		8,000		51,608



Partial Disposal –  
Subsidiary remains a  
subsidiary

**Goodwill - NCI at Proportionate share  
or fair value**

## CHANGES IN HOLDINGS - Disposals

### 1.2 Partial disposal of a subsidiary in current Year.

**Shares acquired above Net Asset Value: H retains control of subsidiary**

#### TRIAL BALANCES AT 31 DECEMBER 20X9

	H LTD	S LTD
Share capital (R1 shares)	10,000	5,000
Retained earnings at 1 January 20X9	13,000	9,000
Profit after tax	12,203	6,000
SARS - (CGT on sale of shares in S Co)	347	
	35,550	20,000
Investment in S Limited at cost (3000 shares)	4,350	-
Land	31,200	20,000
	35,550	20,000

H Ltd acquired 4 000 shares in S Limited on 1 January 20X8 for R5 800 when the retained earnings of S was R1 250. All net identifiable assets were fairly valued at the date of acquisition. 1000 shares in S Ltd were sold on 1 Feb 20X9 for R3 000. Profit is earned evenly throughout the year. Tax rate is 28%.

**You are required to:**

- a) Prepare the consolidated journal entries at 31 December 20X9
- b) Prepare the consolidated financial statements for the 20X9 financial year.

**Assuming the following:**

**Scenario 1:**

Non-controlling interest measured at fair value at acquisition date.

Fair value of non-controlling interest is R1 300 at acquisition.

<b>Analysis of S Limited at 31 December 20X9</b>				
		<b>Total</b>	<b>20%/40%</b>	<b>80%/60%</b>
<b>At date of acquisition</b>				
Share capital		5,000		
Retained earnings		1,250		
		6,250	1,250	5,000
Goodwill		850	50	800
Non-controlling interest at fair value		7,100	1,300	5,800
Retained earnings at BOY		9,000		
On acquisition		(1,250)		
Retained earnings movement		7,750	1,550	6,200
Current income				
Profit to 1/2/X9				
(1/12 x 6000)		500	100	400
<b>Total net asset value</b>		15,350	2,950	12,400
Net asset value (equity) sold to NCI (12 400 x 20/80)			3,100	(3,100)
Profit for remaining year 11/12 x 6000		5,500	2,200	3,300
		20,850	8,250	12,600

# Profit on sale of shares

## Calculation of H Profit recognized in separate

Cost of sold shares (R5 800 x 25%)	R1 450
Proceeds on sale of shares	R3 000
H Ltd Profit	R1 550

## Calculation of Profit from group perspective

NAV of sold shares	R3 100
Proceeds on sale of shares	R3 000
Group profit	(R100)

## Consolidating Journal entries

Share capital	R5 000	
Retained earnings	R1 250	
Non-controlling interest		R1 300
Investment in S Ltd		R5 800
Goodwill	R850	
Retained earnings	R1 550	
Non-controlling interest		R1 550
<i>Recognition of non-controlling interest in the prior year</i>		
NCI Share of profits	R2 300	
NCI		R2 300
<i>NCI portion of current year profit</i>		
Investment In S Ltd	R1 450	
Profit on sale of shares recognized in H	R1 550	
NCI		R3 100
Retained earnings (Group profit on sale of shares)	R100	

NO  
change to  
goodwill



Retained earnings	R347	
Tax expense		R347
<i>Reclassification of tax to equity on consolidation</i>		



**H Ltd and its Subsidiary Consolidated Income Statement for the year ended 31 December 20X9**

Profit for the period after tax (12 203 + 6 000 - 1 550(J4) + 347(J5))	17,000
<b>Attributable to:</b>	
Non-controlling interest	2,300
Owners of Parent	14,700

**Statement of Changes in Equity for the year ended 31 December 20X9**

	Share capital	Retained earnings	Non-controlling interest
Balance at 31 December 20X8 (13 000+6 200)	10,000	19,200	2,850
Sale of shares in subsidiary		(447)	3,100
Total comprehensive income for the period		14,700	2,300
Balance at 31 December 20X9	10,000	33,453	8,250

Statement of financial position at 31 December 20X9			
Share capital			10,000
Retained earnings			33,453
Non-controlling interest			8,250
Receiver of revenue			347
			<u>52,050</u>
Goodwill			850
Land (31 200+20 000)			51,200
			<u>52,050</u>

- All the same principles as in the first example.
- Important to always calculate the NAV of the shares sold using the NAV (PLUS GOODWILL) of the entity SELLING The shares

### Scenario 2:

Premium relates to Goodwill and non-controlling interest measured at proportionate share of net identifiable assets

#### Calculation of H Profit recognized in separate

Cost of sold shares (R5 800 x 25%)	R1 450
Proceeds on sale of shares	R3 000
H Ltd Profit	R1 550

#### Calculation of Profit from group perspective

NAV of sold shares	R3 100
Proceeds on sale of shares	R3 000
Group profit	(R100)



	Total	20%/40%	80%/60%
<b>At date of acquisition</b>			
Share capital	5,000		
Retained earnings	1,250		
	6,250	1,250	5,000
Goodwill			800
			5,800
Retained earnings at BOY	9,000		
On acquisition	(1,250)		
Retained earnings movement	7,750	1,550	6,200
Current income			
Profit to 1/2/X9			
(1/12 x6000)	500	100	400
<b>Total net <i>identifiable</i> assets before sale</b>	<b>14,500</b>	<b>2,900</b>	<b>12,400</b>
Sale of pre- (purchased) and post- acquisition equity/profits to non-controlling shareholders		3,100	<b>(3,100)</b>
Profit for remaining year 11/12 x 6000	5,500	2,200	3,300
	20,000	8,200	12,600

It is important to understand the following:



Goodwill will ONLY change if there is a loss of control or if goodwill is impaired



It is important when disposing of shares to always use the NAV (including goodwill) of the entity selling the shares



You will get the same profit whether the NCI is measured at the proportionate method or fair value.

# Decrease in Shareholding

Subsidiary to subsidiary

Subsidiary to associate

Subsidiary to investment



# IFRS 10.25

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If a parent loses control of a subsidiary the parent:

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Derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position

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Recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for according to relevant IFRS

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The retained interest is remeasured and the the remeasured value is regarded as the fair value on initial recognition of a financial asset in accordance with IFRS 9 or the cost of the associate, JV etc.

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Recognises the gain or loss associated

# and IFRS

## 10.B97 - 99

**1. The assets and liabilities of the subsidiary (including goodwill) are derecognised.**

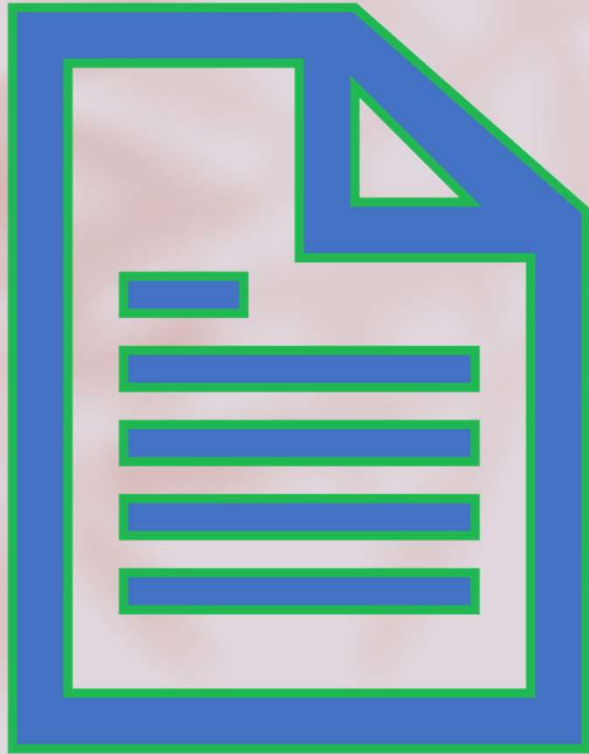
**2. Non controlling interests should be derecognised.**

**3. Investment retained in former subsidiary should be recognised at fair value**

**4. Fair value of any consideration received should be recognised.**

**5. Any resulting difference should be recognised in profit or loss.**

**6. All amounts recognised in OCI shall be recognised on the same basis as would be required if the parent had disposed of the related assets and liabilities (i.e. transferred to retained earnings).**



# Deconsolidation– Sale of total holding

**No Goodwill**

**CHANGES IN HOLDINGS - Disposals**

**2 Deconsolidations**

*Refer to IFRS 10 par 25 and B 97-99*

**2.1 Sale of Total Holding**

**TRIAL BALANCES AT 31 DECEMBER 20X17**

	H Ltd	S1 Ltd	S2 Ltd
Share capital (shares of R 1 each)	60,000	40,000	20,000
Retained earnings (1 January 2017)	10,000	8,000	6,000
Profit after tax	44,800	24,000	12,000
	<b>114,800</b>	<b>72,000</b>	<b>38,000</b>
32 000 shares in S1 at cost	35,200		
12 000 shares in S2 at cost	-		
Other assets	79,600	72,000	38,000
	<b>114,800</b>	<b>72,000</b>	<b>38,000</b>

The shares in S1 were acquired when the retained earnings of S1 was R4 000.

The shares in S2 were acquired for R13 200 when the retained earnings of S2 was R2 000

The non-controlling interest are measured at their proportionate share of net identifiable assets at acquisition.

**On 1 October 20X17, all the shares in S2 were sold for R22 000. H Ltd correctly recognised the sale of the shares in its separate financial statements.**

The share price of S2 on 1 October 20X1 was R1.95. Tax rate is 28% and the inclusion rate for capital gains tax purposes is 80%.

**W2 Analysis of S2 Limited to 1 October 20X1**

	Total	40%	60%
<b>At date of acquisition</b>			
Share capital	20,000		
Retained earnings	2,000		
	22,000	8,800	13,200
<b>Retained earnings at beginning of year</b>	6,000		
Retained earnings at date of acquisition	(2,000)		
Movement in retained earnings	4,000	1,600	2,400
		10,400	
Current income whilst still a subsidiary (9/12 x 12 000)	9,000	3,600	5,400
<b>Net Asset Value at 1 October 20X1</b>	<b>35,000</b>	<b>14,000</b>	<b>21,000</b>
Sale of Shares (entire 60% holding sold)		(14 000)	(21,000)
		-	-

## Consolidation journal entries to derecognize S2

Share capital	R20 000	
Retained earnings	R2 000	
Non-controlling interest		R8 800
Investment in S2		R13 200
<i>Elimination of NAV at acquisition</i>		
Retained earnings	R1 600	
Non-controlling interest (SFP)		R1 600
<i>Allocation of prior year profits to NCI</i>		
Non-controlling interest share of profits	R3 600	
Non-controlling interest		R3 600
<i>Allocation of current year profits to NCI</i>		

### Calculation of profit in H - ALREADY recorded

Proceeds	R22 000
Cost	R13 200
Profit	R8 800

### Calculation of profit in the group

NAV sold	R21 000
Proceeds	R22 000
Profit	R1 000

## Deconsolidation journal entry - S2

Profit on sale of Shares (H Ltd)	R8 800	
Investment in S Ltd	R13 200	
Non-controlling interest	R14 000	
Net asset value		R35 000
Profit on sale of shares (Group)		R1 000

**H Ltd and its Subsidiary Consolidated Income Statement for the year ended 31 December 20X17**

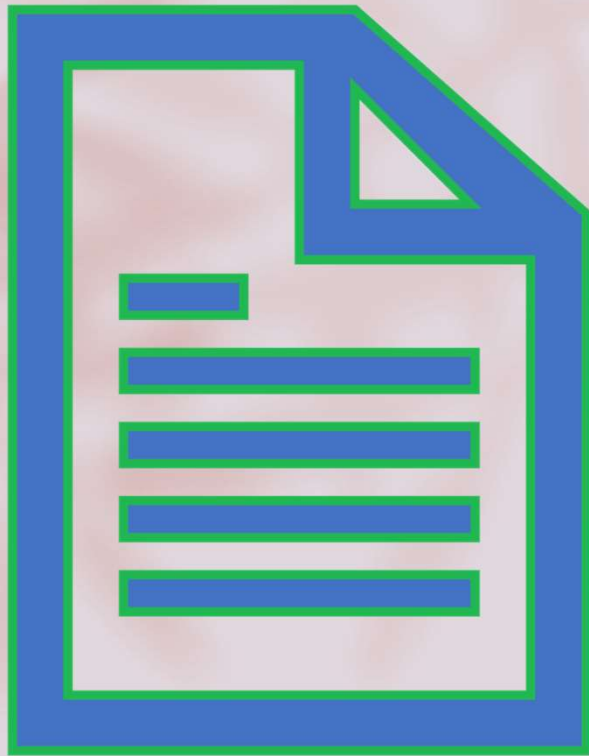
Profit for the period (44 800H + 24 000S1 + 9 000S2(12 000 x 9/12) - 8 800H + 1 000GROUP)	70,000		
<b>Attributable to:</b>			
Non-controlling interest (4 800 + 3 600)	8,400		
Owners of parent	61,600		

**Statement of financial position at 31 December 20X17**

Share capital	60,000		
Retained earnings	77,200		
Non-controlling interest	14,400		
<b>Total Equity</b>	<b>151,600</b>		
Other assets (79,6+72)	151,600		

**Statement of changes in equity for the year ended 31 December 20X17**

	Share capital	Retained earnings	Non-controlling Interest	
Balance at 31 December 20X16 (R10 000H + R3 200S1 + R2 400S2)	60,000	15,600	20,000	(9 600S1 + 10 400 S2)
Total comprehensive income for the period		61,600	8,400	
Sale of shares in subsidiary			(14,000)	
Balance at 31 December 20X71	60,000	77,200	14,400	



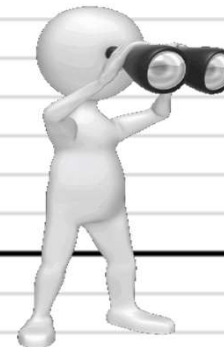
# Deconsolidation– Conversion from subsidiary to associate

**No goodwill**

## 2.2 Conversion from Subsidiary to Associate

### TRIAL BALANCES AT 31 DECEMBER 20X17

	H Ltd	S1 Ltd	S2 Ltd
Share capital (shares of R 1 each)	60,000	40,000	20,000
Retained earnings	10,000	8,000	6,000
Profit before tax	55,000	37,000	18,000
<b>Proceeds from sale of shares in S2</b>	9,000	-	-
	<b>134,000</b>	<b>85,000</b>	<b>44,000</b>
Taxation	19,000	13,000	6,000
32 000 shares in S1 at cost	35,200		
12 000 shares in S2 at cost	13,200		
Other assets	66,600	72,000	38,000
	<b>134,000</b>	<b>85,000</b>	<b>44,000</b>



The shares in S1 were acquired when the retained earnings of S1 was R4 000.  
 The shares in S2 were acquired when the retained earnings of S2 was R2 000.  
 The non-controlling interest are measured at their proportionate share of net identifiable assets at acquisition.

On 1 October 20X17, 5 000 shares in S2 were sold for R9 000.

H Ltd correctly recognised capital gains tax on the sale of the shares in S2.

The share price of S2 on 1 October 20X17 was R1.95.

The tax rate is 28% and the inclusion rate for capital gains tax purposes is 80%.

<b>Analysis of S2 Limited at 31 December 20X17</b>	<b>Total</b>	<b>40%/65%</b>	<b>60%/35%</b>
<b>At acquisition</b>			
Share capital	20,000		
Retained earnings	2,000		
	<b>22,000</b>	<b>8,800</b>	<b>13,200</b>
<b>Retained earnings at beginning of year</b>	<b>6,000</b>		
On acquisition	(2,000)		
Movement in retained earnings	<b>4,000</b>	<b>1,600</b>	<b>2,400</b>
Current income (9/12 x 12 000)	9,000	3,600	5,400
Net asset value at 1 October 20X17	<b>35,000</b>	<b>14,000</b>	<b>21,000</b>
Sale of Shares (21 000 x 5 000/12 000 shares sold)		(14 000)	(8,750)
Investment at date control is lost			12,250
Fair value adjustment			1,400
FV remaining 7000 shares *1.95			<b>13,650</b>
Equity accounted income	3,000		1,050
Investment at end of the year			<b>14,700</b>

## Consolidation journal entries to derecognize S2

Share capital	R20 000	
Retained earnings	R2 000	
Non-controlling interest		R8 800
Investment in S2		R13 200
<i>Elimination of NAV at acquisition</i>		
Retained earnings	R1 600	
Non-controlling interest (SFP)		R1 600
<i>Allocation of prior year profits to NCI</i>		
Non-controlling interest share of profits	R3 600	
Non-controlling interest		R3 600
<i>Allocation of current year profits to NCI</i>		

## Calculation of profit in H - Not RECORDED

Proceeds (Look at TB)	R9 000

## Calculation of profit in the group

NAV sold	R8 750
Proceeds	R9 000
Profit	R250

## Deconsolidation journal entry - S2

Proceeds on sale of shares(H Ltd)	R9 000	
Investment in S Ltd (at FV)	R13 650	
Non-controlling interest	R14 000	
Net asset value		R35 000
Profit on sale of shares (Group)		R250
Fair value adjustment on shares		R1 400

**Consolidated income statement for the year ended 31 December 20X17**

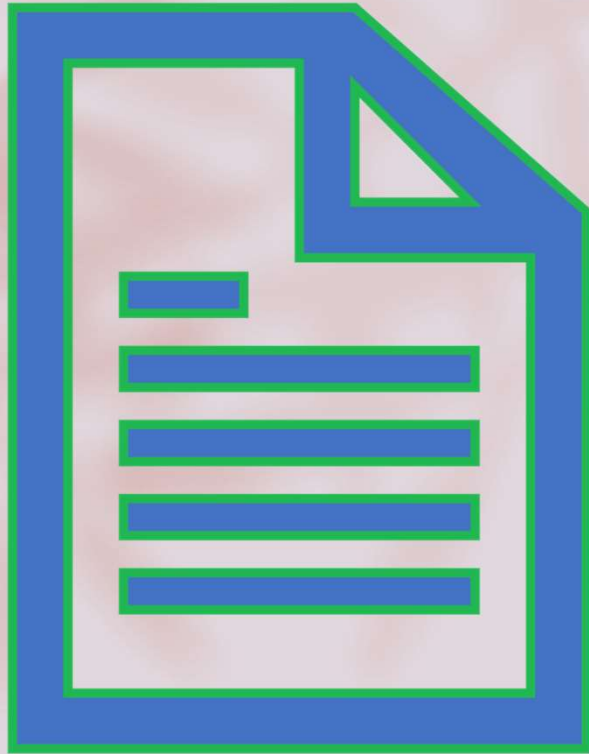
Net Profit (55+37+9/12x18)	105,500		
Profit on sale of shares in subsidiary	250		
Fair value adjustment	1,400		
<b>Profit on sale of shares in subsidiary</b>	<b>1,650</b>		
Equity accounted profits from associate	1,050		
Profit before tax	108,200		
Taxation (19+13+6x9/12)	36,500		
Profit for the period	71,700		
<b>Attributable to:</b>			
Non-controlling interest	8,400		
Owners of parent	63,300		

**Statement of financial position at 31 December 20X17**

Share capital	60,000			
Retained earnings (10+3.2+2.4+62.775)	78,900			
Non-controlling Interest	14,400			
<b>Total equity</b>	<b>153,300</b>			
Investment in Associate	14,700			
Other assets (66 600+72 000)	138,600			
	<b>153,300</b>			

**Statement of changes in equity for the year ended 31 December 20X17**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Non-controlling Interest</b>
Balance at 31 December 20X16	60,000	15,600	20,000
Total comprehensive income for the period		63,300	8,400
Sale of shares in subsidiary			(14 000)
<b>Balance at 31 December 20X17</b>	<b>60,000</b>	<b>78,900</b>	<b>14,400</b>



# Deconsolidation– Conversion from subsidiary to associate

**Proportionate method of goodwill BUT  
H has accounted for the derecognition  
in the separate financials**

### 2.3 Conversion from Subsidiary to Associate (proportionate goodwill )

**H has accounted for the derecognition (therefore profit in the separates)**

TRIAL BALANCES AT 31 DECEMBER 20X17	H Ltd	S2 Ltd
Share capital	60,000	20,000
Retained earnings	10,000	6,000
Profit before tax	55,000	18,000
<b>Profit from sale of shares in S2</b>	<b>2,750</b>	<b>-</b>
	127,750	44,000
Taxation	19,000	6,000
<b>Investment in S2</b>	<b>8,750</b>	
Other assets	100,000	38,000
	127,750	44,000

H acquired 12000 shares in S2 for R15 000 when the retained earnings of S 2 was R2000.

On 1 October 20X17, 5 000 shares in S2 were sold for R9 000.

Capital gains tax was correctly recognised by H Ltd on the profit on the sale of shares in S Ltd.

The tax rate is 28% and the inclusion rate for capital gains tax purposes is 80%.

The non-controlling interest are measured at their proportionate share of net identifiable assets at acquisition.

The share price of S2 on 1 October 20X17 was R1.95.

<b>Analysis of S2 Limited at 31 December 20X17</b>	<b>Total</b>	<b>40%/65%</b>	<b>60%/35%</b>
<b>At acquisition</b>			
Share capital	20,000		
Retained earnings	2,000		
	22,000	8,800	13,200
Goodwill			1,800
Original cost of shares			15,000
<b>Retained earnings at beginning of year</b>	6,000		
On acquisition	(2,000)		
Movement in retained earnings	4,000	1,600	2,400
Current income (9/12x12 000)	9,000	3,600	5,400
Net asset value at 1 October 20X17 (including goodwill)	35,000	14,000	22,800
Sale of Shares (22 800 x 5,000/12,000 shares)		(14,000)	(9,500)
Investment at date control is lost			13,300
Fair value adjustment			350
Fair value of investment at date control is lost (7 000 x R1.95)			13,650
Equity accounted income	3,000		1,050
	38,000		14,700

# Calculation of goodwill

<b>Goodwill</b>	
Consideration transferred	R15 000
Amount of NCI	R8 800
Fair value of previously held interest	R0
<b>Total</b>	<b>R23 800</b>
Net identifiable assets	R22 000
Goodwill (H Only)	R1 800

## Consolidation journal entries to derecognize S2

Share capital	R20 000	
Retained earnings	R2 000	
Non-controlling interest		R8 800
Investment in S2		R15 000
Goodwill	R1 800	
Retained earnings	R1 600	
Non-controlling interest (SFP)		R1 600
<i>Allocation of prior year profits to NCI</i>		
Non-controlling interest share of profits	R3 600	
Non-controlling interest		R3 600
<i>Allocation of current year profits to NCI</i>		

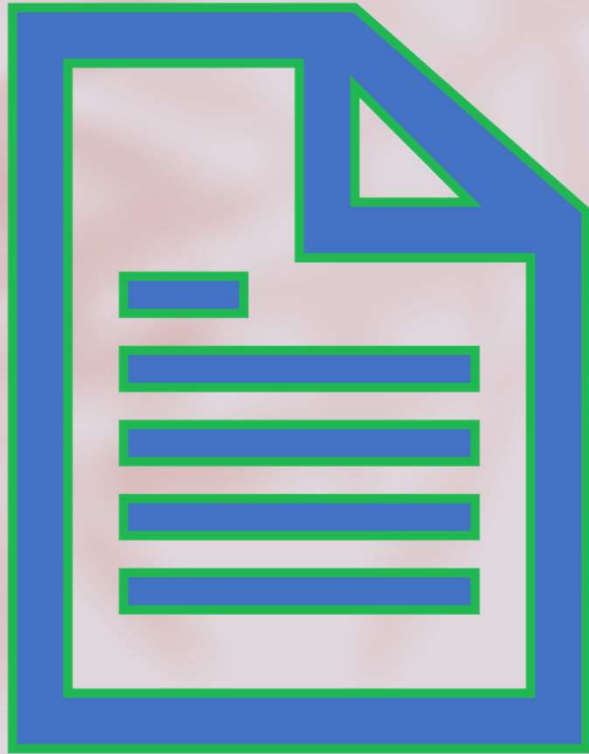
### Calculation of profit in H - ALREADY recorded

Proceeds	R9 000
Cost ( $5/12 \times 15\ 000$ )	R6 250
Profit	R2 750

### Calculation of profit in the group

NAV sold ( $35\ 000 \times 25\%$ )	(R8 750)
Goodwill sold ( $R1\ 800 \times 25/60$ )	(R750)
Proceeds	R9 000
Group loss	R500

FINAL JOURNAL ENTRIES TO "DECONSOLIDATE"		
Investment in S2 (cost of 5 000 shares sold)	6,250	
Profit on sale of share (H's profit)	2,750	
Loss on losing control of subsidiary	500	
Fair value adjustment		350
Investment in S2 (as an associate)	13,650	
Non-controlling interest	14,000	
Net asset value		35,000
Goodwill		1,800
<i>Deconsolidation at date control lost</i>		



# Deconsolidation– Conversion from subsidiary to associate

**Full method of goodwill BUT H has NOT  
accounted for the derecognition in the  
separate financials**

## 2.4 Conversion from Subsidiary to Associate (full goodwill method)

### TRIAL BALANCES AT 31 DECEMBER 20X17

	H Ltd	S2 Ltd
Share capital	60,000	20,000
Retained earnings	10,000	6,000
<b>Profit before tax</b>	<b>55,000</b>	<b>18,000</b>
<b>Proceeds from sale of shares in S2</b>	<b>9,000</b>	<b>-</b>
	<b>134,000</b>	<b>44,000</b>
<b>Taxation</b>	<b>19,000</b>	<b>6,000</b>
12 000 shares in S2	15,000	
Other assets	100,000	38,000
	<b>134,000</b>	<b>44,000</b>

The shares in S2 were acquired when the Retained earnings of S2 was R2 000.

On 1 October 20X17, 5 000 shares in S2 were sold for R9 000.

Capital gains tax was correctly recognised by H Ltd on the profit on the sale of shares in S Ltd.

Non-controlling interest is measured at fair value at acquisition date.

The share price at acquisition was R1.25 per share.

The share price on 1 October 20X1 was R1.95.

The tax rate is 28% and the inclusion rate for capital gains tax purposes is 80%.

<b>Analysis of S2 Limited at 31 December 20X17</b>	<b>Total</b>	<b>40%/65%</b>	<b>60%/35%</b>
<b>At acquisition</b>			
Share capital	20,000		
Retained earnings	2,000		
	22,000	8,800	13,200
Goodwill	3,000	1,200	1,800
	25,000	10,000	15,000
<b>Retained earnings at beginning of year</b>	6,000		
On acquisition	(2,000)		
Movement for the year	4,000	1,600	2,400
Current income (9/12x12 000)	9,000	3,600	5,400
Net asset value at 1 October 20X17 (including goodwill)	38,000	15,200	22,800
Sale of Shares (22 800 x 5,000/12,000 shares)		9,500	(9,500)
Investment at date control is lost			13,300
Fair value adjustment			350
Fair value of investment at date control is lost (7 000 x R1.95)			13,650
Equity accounted income	3,000		1,050
			14,700

<b>Calculation of goodwill</b>			
Consideration paid		15,000	
Non-controlling interest at fair value at acquisition	(8 000 shares x R1.25)	10,000	
Fair value of previous equity interest		-	
		25,000	
Net identifiable assets		22,000	
Goodwill (FULL)		3,000	

<b>Analysis of S2 Limited at 31 December 20X17</b>	<b>Total</b>	<b>40%/65%</b>	<b>60%/35%</b>
<b>At acquisition</b>			
Share capital	20,000		
Retained earnings	2,000		
	22,000	8,800	13,200
Goodwill	3,000	1,200	1,800
	25,000	10,000	15,000
<b>Retained earnings at beginning of year</b>	6,000		
On acquisition	(2,000)		
Movement for the year	4,000	1,600	2,400
Current income (9/12x12 000)	9,000	3,600	5,400
Net asset value at 1 October 20X17 (including goodwill)	38,000	15,200	22,800
Sale of Shares (22 800 x 5,000/12,000 shares)		9,500	(9,500)
Investment at date control is lost			13,300
Fair value adjustment			350
Fair value of investment at date control is lost (7 000 x R1.95)			13,650
Equity accounted income	3,000		1,050
			14,700

<b>Calculation of Group Loss</b>		
Net asset value sold	9,500	
Proceeds	9,000	
Group loss	(500)	
<b>FINAL JOURNAL ENTRIES TO "DECONSOLIDATE"</b>		
Proceeds on sale of shares	9,000	
Loss on sale of share (Group loss)	500	
Fair value adjustment		350
Investment in S2 (as an associate)	13,650	
Non-controlling interest	15,200	
Net asset value (includes goodwill) deconsolidation at date control lost		38,000