

01

### Purpose

Elimination journals are processed to adjust consolidated figures for intra group transaction. This is done to remove unrealized gains / losses from the accounting records.

05

### Key Tips

- 1.If the journal increases profit a deferred tax liability is recognized and vice versa.
- 2.A journal affecting the profit in the CURRENT year will need to be reprocessed in the SUBSEQUENT year to adjust RETAINED INCOME

## elimination

# JOURNAL

02

### Deferred Tax

Deferred Tax becomes applicable because the profit of the group is adjusted. However the group does not pay tax as a group and therefore deferred tax is used to show the tax consequences of the adjustments

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### PPE GAIN

Dt Other Income	GAIN	
Ct PPE		GAIN
Dt Acc Depreciation	A	
Ct Depreciation		A
Dt Income Tax	A x tax %	
Ct Deferred Tax		A x tax %

A = Gain / Remaining useful Life

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### Inventory

Dt Cost of Sales		Gain
Ct Inventory		Gain
Dt Deferred tax	A	
Ct Tax Expense		A

A = Gain x Tax Rate

# GROUP

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01

## Purpose

\* A consolidation is essentially 2 or more accounting records aggregated. However journals are needed to adjust for intergroup transactions to accurately show the groups economic conditions.

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## Fair Value

- A fair value adjustment on an allowance asset will be depreciated over the remaining useful life.
- A fair value adjustment on debtors, creditors / trading stock will be reversed once the debtor is realized, creditor paid and inventory sold.

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## At acquisition

Dt Share Capital	SC	
Dt Retained Income	RE	
Dt Equity at Acquisition		A
Dt Goodwill	GW	
Ct Investment in SUB		INV

A = FV adjustments after tax

03

## Retained income

- Retained income = the accumulated profit of the prior periods.
- Any adjustments to profits since acquisitions will need to be reprocessed each year against RETAINED INCOME.
- This why a timeline is your friend to keep track of what needs, and need not be adjusted for.

04

## NCI

- NCI is a Consolidation account and needs to be accounted for every year.
- Prior year profits are allocated from retained income.
- Current year profits are allocated from current profits.
- Profits adjustments also affects NCI.

# Associate

# JOURNAL

01

## Purpose

Associates are accounted for with equity accounting. Journals are used to show the changes in the investment in associate.

P.s - An associate only has 2 consolidation accounts.

05

## Key Notes

1. The elimination journal should only show the % holding in the associate.
2. Think about the affected accounts and remember an associates consolidation accounts are:
  - Investment in Associate.
  - Share of Profit of Associate.

02

## PPE GAIN

If the parent sold to the associate:

Dt Other income	% GAIN
Ct Investment in A	% GAIN

Normal Tax Journal applies.

03

## Inventory

- If the associate sold to the parent:

Dt Share of profit of Associate	% Gain
Ct Inventory	% Gain.

- Parent sold to the Associate

Dt Cost of Sales	% Gain
Ct Investment in Associate	% Gain

04

## Top Tip

1. Think about the separate journal process and how to reverse it.
2. Think about in which consolidation accounts the amount are included in in order to remove them.