

The background features a dark blue base with a series of vertical stripes in various colors including purple, pink, blue, green, red, brown, and teal. These stripes are partially obscured by large, dark blue, wavy shapes that resemble stylized waves or abstract patterns, creating a complex, layered visual effect.

Changes in holdings

Various standards

Acquisition of a subsidiary

Any acquisition of control would constitute a business combination in terms of IFRS 3.

Therefore even if the shares are acquired in stages.

Summary of what you should know

You have acquired an interest in a set of assets and activities

Is it a business?

- IFRS 3 - definition of a business

Do you control it?

- IFRS 10

Yes you control it how do you account for it at acquisition?

- IFRS 3 - Acquisition method

You have accounted for it at acquisition - how do you continue accounting for it?

- Consolidation procedures - (IFRS10.B86 - B93)

Summary of what you are going to know

You purchase additional shares in the entity
(remains a sub)

- IFRS10.23 and IFRS 10.B96

You sell shares in the entity (remains a sub)

- IFRS10.23 and IFRS 10.B96

You had an associate that you purchased an
additional interest in

- Do you control it now? - IFRS 10
- How to account for it - IFRS3.32

You purchase additional shares in an entity that you
accounted for as a financial instrument previously

- Do you control it? - IFRS 10
- How to account for it

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

Increases in shareholding

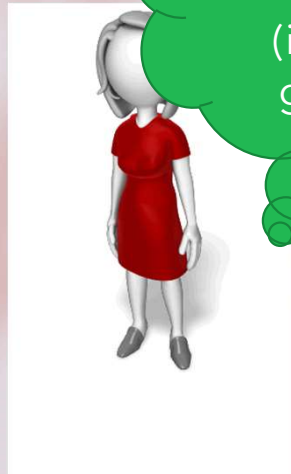


Subsidiary to subsidiary

Financial instrument to
Subsidiary

Associate to subsidiary

Purchase of additional shares in a subsidiary



No change to carrying amounts of assets (including goodwill)

IFRS10.23 Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (ie transactions with owners in their capacity as owners

IFRS10.B96 when the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary.

The entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the owners

Purchase of additional shares in an existing subsidiary

The accounting treatment prescribed by IFRS 10 is a DIRECT consequence of classifying NCI as equity.



Therefore, transactions between the parent and NCI should be recognized in equity



Both parent and NCI are owners of subsidiary

Purchase of additional shares in an existing subsidiary

Not a business combination therefore NO additional goodwill



Parent already controls the assets acquired and liabilities assumed in a business combination



Subsequent transactions with owners should not affect the measurement of those assets and liabilities



When acquiring additional shares ALL you are doing is obtaining the right to additional income and not EXTRA control of the assets etc



Parent is acquiring additional rights to income from assets it already owns and therefore assets etc should not be affected

Purchase of additional shares in a subsidiary

- The entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the owners
- Affected by the initial measurement of NCI
 - Proportionate share of fair value of identifiable assets
 - Fair value

Purchase of additional shares in a subsidiary

1. Purchase of Additional Shares in Subsidiary Company

1.1 Holding Increased in Current Year at Book Value: H retains control of subsidiary (**Non-controlling interest measured at their proportionate share of net asset value at acquisition date**)

Trial Balances at 31 December 20x17	H LTD	S LTD
Share capital (R1 shares)	40,000	20,000
Retained earnings at 1 January 20X17	52,000	36,000
Profit after tax	44,000	24,000
	136,000	80,000
Investment in S Ltd at cost	20,600	
Other assets	115,400	80,000
	136,000	80,000

H Ltd acquired the shares in S Ltd as follows:

-12 000 shares on 1 January 20X16 for R14,400 when the retained earnings was R4 000.

- 2 000 shares on 1 April 20X17 for R6,200.

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

Income of S Limited is earned evenly throughout the year. Tax rate is 28%.

a) prepare the consolidating journal entry required to recognise the additional purchase of shares

Non-controlling interest (SFP)	R6 200	
Investment in S Ltd		R6 200
<i>Elimination of additional investment in S Ltd</i>		

b) Prepare the non-controlling interest in the Consolidated Statement of Changes in Equity for the year ended 31 December 20x17.

	NCI
Opening Balance (12 800 + 9 600)	R22 400
Acquisition of additional interest in subsidiary	(R6 200)
Profit for the year (2 400 + 5 400)	R7 800
	R24 000

Purchase of additional shares in a subsidiary

1. Purchase of Additional Shares in Subsidiary Company

1.2 Holding Increased in Current Year at Book Value: H retains control of subsidiary (Non-controlling interest measured at fair value at acquisition date)

Trial Balances at 31 December 20x17

	H LTD	S LTD
Share capital (R1 shares)	40,000	20,000
Retained earnings at 1 January 20X17	52,000	36,000
Profit after tax	44,000	24,000
	136,000	80,000
Investment in S Ltd at cost (14 000 shares)	21,300	
Other assets	114,700	80,000
	136,000	80,000

H Ltd acquired the shares in S Ltd as follows:

-12 000 shares on 1 January 20X16 for R15 000 when the retained earnings was R4 000. The fair value of the non-controlling interest at that date was R 10 000.

NCI is measured at fair value

The additional 2 000 shares were purchased on 1 April 2017 for R6 300.

a) prepare the consolidating journal entry required to recognise the additional purchase of shares

Non-controlling interest (SFP)	R6 300	
Investment in S Ltd		R6 300
<i>Elimination of additional investment in S Ltd</i>		

b) Prepare the non-controlling interest in the Consolidated Statement of Changes in Equity for the year ended 31 December 20x17.

	NCI
Opening Balance (12 800 + 10 000)	R22 800
Acquisition of additional interest in subsidiary	(R6 200)
Profit for the year (2 400 + 5 400)	R7 800
	R24 000

Purchase of additional shares in a subsidiary

1.3 Holding Increased in Current Year at Book Value: H retains control of subsidiary AT A PREMIUM (Non-controlling interest measured at their proportionate share of net asset value at acquisition date)		
Trial Balances at 31 December 20x17		
	H LTD	S LTD
Share capital (R1 shares)	40,000	20,000
Retained earnings at 1 January 20X17	52,000	36,000
Profit after tax	44,000	24,000
	136,000	80,000
Investment in S Ltd at cost (14 000 shares)	20,600	
Other assets	115,400	80,000
	136,000	80,000
The shares in S Ltd were acquired as follows:		
- 12 000 shares on 1 January 2106 20X16 for R14 400 when the retained earnings was R4 000.		
- 2 000 shares on 1 April 20X17 for R6 600 (More than cost) .		
Non-controlling interest are measured at their proportionate share of net identifiable assets at acquisition date.		
S Ltd's net assets were considered to be the same as their fair value on 1 January 20x16.		
Income of S Limited is earned evenly throughout the year. Tax rate is 28%.		

a) Prepare the consolidating journal entry to recognise the additional shares purchased.

Retained earnings (transactions between owners)	R400	
Non-controlling interest (SFP)	R6 200	
Investment in S Ltd		R6 600
<i>Elimination of additional investment in S Ltd</i>		

Statement of changes in equity for the year ended 31 December 20x17

	Share capital	Retained earnings	NCI
Opening balance	R40 000	R71 200	R22 400
Purchase of additional shares in subsidiary		(R400)	(R6 200)
Total comprehensive income for the period		R60 200	R7 800
Total	R40 000	R131 000	R24 000

Purchase of additional shares in a subsidiary



The entity shall recognize directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the owners



Affected by the initial measurement of NCI

Proportionate share of fair value of identifiable assets

Fair value

Knowledge check

Question 1

Jupiter Ltd purchased 60% of the issued share capital in Mars Ltd on 1 January 2017 for R3 200 000 when the share capital was R1 000 000, and the retained earnings was R4 000 000.

Mars's retained earnings on 31 December 2019 was R 6 000 000. No new shares were issued by Mars between 2017 and 2019.

On 1 January 2020 Jupiter purchased a further 10% holding in Mars for R R750 000. Non-controlling interest is recognized at the NCI's share of net asset value at acquisition.

The goodwill that will be recognized in the consolidated financial statements as at 31 December 2020 will be?

- a) R300 000
- b) R200 000
- c) R450 000
- d) R345 000
- e) Some other answer

Knowledge check

Question 2

Jupiter Ltd purchased 60% of the issued share capital in Mars Ltd on 1 January 2017 for R3 200 000 when the share capital was R1 000 000, and the retained earnings was R4 000 000.

Mars's retained earnings on 31 December 2019 was R 6 000 000. No new shares were issued by Mars between 2017 and 2019.

On 1 January 2020 Jupiter purchased a further 10% holding in Mars for R R750 000. Non-controlling interest is recognized at the NCI's share of net asset value at acquisition.

The goodwill that will be recognized in the consolidated financial statements as at 31 December 2020 will be?

The consolidating journal entry to recognise the additional shares purchased by Jupiter will be:

- a) Dr Non-controlling interest R350 000; Cr Investment in Mars R350 000
- b) Dr Non-controlling interest R300 000; Dr Loss on sale of shares R50 000; Cr Investment in Mars R350 000
- c) Dr Non-controlling interest R700 000; Dr Retained earnings R50 000; Cr Investment in Mars R750 000
- d) Some other entry

Increases in shareholding



Subsidiary to subsidiary

Financial instrument to
Subsidiary

Associate to subsidiary

A business combination achieved in stages



IFRS 3.41 An acquirer sometimes obtains control of an acquiree in which it held an equity interest immediately before the acquisition date



Referred to as a business combination achieved in stages or a step acquisition



A business combination achieved in stages

- IFRS 3.42: In a business combination achieved in stages the acquirer shall:
 - Remeasure its previously held equity interest in the acquiree at its acquisition date fair value and
 - Recognise the resulting gain or loss in profit or loss OR other comprehensive income as appropriate
- If there have been any changes in the equity interest in prior periods recognized in other comprehensive income - **shall be recognized on the same basis as would be required if the acquiree had disposed of the entire interest**

A business combination achieved in stages

Any previous equity interest remeasured and recognized in OCI?

Yes

Account for that amount on the same basis as if the entity had SOLD the asset

Any fair value adjustments previously recognized in OCI MAY be transferred to retained earnings.

Treatment is consistent with IFRS 9 which allows transfers of amounts previously in equity upon disposal of a financial asset.

A business combination achieved in stages

So recognize any resulting gain or loss in the same manner as would be required when selling the asset

This is an accounting policy choice

So you can transfer to equity or you can leave it there.

A business combination achieved in stages



A change from holding a non-controlling investment in an entity to obtaining control of that entity is a significant change in the nature of and economic circumstances surrounding the investment.



Such a change warrants a change in the classification and measurement of that investment.



Once it obtains control the acquirer is no longer the owner of a non-controlling investment in the acquiree



In effect the acquiree changes its status from owner of a single asset to an owner of ALL the assets and liabilities and this includes the right to direct how management uses those assets.

NB: Make sure you understand what has or is happening in the trial balance.

3.1 Conversion of investment to Subsidiary In Current Year

TRIAL BALANCES AT 31 DECEMBER 20X17

	H LTD	S LTD
Share Capital (shares of R 1 each)	10,000	5,000
Retained earnings (at 01 January 20X17)	13,000	9,000
Mark to market reserve	660	
Profit before tax	17,000	9,000
Deferred tax on mark to market reserve	190	
	40,850	23,000
Taxation	4,760	2,520
Investment in S Ltd (3000 shares) (8 000 + 700 + 850)	9,550	
Net other assets	26,540	20,480
	40,850	23,000

The shares in S Ltd were acquired as follows:

- 500 shares on 1 January 20x15 for R700 when the retained earnings of S Limited was R2 000
- 2 500 shares for R8 000 on 1 January 20X17.

When the shares in S were first purchased, in compliance with IFRS 9 par 5.7.5 ,H elected to recognise changes in the fair value of the investment in S in other comprehensive income. After the additional investment in S shares on 1 January 20x17 H elected to measure the investment in S at cost in its separate financial statements.

S's share price on 31 December 20X16 was R3.10 per share.

At acquisition date the carrying value of the net identifiable assets of S was considered to be their fair value.

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

H has not elected to transfer the cumulative gains/losses on investments in equity instruments recognised at fair value through other comprehensive income to another component of equity.

The tax rate is 28% and the inclusion rate for CGT is 80%.

Calculation of goodwill

Goodwill	
Consideration transferred	R8 000
Amount of NCI	R5 600
Fair value of <u>previously held interest</u>	R1 550
Total	R15 150
Net identifiable assets	R14 000
Goodwill	R1 150

Consolidating journal entries

Goodwill	R1 150	
Share capital	R5 000	
Retained earnings	R9 000	
Non-controlling interest		R5 600
Investment in S Ltd (Fair value of previous interest)		R9 550
<i>Equity at acquisition reversed</i>		
Deferred tax	R190	
OCI (Mark to market reserve)		R190

Consolidated statement of comprehensive income for the year ended 31 December 20X17

Revenue		xxx	
Net profit before tax (17,000 + 9 000)		26,000	
Tax (4760 + 2 520)		7,280	
Profit for the period		18,720	
Other comprehensive income			
Share revaluation reserve		190	
Total comprehensive income		18,910	
Profits attributable to:		18,720	
Non-controlling interest		2,592	
Owners of parent		16,128	
Total comprehensive income attributable to:			
Non-controlling interest		2,592	
Owners of parent		16,318	
		18,910	

Consolidated statement of changes in equity at 31 December 20X17				
	Share capital	Share revaluation reserve	Retained earnings	Non-controlling interest
Balance at 31 December 20X7	10,000	660	13,000	-
Acquisition of subsidiary				5,600
Total comprehensive income for the period		190	16,128	2,592
Balance at 31 December 20X8	10,000	850	29,128	8,192

The shares in S Ltd were acquired as follows:

- 500 shares on 1 January 20x15 for R700 when the retained earnings of S Limited was R2 000
- 2 500 shares for R8 000 on 1 January 20X17.

When the shares in S were first purchased, in compliance with IFRS 9 par 5.7.5 ,H elected to recognise changes in the fair value of the investment in S in other comprehensive income. After the additional investment in S shares on 1 January 20x17 H elected to measure the investment in S at cost in its separate financial statements.

S's share price on 31 December 20X16 was R3.10 per share.

At acquisition date the carrying value of the net identifiable assets of S was considered to be their fair value.

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

H has not elected to transfer the cumulative gains/losses on investments in equity instruments recognised at fair value through other comprehensive income to another component of equity.

The tax rate is 28% and the inclusion rate for CGT is 80%.

What would the journal entry be if H did elect to transfer amounts?

Dr Share revaluation reserve or Mark to market reserve	R850	
Cr Retained earnings		R850

Statement of changes in equity would change as follows:

Consolidated statement of changes in equity at 31 December 20X17				
	Share capital	Share revaluation reserve	Retained earnings	Non-controlling interest
Balance at 31 December 20X7	10,000	660	13,000	-
Acquisition of subsidiary				5,600
Total comprehensive income for the period		190	16,128	2,592
Transfer to RE		(850)		
Balance at 31 December 20X8	10,000	-	29,128	8,192

Accounting
for
investments in
subsidiaries in
the separate
financials

IAS27.10 When an entity prepares separate financial statements, it shall account for investment in subsidiaries etc at:

Cost

In accordance with IFRS 9

3.2 Conversion from investment to Subsidiary In Prior Year

Bargain purchase gain

Investment in S measured at fair value since acquisition

TRIAL BALANCES AT 31 DECEMBER 20X18

	H LTD	S LTD
Share capital (shares of R 1 each)	10,000	5,000
Retained earnings	30,000	18,000
Mark to market reserve	3,337	
Profit after tax	14,000	10,000
Deferred tax	963	
	58,300	33,000
Investment in S Ltd (3000 shares)	12,000	
Other assets	46,300	33,000
	58,300	33,000



When the shares in S were first purchased ,in compliance with IFRS 9 par 5.7.5 ,H elected to ~~recognise changes in the fair value of the investment in S in other comprehensive income~~. This policy was not changed after the additional investment in S shares on 1 April 20x17.

The shares in S Ltd were acquired as follows:

- 500 shares for R700 when the retained earnings was R2 000

- 2500 shares for R7 000 when the retained earnings was R10 500 on 1 April 20x17

The share price on 1 April 20X17 was R3.10 per share.

S's share price on 31 December 20x17 was R4.00 per share.

The non-controlling interest is measured at their share of net identifiable assets

It is the entity's accounting policy not to transfer amounts accumulated in equity on financial assets carried at fair value through other comprehensive income to retained earnings

Profit is earned evenly throughout the year. The tax rate is 28% and the inclusion rate for CGT is 80%.

Calculation of share revaluation reserve					
	No of shares	FV per share		FV adjustment	Deferred tax
Initial purchase	500		R700		
At 1 April 20x17		R3.10	R1 550	R850	(R190)
Additional shares purchased	2500		R7 000		
			R8 550		
At 31 December	3000	R4.00	R12 000	R3 450	(R773)

Share revaluation reserve = R 660 + R2 677 = R3 337

3.2 Conversion from investment to Subsidiary In Prior Year

Bargain purchase gain

Investment in S measured at fair value since acquisition

TRIAL BALANCES AT 31 DECEMBER 20X18

	H LTD	S LTD
Share capital (shares of R 1 each)	10,000	5,000
Retained earnings	30,000	18,000
Mark to market reserve	3,337	
Profit after tax	14,000	10,000
Deferred tax	963	
	58,300	33,000
Investment in S Ltd (3000 shares)	12,000	
Other assets	46,300	33,000
	58,300	33,000



Calculation of goodwill

Goodwill	
Consideration transferred	R7 000
Amount of NCI	R6 200
Fair value of <u>previously held interest</u>	R1 550
Total	R14 750
Net identifiable assets	R15 500
Gain from bargain purchase	(R750)

Consolidating journal entries

Share revaluation reserve (since acq growth)	R2 677	
Deferred taxation	R773	
Investment in S Ltd		R3 450
<i>Reversal of parents growth in investment since acquisition</i>		
Retained earnings		R750
Share capital	R5 000	
Retained earnings	R10 500	
Non-controlling interest		R6 200
Investment in S Ltd		R8 550
<i>At acquisition elimination journal entry</i>		
Deferred tax (CGT adjustments)	R190	
Share revaluation reserve or mark to market		R190

Increases in shareholding



Subsidiary to subsidiary

Associate to subsidiary

Financial instrument to
Subsidiary

A business combination achieved in stages

- IFRS 3.42: In a business combination achieved in stages the acquirer shall:
 - Remeasure its previously held equity interest in the acquiree at its acquisition date fair value and
 - Recognise the resulting gain or loss in profit or loss and other comprehensive income
 - If there have been any changes in the equity interest in prior periods recognized in other comprehensive income - shall be recognized on the same basis as would be required if the acquiree had disposed of the entire interest

Acquisition of an additional interest whereby an associate becomes a subsidiary



Procedures



Up to date of acquisition the investment in associate is accounted for in terms of the equity method



Remeasure the previously held equity interest to its acquisition date fair value



Recognise resulting gain or loss in P/L



Remeasure identifiable assets and liabilities in terms of IFRS 3

Business combination achieved in stages: Conversion of Associate to Subsidiary

Refer to IFRS 3, paragraph 41 to 42

2.1 Acquisition during Current Year: Non controlling interest measured at proportionate share of net identifiable assets at acquisition

TRIAL BALANCES AT 31 DECEMBER 20X17

	H LTD	S LTD
Share Capital	10,000	10,000
Retained earnings (1 January 201x17)	24,000	3,000
Profit before tax	21,500	23,000
	55,500	36,000
Taxation	7,500	8,000
Investment in S Ltd (at cost) 6 000 (2 500 + 3 500) shares	8,350	
Other assets	39,650	28,000
	55,500	36,000

When S Ltd was formed 10 000 shares of R1 each were issued at par.

H Ltd acquired the following shares in S Ltd.

- 2 500 shares for R2 750 when the retained earnings of S Ltd was R1 000.

- 3 500 shares for R5 600 on 1 March 20x17

H was able to assert significant influence (associate) over S from the date that the 2500 shares were purchased.

All net identifiable assets in S were considered to be at fair value at the date that the 2500 shares were acquired and on 1 March 20x17

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

The share price on 1 March 20x17 was R1.60 per share.

You are required to:

- a) prepare the consolidated journal entries for the year ended 31 December 20X17.
- b) prepare the consolidated financial statements for the 20X17 financial year.

Calculation of goodwill (IFRS3.32)

The acquirer shall recognize goodwill as of the acquisition date measured as the excess of

- The sum of the consideration transferred
- The NCI
- The fair value of any previous interest held

Over

- The net identifiable assets and liabilities assumed.

Calculation of goodwill

Goodwill	
Consideration transferred	R5 600
Amount of NCI	R6 200
Fair value of previously held interest	R4 000
Total	R15 800
Net identifiable assets	R15 500
Goodwill (excess)	R 300

a) Prepare the consolidated journal entries for the year ended 31 December 20X17

Investment in S Ltd (SFP)	R1 125	
Retained earnings (Equity accounted)		R500
Share in profit in associate (P/L)		R625
<i>Equity accounted for investment while still an associate</i>		
Investment in S Ltd	R125	
Fair value adjustment H Ltd (P/L)		R125
<i>Measurement of previously held equity interest to fair value at acquisition date</i>		
Share capital	R10 000	
Retained earnings (total pre acquisition)	R3 000	
Profit after tax (prior to becoming a sub)	R2 500	
Goodwill	R300	
Non-controlling interest		R6 200
Investment in S Ltd (R5 600 + R4 000)		R9 600
<i>Reversal of equity at acquisition</i>		

Consolidated Statement of Profit or loss and other comprehensive income

Net Profit (21 500H Ltd + (10/12 x 23 000)S Ltd	40,667
Fair value adjustment	125
Share of profits from associate	625
Profit before tax	41,417
Tax expense (7 500 H Ltd+10/12x8 000 S Ltd)	14,167
Profit for the period	27,250
Attributable to:	
Non-controlling interest	5,000
Owners of the parent	22,250

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	24,500	-	34,500
Acquisition of subsidiary			6,200	6,200
Total comprehensive income for the period		22,250	5,000	27,250
Balance at 31 December 20X9	10,000	46,750	11,200	67,950

2.2 Business combination achieved in stages: Conversion of Associate to Subsidiary

Non-current asset undervalued

Non-controlling interest measured at fair value

TRIAL BALANCES AT 31 DECEMBER 20X17

	H LTD	S LTD
Share Capital	10,000	10,000
Retained earnings	24,000	3,000
Profit before tax	21,500	23,000
	55,500	36,000
Taxation	7,500	8,000
Investment in S Ltd (at cost) 6 000 shares	8,550	
Other assets	39,450	28,000
	55,500	36,000

When S Ltd was formed 10 000 shares of R1 each were issued at par.

H Ltd acquired the following shares in S Ltd.

- 2 500 shares for R 2 750 on 1 January 2015 when the Retained earnings of S Ltd was R700.

- 3 500 shares for R5 800 on 1 March 20X17.

On 1 March 20X17 the fair value of the net identifiable assets or liabilities were equal to their carrying amounts except for land that was undervalued with R300. Ignore deferred tax.

The non-controlling interest are measured at their fair value at acquisition date

The share price on 1 March 20X17 was R1.60 per share.

Calculation of goodwill

Goodwill	
Consideration transferred	R5 800
Amount of NCI (AT FAIR VALUE)	R6 400
Fair value of previously held interest	R4 000
Total	R16 200
Net identifiable assets	R15 800
Goodwill (TOTAL FOR GROUP)	R 400

a) Prepare the consolidated journal entries for the year ended 31 December 20X17

Investment in S Ltd (SFP)	R1 200	
Retained earnings (Equity accounted)		R575
Share in profit in associate (P/L)		R625
<i>Equity accounted for investment while still an associate</i>		
Investment in S Ltd	R50	
Fair value adjustment H Ltd (P/L)		R50
<i>Measurement of previously held equity interest to fair value at acquisition date</i>		
Share capital	R10 000	
Retained earnings (total pre acquisition)	R3 000	
Profit after tax (prior to becoming a sub)	R2 500	
Goodwill	R400	
Non-controlling interest		R6 400
Investment in S Ltd (R5 800 + R4 000)		R9 800
Land	R300	

Knowledge check

Question 4

Sputnik Ltd purchased 30 % of the issued share capital in Venus Ltd on 1 January 2017 for R800 000 when the net asset value was R2 500 000. There are 100 000 shares of R 1 each in issue in Venus Ltd. Sputnik Ltd exercises significant influence over Venus Ltd from 1 January 2017.

Venus's net asset value on 31 December 2019 was R3 000 000. No new shares were issued by Venus Ltd between 2017 and 2019.

On 1 January 2020 Sputnik Ltd acquired control over Venus Ltd with the purchase of an additional 30% holding in Venus Ltd for R 1 200 000. Non-controlling interest at acquisition is measured at fair value of R 35 per share.

The goodwill recognized in the consolidated statement of financial position will be:

- a) R650 000
- b) R450 000
- c) R550 000
- d) R400 000
- e) Some other amount

What happens
if control is
obtained by a
contract?

Shareholding remains the
same but now we control

Fair value existing
shareholding

Consolidate