Business combinations: study and print

MODULE 5 / SIX TOPICS / A CONNECTED WORKING METHOD

Topic	Resources to keep beside it
1. Relationships, control and group setup	Relationship decision map; consolidation workflow and blank worksheet.
2. Acquisition, fair values and goodwill	Acquisition workbook; fair-value/tax worksheet; goodwill impairment card.
3. Consolidation and NCI	NCI workbook; complete Meridian case; acquisition and later-year journals.
4. Intragroup inventory and balances	Profit/loss inventory cards; loan, interest and dividend journals.
5. Intragroup assets	Profit/loss asset cards; four-year timelines; land and external disposal.
6. Associates, joint arrangements and reporting	Equity-method workbook; loss tracker; joint-arrangement map; disclosure checklist.

Follow the calculation colours

Profit: internal margin and realisation.

Depreciation: buyer amount compared with group amount.

Tax: temporary difference, recognised balance and reversal.

Opening retained earnings: prior-period after-tax effect.

Start with the seven-page Goodwill and consolidation: step-by-step guide for one connected formula, flowchart, acquisition analysis, fair-value adjustments, pre-acquisition elimination, loans, services, dividends and NCI working.

Journal cards show Dr/Cr on the left, credits indented and amounts on the right. Colour labels also work in greyscale. Print the resources you need; every PDF page is searchable and downloadable as an image.

All examples use their stated assumptions. Primary historical standards are linked on each resource. No exam-provider questions or source diagrams are reproduced.

Historical standards (October 2022 study context). AASB 3 acquisition method; AASB 10 group accounting; AASB 128 equity method; AASB 11 joint arrangements. Original Accounting Ahead examples.

Goodwill: from formula to worksheet

MODULE 5 / 1 / THE COMPLETE ROUTE

GOODWILL =

Consideration transferred + **Acquisition NCI** + **Fair value of previous interest** - **Recognised net identifiable assets**

Measure identifiable items under the acquisition requirements, including any recognition or measurement exceptions. Include related deferred tax before calculating goodwill. A negative residual needs reassessment before recognising a bargain gain.

1 / Establish control, business scope and acquisition date
Align policies and reporting dates; combine controlled balances in full.

↓

2 / Build the acquisition analysis
Consideration, identifiable net assets, tax, NCI and goodwill. See page 2.

↓

3 / Record the acquisition fair-value adjustments
Keep gross asset, tax and net clearing amounts separate. See page 3.

↓

4 / Remove the acquisition investment and equity
Recognise goodwill and NCI; eliminate the clearing reserve. See page 4.

↓

5 / Remove internal dealings and carry later adjustments
Loans, services and dividends: pages 5-6. Asset-profit cards cover transfers.

↓

6 / Attribute adjusted performance and reconcile equity
Calculate NCI after relevant after-tax adjustments. See page 7.

NCI choice: eligible present ownership interests may use proportionate identifiable net assets (partial goodwill) or fair value (full goodwill). In a staged acquisition, use the previous interest at acquisition-date fair value.

Read the numbers and labels as well as the colours. All examples below are independent teaching cases; amounts are dollars. Worksheet adjustments do not create new transactions in either company's own books.

Historical standards (October 2022 study context). AASB 3 18-19, 24, 32-42; AASB 10 B86-B88; AASB 112 15, 21, 66. Original Accounting Ahead examples.

Acquisition analysis, line by line

MODULE 5 / 2 / ORION ACQUIRES 75% OF CEDAR

On 1 July 20X1, Orion obtains control of Cedar, an operating business, for 690,000 cash. There is no previous interest, contingent payment or acquisition fee. All ordinary shares have proportionate liquidation rights. Use proportionate NCI for the main case.

Cedar has capital 600,000, general reserve 80,000 and retained earnings 120,000. Plant has gross cost 350,000, accumulated depreciation 150,000 and fair value 260,000. Its tax base stays 200,000. Tax is 30%; all other identifiable items equal their recognised amounts and have no temporary differences.

Identifiable net assets at acquisition	Working	Amount
Share capital		600,000
General reserve		80,000
Retained earnings		120,000
Book equity	600,000 + 80,000 + 120,000	800,000
Plant fair-value uplift	260,000 - (350,000 - 150,000)	+60,000
Deferred tax liability	60,000 x 30%	-18,000
Net acquisition adjustment	60,000 - 18,000 (subtotal)	42,000
FV identifiable net assets (FVINA)	800,000 + 42,000	842,000

Partial NCI: 25% x 842,000 = **210,500**.
Goodwill: 690,000 + 210,500 - 842,000 = **58,500**.
Check: 690,000 - (75% x 842,000) = 58,500.

Full-goodwill alternative: if eligible NCI is instead measured at an independently assessed fair value of 240,000, goodwill = 690,000 + 240,000 - 842,000 = **88,000**. Do not use this alternative in the main-case journals.

The 42,000 line is a subtotal, not a second addition. Include any existing acquisition-date revaluation surplus in book equity once. Recognise only further fair-value differences; do not uplift the same asset twice.

Historical standards (October 2022 study context). AASB 3 18-19, 24, 32-42; AASB 10 B86-B88; AASB 112 15, 21, 66. Original Accounting Ahead examples.

Fair values: asset, tax, then equity

MODULE 5 / 3 / ACQUISITION ADJUSTMENTS AND FIRST-YEAR CONSUMPTION

This gross-column method starts from Cedar's unadjusted plant cost and accumulated depreciation. It clears the old accumulated depreciation, then records the acquisition uplift. If your starting column already contains these adjustments, do not repeat them.

A. Reset the old gross presentation at acquisition

Dr Accumulated depreciation	150,000
Cr Plant - old gross-cost component	150,000

B. Recognise the acquisition uplift and related tax

Dr Plant - acquisition fair-value uplift	60,000
Cr Deferred tax liability	18,000
Cr Business combination valuation reserve (BCVR)	42,000

Plant: 350,000 - 150,000 + 60,000 = **260,000** gross; accumulated depreciation is reset to zero at acquisition. Tax base remains 200,000. BCVR is a worksheet clearing label, eliminated on page 4.

Five years remain, straight-line, nil residual and a full first year. Tax depreciation follows Cedar's original carrying amount. Extra group depreciation = 60,000 / 5 = 12,000; tax reversal = 12,000 x 30% = 3,600.

C. Year-one extra group depreciation

Dr Depreciation expense	12,000
Cr Accumulated depreciation	12,000

D. Year-one reversal of the acquisition DTL

Dr Deferred tax liability	3,600
Cr Income tax expense	3,600

At year end: remaining uplift 48,000; DTL 14,400; after-tax profit reduction 8,400. This is an acquisition fair-value difference, not an intragroup sale profit.

Historical standards (October 2022 study context). AASB 3 18, 24; AASB 10 B86-B88; AASB 112 15, 58, 66; AASB 116 50-62. Original Accounting Ahead examples.

Pre-acquisition elimination

MODULE 5 / 4 / REMOVE THE INVESTMENT, NOT THE UNDERLYING BUSINESS

Combine 100% of the controlled subsidiary's assets and liabilities, then remove its acquisition-date equity and Orion's investment. This journal follows the 42,000 BCVR credit on page 3. Do not enter a separate combined acquisition journal as well.

Main case: proportionate NCI at the acquisition date

Dr Share capital - Cedar at acquisition	600,000
Dr General reserve - at acquisition	80,000
Dr Retained earnings - at acquisition	120,000
Dr Business combination valuation reserve (BCVR)	42,000
Dr Goodwill	58,500
Cr Investment in Cedar	690,000
Cr Non-controlling interest - at acquisition	210,500

Balance: debits 900,500 = credits 900,500.
Clearing check: BCVR credit 42,000 on page 3 - debit 42,000 here = zero. The acquired assets remain; the parent investment and subsidiary pre-acquisition equity do not.

For the full-goodwill alternative only, replace goodwill with 88,000 and NCI with 240,000. Both sides then total 930,000. Never use both NCI alternatives in one worksheet.

Next year: keep prior and current effects separate

Rebuild acquisition adjustments each period. Keep the gross reset fixed at acquisition-date accumulated depreciation of 150,000; do not clear later depreciation. From unadjusted entity columns, also carry prior consumption into opening equity:

Prior-year uplift consumption: worksheet opening adjustment

Dr Opening retained earnings - Cedar adjustment	8,400
Dr Deferred tax liability	3,600
Cr Accumulated depreciation	12,000

Then record this year's 12,000 depreciation and 3,600 tax reversal separately. After two full years: remaining uplift 36,000; DTL 10,800. Allocate adjusted post-acquisition equity between owners and NCI; this opening adjustment is not all attributable to the parent.

Historical standards (October 2022 study context). AASB 3 18-19, 24, 32-42; AASB 10 B86-B88; AASB 112 15, 21, 66. Original Accounting Ahead examples.

Loans, interest and services

MODULE 5 / 5 / ELIMINATE BALANCES AND FLOWS SEPARATELY

Reconcile both entities first, including missing accruals and cash in transit. These independent cases eliminate internal amounts in full, not just the parent ownership percentage.

Loan: principal 90,000, annual interest 8%, outstanding for three months. Interest for the period = 90,000 x 8% x 3/12 = **1,800**. Assume all interest is accrued and unpaid.

Loan principal still outstanding

Dr Loan payable	**90,000**
Cr Loan receivable	**90,000**

Accrued interest still outstanding

Dr Interest payable	**1,800**
Cr Interest receivable	**1,800**

Interest income and expense for the period

Dr Interest income	**1,800**
Cr Interest expense	**1,800**

Interest included in both loan balances? Eliminate 91,800 instead of the first two cards, not as well. Paid interest still needs the income/expense elimination.

Services: the provider records fee income 12,000; the recipient expenses the same services. Only 3,000 remains unpaid. Assume no asset has been created.

Remove the entire internal service fee

Dr Service fee income	**12,000**
Cr Service expense	**12,000**

Remove only the unpaid service balance

Dr Service payable	**3,000**
Cr Service receivable	**3,000**

Capitalised services need a group asset-cost/internal-profit analysis. These matching income/expense eliminations do not automatically create deferred tax or change the subsidiary profit used for NCI.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 127 10, 12. Original Accounting Ahead examples.

Dividends: paid or still payable?

MODULE 5 / 6 / KEEP THE NCI DISTRIBUTION EXTERNAL

Return to Orion's 75% holding. Cedar recognises a valid dividend of 32,000 from post-acquisition profits. Orion accounts for its investment at cost and has recognised its dividend entitlement as income. Parent share = 24,000; NCI share = 8,000.

Remove dividend income recognised within the group

Dr Dividend income - Orion	24,000
Cr Dividends declared / retained earnings - Cedar	24,000

This reverses the internal income and internal distribution. Use the distribution or retained-earnings account represented in your worksheet columns. It applies once the relevant entitlement and distribution are recognised, whether cash has been paid or not.

Only when the recognised dividend remains unpaid

Dr Dividend payable - parent portion	24,000
Cr Dividend receivable - Orion	24,000

Situation	Income/distribution elimination	Payable/receivable elimination
Recognised and fully paid	24,000	None: no closing internal balance
Recognised, wholly unpaid	24,000	24,000 parent portion only
Partly paid	24,000 in total	Only unpaid parent portion
Merely proposed; no recognised obligation or entitlement	No entry merely for a proposal	No balance to eliminate

NCI is outside the group: its 8,000 dividend reduces NCI equity. If wholly unpaid, the 8,000 liability to NCI remains in the consolidated statements; if paid, the cash outflow remains. It is not group dividend income.

Do not treat the income elimination and balance elimination as two dividend-income reversals. The first removes internal performance/equity; the second removes an internal receivable and payable. Different separate-account investment policies need their own starting-entry analysis.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 127 10, 12; AASB 110 12-13. Original Accounting Ahead examples.

NCI: adjusted profit, then equity

MODULE 5 / 7 / A THREE-STEP WORKING AND TWO TIMING CASES

1. Start with subsidiary post-acquisition profit after tax.
2. Adjust for relevant acquisition differences and intragroup items, including tax.
3. Multiply that adjusted result by the NCI percentage.

Year one: Cedar PAT is 96,000. Page 3 adds 12,000 depreciation with a 3,600 tax credit. Cedar also made an upstream inventory sale; 8,000 profit remains unrealised. Assume the buyer tax base follows the transfer price, 30% tax and DTA recognition is supported. No OCI or other adjustments.

Year-one subsidiary profit bridge	Amount
Reported post-acquisition PAT	96,000
Extra FV depreciation, after tax: 12,000 - 3,600	-8,400
Upstream unrealised profit, after tax: 8,000 - 2,400	-5,600
Adjusted PAT	82,000
NCI profit: 82,000 x 25%	20,500

Closing NCI: 210,500 acquisition NCI + 20,500 profit - 8,000 dividend = **223,000**. No OCI or ownership changes are assumed.

Separate later-year example: profit realised through use

Replace the inventory scenario with a prior-year upstream asset gain: original gain 12,000, six-year remaining life, straight-line, nil residual. Keep the same 30% tax and DTA assumptions. This year's depreciation realises 2,000 of the gain, with a 600 tax reversal. Cedar PAT is again 96,000; acquisition uplift consumption still reduces after-tax profit by 8,400.

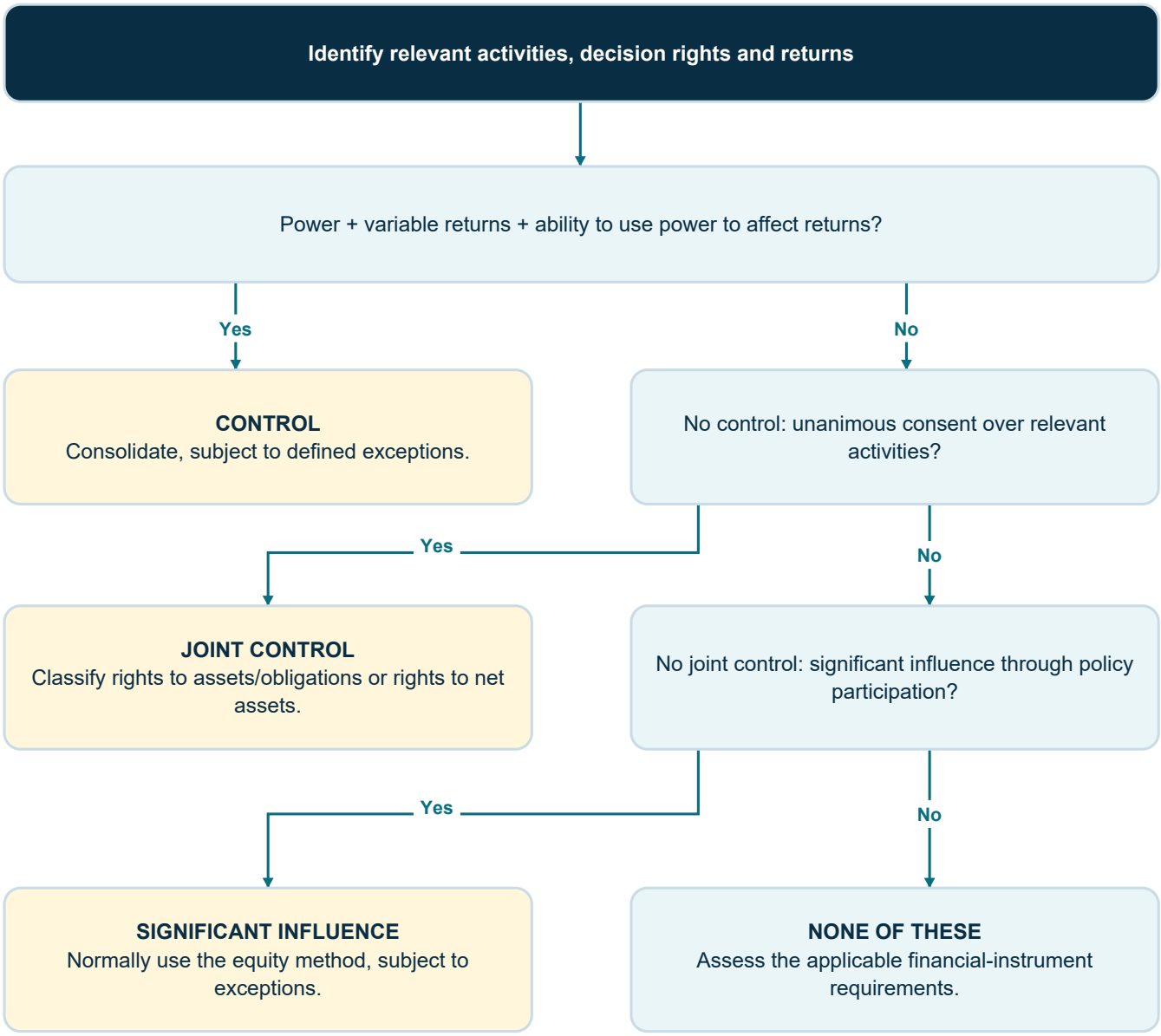
Current profit in the alternative later-year case	Amount
PAT less acquisition depreciation effect	96,000 - 8,400 = 87,600
Add prior upstream profit realised, net of tax	2,000 - 600 = 1,400
Adjusted PAT; NCI share	89,000; x 25% = 22,250

The unrecognised prior-year gain belongs in opening-equity adjustments; only this year's realisation affects current profit. A downstream gain is attributable to the parent and does not create this NCI gain adjustment. Acquisition fair-value consumption still affects subsidiary adjusted profit. Allocate OCI separately.

Historical standards (October 2022 study context). AASB 10 B86(c), B88, B94; AASB 112 11, 24, 58. Original Accounting Ahead examples.

Choose the relationship first

MODULE 5 / RIGHTS BEFORE PERCENTAGES



For joint control, use the joint-arrangement map. Percentages are evidence, not substitutes for assessing substantive rights.

Check substantive versus protective rights, practical voting power, potential rights and principal/agent status. Reassess when the facts change. Separate financial statements can use a different investment policy from consolidated statements.

Historical standards (October 2022 study context). AASB 10 5-18, B9-B72; AASB 128 5-9; AASB 11 4-19. Original Accounting Ahead examples.

Acquisition: organise the facts

MODULE 5 / 1 / CONSIDERATION & IDENTIFIABLE NET ASSETS

Gate: acquired business, or only an asset group? The ordinary IFRS 3 method does not apply to every share purchase. Assess the business definition and scope first.

1. **Identify the acquirer**
   Who obtains control? Legal buyer and accounting acquirer can differ.

2. **Fix the acquisition date**
   Use the date control begins, not automatically the payment date.

3. **Measure identifiable net assets**
   Recognise eligible unrecorded items; calculate acquisition tax.

4. **Calculate the residual**
   Include NCI and any previously held interest where required.

Original consideration example

Item	Acquisition-date amount
Cash paid	360,000
Deferred cash 72,600 due in two years; 10% discount rate	72,600 / 1.10^2 = 60,000
Shares issued: 8,000 at fair value 4	32,000
Liability contingent consideration, measured fair value	18,000
Total consideration	470,000

Professional acquisition fees of 9,000 are expensed. Equity issue costs of 2,000 follow the equity requirements. Neither is added to the 470,000 consideration. Debt issue costs depend on the relevant financial-liability measurement requirements.

Separate a business payment from employee remuneration, settlement of an old relationship and other independent transactions. A negative residual requires reassessment before a bargain gain.

Historical standards (October 2022 study context). AASB 3 2-9, 32-53. Original Accounting Ahead examples.

Harbour acquires 80% of Lumen

MODULE 5 / 2 / FAIR-VALUED IDENTIFIABLE NET ASSETS

Consideration is 450,000. Lumen has capital 300,000 and retained earnings 100,000. Acquisition fair values add inventory 20,000, plant 40,000 and an identifiable customer relationship 30,000, and recognise a present obligation 10,000.

Assume asset tax bases do not change; the obligation is deductible on settlement; all DTA criteria are met; tax is 30%. These tax consequences are stated facts, not automatic rules for every intangible or liability.

Calculation	Amount
Book equity: 300,000 + 100,000	400,000
Inventory + plant + customer relationship	+90,000
Present obligation	-10,000
DTL on asset adjustments: 90,000 x 30%	-27,000
DTA on obligation: 10,000 x 30%	+3,000
Fair value of identifiable net assets	456,000

Net acquisition adjustment = 80,000 - 24,000 net deferred tax = 56,000.

Customer relationships may qualify as identifiable intangibles. Goodwill is calculated only after the separate recognition assessment. The initial-recognition goodwill DTL exception does not cancel the DTL on identifiable assets.

Quick self-check

Changing an asset tax base changes deferred tax and can change goodwill. Recalculate the complete schedule; do not simply copy a tax percentage beside every fair-value item.

Historical standards (October 2022 study context). AASB 3 10-40; AASB 112 15-24, 66. Original Accounting Ahead examples.

Partial versus full goodwill

MODULE 5 / 3 / KEEP NCI MEASUREMENT VISIBLE

Harbour / Lumen	Proportionate NCI	Fair-value NCI
Consideration	450,000	450,000
Acquisition NCI	456,000 x 20% = 91,200	Independently valued 110,000
Less FV identifiable net assets	(456,000)	(456,000)
Goodwill	85,200	104,000

General formula: consideration + measured NCI + fair value of previously held interest - fair value of identifiable net assets.

Partial-goodwill shortcut: 450,000 - (80% x 456,000) = 85,200. Only use it for the stated proportionate-NCI case.

Before accepting the result

Eligible present ownership interests can use fair value or proportionate net assets, combination by combination. Other NCI components have their applicable measurement requirements. Do not infer fair-value NCI from the parent price when a control premium changes the economics.

For a negative residual, reassess consideration, NCI, any previous interest and all identifiable assets/liabilities first. Only the confirmed residual is a bargain gain in profit or loss.

Measurement-period changes concern facts existing at acquisition and cannot extend beyond one year. A later trading loss is not a measurement-period correction. Test goodwill for impairment; do not amortise it or reverse a goodwill impairment.

Historical standards (October 2022 study context). AASB 3 19, 32-50; AASB 136 80-104, 124. Original Accounting Ahead examples.

Buy a business: two legal routes

MODULE 5 / 4 / OWN BOOKS ARE NOT THE GROUP WORKSHEET

Original alternatives: Juniper pays cash 300,000 for an operating business. Identifiable acquisition fair values are receivables 20,000, inventory 60,000 and plant 220,000, with liabilities 60,000. The acquired set meets the business definition. There are no fees, contingent amounts or other items.

Tax assumptions: each identifiable asset and liability has a tax base equal to its recognised amount; no acquisition temporary differences arise. The initial goodwill-recognition exception applies. Goodwill is not tax-deductible in this example.

FV net identifiable assets = 20,000 + 60,000 + 220,000 - 60,000 = 240,000. Goodwill = 300,000 - 240,000 = 60,000.

A. Buy the business net assets directly: acquirer ledger

Dr Receivables	**20,000**
Dr Inventory	**60,000**
Dr Plant	**220,000**
Dr Goodwill	**60,000**
Cr Assumed liabilities	**60,000**
Cr Cash consideration	**300,000**

B. Instead buy 100% of the shares: cost-method ledger

Dr Investment in subsidiary	**300,000**
Cr Cash consideration	**300,000**

Route B leaves the underlying assets and liabilities in the subsidiary books. The consolidated worksheet replaces the investment with the acquired net assets and 60,000 goodwill. There is no NCI in this 100%-owned alternative.

These are alternative transactions. Do not post both. If the purchased set is only an asset group, apply asset-acquisition accounting instead: this business-combination goodwill example does not apply.

Historical standards (October 2022 study context). AASB 3 2-3, 10-32; AASB 127 10; AASB 112 15, 21. Original Accounting Ahead examples.

Fair-value adjustments and tax

MODULE 5 / 1 / RECOGNISE THE ACQUISITION DIFFERENCE

Worksheet reserve below is a temporary acquisition clearing label, not an extra distributable reserve in the subsidiary records. It is eliminated within the complete acquisition entry.

Plant uplift 40,000; unchanged tax base; tax 30%: DTL 12,000; net acquisition adjustment 28,000.

Plant uplift at acquisition

Dr Plant	40,000
Cr Deferred tax liability	12,000
Cr Acquisition worksheet reserve	28,000

Recognised obligation 10,000; fully deductible on settlement; DTA conditions met: DTA 3,000; net reduction in acquired net assets 7,000.

Present obligation at acquisition

Dr Acquisition worksheet reserve	7,000
Dr Deferred tax asset	3,000
Cr Acquired obligation	10,000

A tax base equal to the new accounting amount would change these entries. An obligation with no future deduction would not create the illustrated DTA. Apply the actual IAS 12 recognition and tax-base requirements.

An acquired contingent liability requires a present obligation and reliable fair-value measurement under the acquisition rules. It is not the same as a possible obligation. A separately identifiable intangible is not automatically goodwill.

Historical standards (October 2022 study context). AASB 3 10-40; AASB 112 15-24, 66. Original Accounting Ahead examples.

Consume the uplift without double counting

MODULE 5 / 2 / FIRST YEAR AND SECOND YEAR

Plant uplift 40,000; five-year remaining life; straight-line; no residual; full year; unchanged tax base; 30% tax. Each year: additional depreciation 8,000 and DTL reversal 2,400.

Current-year additional depreciation

Dr Depreciation expense	8,000
Cr Accumulated depreciation	8,000

Current-year tax reversal

Dr Deferred tax liability	2,400
Cr Income tax expense	2,400

Year 1 closing uplift = 32,000; DTL = 9,600. Net profit reduction = 8,000 - 2,400 = 5,600.

Year two: also reconstruct prior consumption

Start with the original acquisition uplift/tax entry. Then add the following prior-year adjustment and repeat the two current-year entries above.

Prior-year consumption in opening equity

Dr Opening retained earnings	5,600
Dr Deferred tax liability	2,400
Cr Accumulated depreciation	8,000

Year 2 closing uplift = 24,000; DTL = 7,200. Prior consumption belongs to opening equity; only this year belongs to current profit.

Inventory uplift is consumed through cost of sales when sold externally. Finite-life intangible uplift is consumed through amortisation. Keep each related tax reversal with its underlying item.

Historical standards (October 2022 study context). AASB 10 B86-B88; AASB 112 58, 66; AASB 116 50-62. Original Accounting Ahead examples.

Acquisition adjustments: blank working

MODULE 5 / 3 / WRITE THE TAX ASSUMPTION FIRST

Item	Book CA	FV / new CA	Tax base	DTA / DTL	Net adjustment

Carry each difference forward

Item	Opening difference	Current consumption	Closing difference	Closing tax

Recognition reason: _____
Recovery/life assumption: _____
Current profit adjustment: _____
Opening-equity adjustment: _____

Check whether the tax base changes, whether DTA recognition is supported and whether the acquisition adjustment is already recorded in a starting column.

Historical standards (October 2022 study context). AASB 3 10-40; AASB 112 15-24, 66. Original Accounting Ahead examples.

Gross asset columns and disposal

MODULE 5 / 4 / TWO CLEARLY LABELLED WORKINGS

Original plant at acquisition: subsidiary gross cost 120,000 less accumulated depreciation 50,000 = CA 70,000. Acquisition fair value is 110,000. Tax base stays 70,000; tax is 30%. Five years remain, straight-line, no residual or impairment.

Gross-column approach: clear old accumulated depreciation

Dr Accumulated depreciation	50,000
Cr Plant - old gross-cost component	50,000

Then recognise the 40,000 acquisition uplift

Dr Plant - fair-value uplift	40,000
Cr Deferred tax liability	12,000
Cr Acquisition worksheet reserve	28,000

Result: group gross plant 110,000 and accumulated depreciation zero at acquisition. Clearing old depreciation has no net-asset effect. This is a gross-column alternative; do not also add another compact uplift entry.

After year 1: separate CA 70,000 - 14,000 = 56,000; group CA 110,000 - 22,000 = 88,000. Remaining uplift 32,000; DTL 9,600.

Disposal at the start of year 2 for 100,000 gives separate gain 44,000, but group gain 12,000. In a correctly reconstructed **net-CA worksheet** already holding the 32,000 uplift and 9,600 DTL, release only those remaining amounts:

Net-CA disposal overlay: no additional depreciation

Dr Gain on disposal	32,000
Dr Deferred tax liability	9,600
Cr Plant - remaining net uplift	32,000
Cr Income tax expense	9,600

This overlay clears the opening net adjustment. Do not repeat the original 40,000 uplift on disposal or add this net overlay to a gross-cost disposal elimination. A gross worksheet must clear its actual cost and accumulated-depreciation columns consistently.

Historical standards (October 2022 study context). AASB 3 18; AASB 10 B86-B88; AASB 116 35, 50-62, 67-72; AASB 112 15, 58, 66. Original Accounting Ahead examples.

A reliable consolidation sequence

MODULE 5 / 1 / A WORKSHEET THAT EXPLAINS ITSELF

1. **1. Set scope and dates**
   Confirm control, ownership, acquisition date and reporting period.
2. **2. Align the starting information**
   Use consistent policies; reconcile timing and balance differences.
3. **3. Build the acquisition schedule**
   Consideration, fair values, tax, goodwill and acquisition NCI.
4. **4. Carry acquisition adjustments forward**
   Split previous consumption from current-year expenses.
5. **5. Remove intragroup dealings**
   Balances, dividends, sales and unrealised margins, with tax.
6. **6. Attribute adjusted results**
   Parent owners and NCI: profit, OCI, opening equity, distributions.
7. **7. Reconcile the statements**
   Check totals, retained earnings, NCI and disclosure requirements.

> Worksheet entries do not carry into the next year automatically. Rebuild the opening group position from the current separate records.

Use one combined acquisition entry or a linked reserve-and-elimination method consistently. Never post both for the same adjustment. Label every journal by source, date and whether it affects P/L, OCI, opening equity or only balances.

Historical standards (October 2022 study context). AASB 10 19-26, B86-B95; AASB 3 6-40. Original Accounting Ahead examples.

Consolidation worksheet

MODULE 5 / 2 / BLANK PRACTICE PAGE

Account	Parent	Subsidiary	Dr adj.	Cr adj.	Group
Cash					
Receivables					
Inventory					
Investment in subsidiary					
Property, plant and equipment					
Goodwill					
Deferred tax asset					
Other assets					
Liabilities					
Deferred tax liability					
Share capital					
Retained earnings					
Other equity					
Non-controlling interest					
Sales / income					
Expenses					
Income tax expense					
Profit / comprehensive income					

Acquisition date: _____ Parent ownership: _____
NCI method: _____ Tax assumptions: _____

Checks: debits = credits; assets = liabilities + equity; closing RE follows the profit/distribution bridge; closing NCI follows its own bridge. Keep the acquisition schedule separately.

Historical standards (October 2022 study context). AASB 10 B86-B95. Original Accounting Ahead examples.

NCI: acquisition to closing equity

MODULE 5 / 1 / DO NOT USE TOTAL SUBSIDIARY RE ALONE

Meridian owns 80% of Flint. Acquisition FV net assets are 328,000; proportionate NCI is 65,600. During the first year Flint reports PAT 50,000 and dividends 20,000. Acquisition plant depreciation reduces group profit by 8,000 with tax income 2,400.

Adjusted subsidiary profit = 50,000 - 8,000 + 2,400 = 44,400.

NCI profit = 20% x 44,400 = 8,880.

NCI bridge	Amount
Acquisition NCI	65,600
NCI share of adjusted current profit	+8,880
NCI share of current OCI	0
NCI dividend: 20% x 20,000	-4,000
Closing NCI	70,480

Cross-check: closing adjusted subsidiary net assets = 328,000 + 44,400 - 20,000 = 352,400. NCI = 20% x 352,400 = 70,480 in this proportionate-goodwill, no-other-change case.

Present NCI within equity, separately from parent owners. Attribute current profit and OCI separately. NCI can become negative; do not stop loss allocation merely because its balance reaches zero.

Historical standards (October 2022 study context). AASB 10 22, B94-B95; AASB 3 19, 32. Original Accounting Ahead examples.

Upstream or downstream?

MODULE 5 / 2 / ADJUST THE SELLER BEFORE ATTRIBUTING

Direction	Profit belongs to	NCI effect
Parent sells to subsidiary	Parent seller	No ordinary NCI share of parent profit elimination
Subsidiary sells to parent	Subsidiary seller	Adjust subsidiary profit/equity before NCI percentage

Upstream asset gain 24,000 - current depreciation realisation 6,000 = remaining unrealised gain 18,000.

After-tax subsidiary profit reduction = 18,000 x 70% = 12,600. NCI reduction at 20% = 2,520.

Subtracting the whole gain and forgetting current depreciation realisation would reduce NCI too far. Next year, separate the opening adjustment from current realisation: current realisation 6,000 less tax 1,800 = 4,200; NCI current profit increases by 840.

Original inventory direction check

Internal inventory profit still held is 4,900; tax benefit 1,470; after-tax reduction 3,430. If upstream, NCI profit falls by 20% x 3,430 = 686. If downstream, that same profit correction belongs to parent owners.

Eliminate subsidiary intragroup transactions in full. Do not replace the full group adjustment with only the parent percentage. Attribution is a separate step after elimination.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

NCI: opening reserves and current result

MODULE 5 / 3 / WORKING TEMPLATE

Component	Adjusted subsidiary amount	NCI % / amount
Acquisition NCI under selected method	_____	_____
Post-acquisition opening retained earnings	_____	_____
Opening other equity changes	_____	_____
Current profit after FV / intragroup adjustments	_____	_____
Current OCI after adjustments	_____	_____
Dividends / other distributions	_____	_____
Ownership changes / other effects	_____	_____
Closing NCI	_____	_____

Closing NCI = acquisition baseline + attributed post-acquisition movements - outside distributions, adjusted for the selected goodwill/impairment approach.

If presenting an attribution worksheet journal, label the current-result and retained-earnings components. NCI is not an ordinary operating expense. Full and partial goodwill have different impairment mechanics.

Retained-control ownership changes are equity transactions. Loss of control requires the derecognition and retained-interest rules; it is not the same journal.

Historical standards (October 2022 study context). AASB 10 23-26, B94-B99; AASB 136 Appendix C. Original Accounting Ahead examples.

Balances and internal charges

MODULE 5 / 1 / RECONCILE BEFORE ELIMINATING

Original facts: matching intragroup loan 75,000; annual interest 6% outstanding for four months = 1,500; all interest unpaid. Internal management fee 6,400 was paid and expensed. No unrecorded cash or goods in transit.

Remove the loan

Dr Loan payable	75,000
Cr Loan receivable	75,000

Remove matching accrued interest

Dr Interest payable	1,500
Cr Interest receivable	1,500

Remove internal interest result

Dr Interest income	1,500
Cr Interest expense	1,500

Remove the internal fee

Dr Management fee income	6,400
Cr Management fee expense	6,400

If instead the fee is unpaid: also remove matching balances

Dr Management fee payable	6,400
Cr Management fee receivable	6,400

The fee-balance entry is an alternative unpaid fact pattern. Do not post it for the paid fee in the original facts.

If balances do not agree, investigate cutoff, transfers in transit, currency and accounting errors. If a fee was capitalised into an asset instead of expensed, analyse that asset and any internal profit; do not blindly credit an expense that is absent.

Historical standards (October 2022 study context). AASB 10 B86(c). Original Accounting Ahead examples.

Dividends: inside and outside the group

MODULE 5 / 2 / COST-METHOD PARENT RECORDS

Flint declares dividends 20,000. Parent ownership is 80%: parent portion 16,000; NCI portion 4,000. Parent separate statements use cost and record dividend income.

Remove the internal dividend result

Dr Dividend income - parent	16,000
Cr Dividend distribution / RE - subsidiary	16,000

The credit reverses only the internal portion of the subsidiary equity distribution. The 4,000 NCI dividend remains a group distribution to external owners.

If still unpaid: remove only matching internal balances

Dr Dividend payable - subsidiary	16,000
Cr Dividend receivable - parent	16,000

> If paid, do not use an unpaid-balance entry. The cash movements cancel within the combined group cash flow; the NCI payment leaves the group.

If the parent uses the equity method in the relevant records, dividend recognition differs. Inspect the actual starting accounts before choosing the worksheet conversion. Never eliminate dividend income that was not recorded.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 127 10, 12. Original Accounting Ahead examples.

Inventory profit: current period

MODULE 5 / 1 / SOME GOODS REMAIN IN THE GROUP

Original transfer: sales 46,000; seller cost 32,000; 35% remains. Tax assumptions: seller transfer gain/loss is taxable/deductible; buyer tax base follows invoice cost; 30% tax; all DTAs satisfy recognition. Recalculate for different tax facts. Worksheet entries, not extra legal-entity entries.

Internal profit = 46,000 - 32,000 = 14,000. Unrealised closing profit = 14,000 x 35% = 4,900.

Combined sales and unrealised-profit elimination

Dr Sales	**46,000**
Cr Cost of sales	**41,100**
Cr Inventory	**4,900**

Cost-of-sales credit = 46,000 - 4,900 = 41,100. It is not simply the seller cost.

Tax effect of closing unrealised profit

Dr Deferred tax asset	**1,470**
Cr Income tax expense	**1,470**

Equivalent two-step method: Dr sales 46,000 / Cr cost of sales 46,000; then Dr cost of sales 4,900 / Cr inventory 4,900. Use the combined or the separate method, not both.

If instead all this transfer remains unsold, unrealised profit is the full 14,000: Dr sales 46,000 / Cr cost of sales 32,000 / Cr inventory 14,000. DTA is 4,200 under the same tax assumptions.

After-tax group profit reduction = 4,900 - 1,470 = 3,430.

Margin versus markup: 25% markup on cost equals 20% of selling price. Apply the correct base before multiplying by the fraction still held.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Opening inventory: all sold externally

MODULE 5 / 2 / RELEASE THE OLD MARGIN

Opening unrealised profit was 4,900, DTA 1,470 and after-tax equity reduction 3,430. All those goods are sold outside this year. There is no new internal sale for this old batch.

Combined current-reporting-date worksheet entry

Dr Opening retained earnings	3,430
Dr Income tax expense	1,470
Cr Cost of sales	4,900

Current profit increases 4,900 before tax and 3,430 after tax. Closing inventory adjustment and closing DTA for this batch are zero.

Why opening retained earnings?

The seller recorded the internal gain last year. It is now in opening retained earnings. The group delayed that gain until external sale. This year it is released through cost of sales, not through a second internal revenue entry.

A two-step worksheet can recreate opening Dr RE 3,430 / Dr DTA 1,470 / Cr inventory 4,900, then Dr inventory 4,900 / Cr cost of sales 4,900, plus Dr tax expense 1,470 / Cr DTA 1,470.

Keep this old batch separate from current-year internal transfers. If the subsidiary was the seller, allocate opening equity and current realisation to NCI in their respective periods.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Opening inventory: only 60% sold

MODULE 5 / 3 / RETAIN THE UNSOLD DIFFERENCE

Opening UP 4,900; realised 4,900 x 60% = 2,940; remaining UP 1,960.

1. Recreate opening adjustment

Dr Opening retained earnings	3,430
Dr Deferred tax asset	1,470
Cr Inventory	4,900

2. Release the part sold externally

Dr Inventory	2,940
Cr Cost of sales	2,940

3. Reverse tax on that part

Dr Income tax expense	882
Cr Deferred tax asset	882

Closing DTA = 1,470 - 882 = 588 = 1,960 x 30%. Current after-tax profit rises 2,058.

General combined form: Dr opening RE U0(1-t); Dr closing DTA U1t; Dr tax expense Rt; Cr cost of sales R; Cr inventory U1. Here U0 = R + U1 and t = tax rate. The combined form replaces the three entries above.

Never assume all opening inventory was sold unless the facts say so. Track batches if different margins or sale proportions apply.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Inventory loss: check NRV first

MODULE 5 / 1 / REVERSE ONLY THE INTERNAL COMPONENT

Original group cost 30,000; internal selling price 24,000; half remains. Assume group NRV supports original cost, so the internal loss still held is 3,000. Tax assumptions: seller transfer gain/loss is taxable/deductible; buyer tax base follows invoice cost; 30% tax; all DTAs satisfy recognition. Recalculate for different tax facts. Worksheet entries, not extra legal-entity entries.

Current transfer and loss elimination

Dr Sales	24,000
Dr Inventory	3,000
Cr Cost of sales	27,000

Tax on restored inventory

Dr Income tax expense	900
Cr Deferred tax liability	900

Group inventory rises from buyer 12,000 to group cost 15,000. Profit rises 3,000 before tax, 2,100 after tax.

If remaining goods have NRV of only 13,500

Group cost is still 15,000, but 1,500 is a genuine group write-down. Restore only 1,500 from buyer carrying amount 12,000. The combined entry becomes Dr sales 24,000; Dr inventory 1,500; Cr cost of sales 25,500. DTL is 450 under the stated tax assumption.

NRV is estimated selling price less completion and selling costs in the ordinary course. It is not automatically fair value less costs of disposal. Preserve the lower-of-cost-and-NRV measurement.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 102 6-9, 28-34; AASB 112 11, 15. Original Accounting Ahead examples.

Opening inventory loss: later realisation

MODULE 5 / 2 / NO GENUINE IMPAIRMENT IN THIS CASE

Continue the no-impairment case. The prior closing internal loss eliminated was 3,000 and DTL 900. All opening goods are sold externally this year.

Combined worksheet: all sold

Dr Cost of sales	3,000
Cr Opening retained earnings	2,100
Cr Income tax expense	900

Current group profit decreases 2,100 after tax. The higher group inventory cost is now consumed externally, and the prior DTL reverses. No closing inventory or DTL adjustment remains for that batch.

If only 60% of the opening batch is sold

Combined worksheet: partial realisation

Dr Cost of sales	1,800
Dr Inventory	1,200
Cr Opening retained earnings	2,100
Cr Deferred tax liability	360
Cr Income tax expense	540

Remaining inventory increase = 1,200; closing DTL = 360. Current profit decreases 1,800 - 540 = 1,260.

These are alternatives, not cumulative entries. Reassess NRV if facts change. Do not carry forward an artificial uplift above the amount the group is allowed to recognise.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 102 9, 28-34; AASB 112 11, 15, 58. Original Accounting Ahead examples.

Profit on an internal asset sale

MODULE 5 / 1 / CALCULATE, THEN POST THE WORKSHEET

Group cost 90,000; accumulated depreciation 30,000; CA 60,000. Internal sale 84,000 at year start; four years remain; no residual; straight-line; no impairment. Tax assumptions: seller transfer gain/loss is taxable/deductible; buyer tax base follows the transfer and stated depreciation; 30% tax; all DTAs satisfy recognition. Recalculate for different tax facts. Worksheet entries, not extra legal-entity entries.

PROFIT = 84,000 - 60,000 = 24,000.

DEPRECIATION REALISATION = 84,000/4 - 60,000/4 = 6,000.

TAX EFFECT = (24,000 - 6,000) x 30% = DTA 5,400.

Remove the internal gain

Dr Gain on sale	**24,000**
Cr Plant	**24,000**

Remove excess buyer depreciation

Dr Accumulated depreciation	**6,000**
Cr Depreciation expense	**6,000**

Recognise the closing tax effect

Dr Deferred tax asset	**5,400**
Cr Income tax expense	**5,400**

Closing buyer CA 63,000 less remaining gain 18,000 = group CA 45,000. Net profit reduction: 12,600. These compact adjustments reconcile net CA; use a consistent gross-cost approach if gross columns are required.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Asset profit: subsequent year

MODULE 5 / 2 / OPENING EQUITY AND CURRENT REALISATION

OPENING RE reduction = (24,000 - prior realisation 6,000) x 70% = 12,600.

CURRENT realisation = 6,000. CUMULATIVE realisation at year 2 end = 12,000. Closing DTA = (24,000 - 12,000) x 30% = 3,600.

Combined year-two worksheet entry

Dr Opening retained earnings	12,600
Dr Deferred tax asset	3,600
Dr Accumulated depreciation - cumulative	12,000
Dr Income tax expense - current reversal	1,800
Cr Plant - original gain	24,000
Cr Depreciation expense - current realisation	6,000

Debits and credits each equal 30,000. This combines the opening reconstruction and current-year adjustments. Do not add the separate versions again.

Year 2 closing check	Buyer	Group
Carrying amount	42,000	30,000
Difference / remaining internal gain	12,000	
DTA	3,600	

The old gain belongs to opening RE, but this year's 6,000 depreciation realisation belongs to current profit. The 1,800 tax expense reverses part of the opening DTA.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Asset profit: four-year timeline

MODULE 5 / 3 / KEEP THE ANNUAL REALISATION CONSTANT

Year end	Buyer CA	Group CA	Remaining gain	DTA	Current after-tax effect
1	63,000	45,000	18,000	5,400	-12,600
2	42,000	30,000	12,000	3,600	+4,200
3	21,000	15,000	6,000	1,800	+4,200
4	0	0	0	0	+4,200

24,000 is realised over four years at 6,000 each year. Do not divide the shrinking unrealised balance by four again.

General later-year template

P = original gain; c = cumulative realisation; d = current realisation

Dr Opening RE	**Opening unrealised x (1-t)**
Dr DTA	**Closing unrealised x t**
Dr Accumulated depreciation	**c**
Dr Income tax expense	**d x t**
Cr Asset	**P**
Cr Depreciation expense	**d**

Here t = tax rate. Opening unrealised profit = P - (c - d); closing unrealised profit = P - c.

For a part-year transfer, time-apportion the buyer/group depreciation difference. For revised estimates, different residuals or external sale, reconstruct both carrying amounts. The simple P/life formula applies only to its stated straight-line assumptions.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 116 50-62; AASB 112 11, 24, 58. Original Accounting Ahead examples.

Buyer and group: blank asset working

MODULE 5 / 4 / COMPARE BOTH BASES BEFORE THE JOURNAL

Use this sheet for a stated internal asset transfer. First establish group impairment, the actual tax bases and the appropriate depreciation method. Write profit/loss and ownership direction before calculating.

Transfer date: _____ Seller / buyer: _____
Parent-to-subsidiary or subsidiary-to-parent: _____

Measurement	Buyer / separate	Group basis
Original cost / acquisition basis	_____	_____
Accumulated depreciation at transfer	_____	_____
Carrying amount at transfer	_____	_____
Internal price / original group CA	_____	_____
Remaining life / residual value	_____	_____
Current-year depreciation	_____	_____
Cumulative depreciation since transfer	_____	_____
Closing carrying amount	_____	_____
Closing tax base	_____	_____

Reconciliation	Working / amount
Original internal profit or eligible loss	_____
Prior cumulative realisation	_____
Opening unrealised / unconsumed amount	_____
Current depreciation realisation	_____
Closing unrealised / unconsumed amount	_____
Closing recognised DTA / DTL	_____
Opening RE and current P/L effects	_____

Tax rate and recognition assumptions: _____
Impairment / external disposal / part-year facts: _____

Check: buyer closing CA plus/minus the remaining internal adjustment equals group closing CA. Keep prior effects in opening equity and current effects in current profit.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 116 50-62; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Loss on an internal asset sale

MODULE 5 / 1 / ONLY IF NO GENUINE GROUP IMPAIRMENT

Separate original case: group CA 60,000; internal sale 48,000; four years remain; no residual; straight-line; full year. No genuine impairment. Tax assumptions: seller transfer gain/loss is taxable/deductible; buyer tax base follows the transfer and stated depreciation; 30% tax; all DTAs satisfy recognition. Recalculate for different tax facts. Worksheet entries, not extra legal-entity entries.

LOSS = 60,000 - 48,000 = 12,000. EXTRA group depreciation = 60,000/4 - 48,000/4 = 3,000.

Restore the artificial internal loss

Dr Plant	12,000
Cr Loss on sale	12,000

Record missing group depreciation

Dr Depreciation expense	3,000
Cr Accumulated depreciation	3,000

Tax on closing asset increase

Dr Income tax expense	2,700
Cr Deferred tax liability	2,700

Closing increase = 12,000 - 3,000 = 9,000. After-tax profit increase = 9,000 x 70% = 6,300.

Buyer closing CA 36,000 becomes group CA 45,000. If there is a genuine impairment, establish the recoverable group carrying amount first; do not restore the full 12,000 automatically.

Historical standards (October 2022 study context). AASB 10 B86(c); AASB 136 9, 18, 59; AASB 112 11, 15, 58. Original Accounting Ahead examples.

Asset loss: subsequent year

MODULE 5 / 2 / THE OPENING RE AMOUNT IS AFTER TAX

OPENING RE increase = (12,000 - prior realisation 3,000) x 70% = 6,300.

Year 2 cumulative extra depreciation = 6,000. Closing restored amount = 6,000; DTL = 1,800.

Combined year-two worksheet entry

Dr Plant	12,000
Dr Depreciation expense - current	3,000
Cr Opening retained earnings	6,300
Cr Deferred tax liability - closing	1,800
Cr Accumulated depreciation - cumulative	6,000
Cr Income tax expense - current reversal	900

Debits and credits both equal 15,000. Omitting the (1-tax rate) factor from opening RE would make this entry unbalanced.

Year 2 closing check	Buyer	Group
Carrying amount	24,000	30,000
Remaining restored amount	6,000	
DTL	1,800	

Current group profit falls by 3,000 depreciation less 900 tax income = 2,100. This consumes the loss that the group previously removed from the internal sale.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Asset loss: timeline and template

MODULE 5 / 3 / REASSESS IMPAIRMENT WHEN FACTS CHANGE

Year end	Buyer CA	Group CA	Restored amount	DTL	Current after-tax effect
1	36,000	45,000	9,000	2,700	+6,300
2	24,000	30,000	6,000	1,800	-2,100
3	12,000	15,000	3,000	900	-2,100
4	0	0	0	0	-2,100

L = original eligible loss; c = cumulative realisation; d = current

Dr Asset	**L**
Dr Depreciation expense	**d**
Cr Opening RE	**Opening unconsumed loss x (1-t)**
Cr DTL	**Closing unconsumed loss x t**
Cr Accumulated depreciation	**c**
Cr Income tax expense	**d x t**

Here t = tax rate; opening unconsumed loss = L - (c - d); closing unconsumed loss = L - c.

The template only removes an internal loss that is not a genuine group impairment. For an impaired asset, preserve the valid group write-down and calculate future depreciation from the corrected group carrying amount.

For an upstream transfer, adjust subsidiary profit/opening equity before NCI attribution. A downstream parent loss adjustment does not ordinarily change subsidiary NCI.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 136 9, 18, 59; AASB 112 11, 15, 58. Original Accounting Ahead examples.

Land: defer until an external event

MODULE 5 / NO DEPRECIATION REALISATION

Original internal gain is 18,000. Buyer tax base follows transfer price; tax 30%; DTA recognition is supported. No revaluation or impairment intervenes.

Year of internal sale

Dr Gain on land sale	18,000
Cr Land	18,000

Tax on consolidation difference

Dr Deferred tax asset	5,400
Cr Income tax expense	5,400

Later year, still held: combined adjustment

Dr Opening retained earnings	12,600
Dr Deferred tax asset	5,400
Cr Land	18,000

Alternative: later year sold outside the group

Dr Opening retained earnings	12,600
Dr Income tax expense	5,400
Cr Gain on external disposal	18,000

The last two entries are alternative reporting-date outcomes. Do not use both. On external sale the group gain exceeds the buyer's separate gain by 18,000. For depreciable assets, release only the internal gain still unrealised immediately before disposal.

Historical standards (October 2022 study context). AASB 10 B86(c), B94; AASB 112 11, 15, 24, 58. Original Accounting Ahead examples.

Goodwill impairment and NCI

MODULE 5 / DO NOT MIX MEASUREMENT METHODS

Two separate simplified cases. Each CGU has identifiable net assets carrying amount 328,000 and recoverable amount 350,000. No other corporate assets, liabilities requiring adjustment or impairment-allocation limits arise. NCI is 20%.

Step	Full-goodwill case	Partial-goodwill case
Recognised goodwill	50,000	40,000 (parent share)
Goodwill used in impairment test	50,000	40,000 / 80% = 50,000
Notional / actual CGU carrying amount	378,000	378,000
Test shortfall	28,000	28,000
Recognised goodwill impairment	28,000	28,000 x 80% = 22,400
Recognised NCI share of goodwill loss	5,600	0
Recognised closing goodwill	22,000	17,600

The partial case grosses up goodwill for testing because the recoverable amount relates to the whole unit, while recognised goodwill excludes the NCI portion. The 5,600 notional NCI loss is not recorded against goodwill that was never recognised.

If an impairment exceeds goodwill and reaches other assets, apply the allocation and minimum-carrying-amount rules. The simple proportion above is not a replacement for those rules.

> Goodwill is tested annually and when indicators arise. Allocate it to the appropriate CGU/group of CGUs. Do not amortise goodwill or reverse a goodwill impairment.

Historical standards (October 2022 study context). AASB 136 80-104, 124, Appendix C. Original Accounting Ahead examples.

Meridian and Flint: facts and tasks

MODULE 5 / 1 / ORIGINAL COMPLETE CASE

On 1 July, Meridian buys 80% of Flint for 300,000. Flint capital is 200,000 and RE 100,000. A plant uplift of 40,000 has five years remaining, straight-line, no residual. Tax base does not change. Use 30% tax and proportionate NCI; no goodwill impairment or other acquisition adjustments.

All profits below are for the full post-acquisition year. Parent separate statements use cost. Parent PAT 90,000 includes its 16,000 Flint dividend; parent pays own shareholders 10,000. Parent opening RE is 100,000. Flint PAT 50,000 and dividends 20,000 give closing RE 130,000.

Parent sold goods to Flint for 30,000; parent cost 24,000; half remains in Flint closing inventory. Transfer is taxable and buyer tax base follows invoice cost. All DTA recognition conditions are satisfied. No other intragroup balances, OCI or ownership changes.

Closing separate SFP	Meridian	Flint
Cash	50,000	30,000
Inventory	70,000	80,000
Plant: net carrying amount	300,000	250,000
Investment in Flint	300,000	-
Total assets	720,000	360,000
Other liabilities	140,000	30,000
Share capital	400,000	200,000
Retained earnings	180,000	130,000
Liabilities + equity	720,000	360,000

Tasks: calculate goodwill/NCI; prepare acquisition and current adjustment journals; reconcile group profit and NCI; produce a balanced consolidated statement of financial position. All amounts are dollars.

Historical standards (October 2022 study context). AASB 3 18-32; AASB 10 B86-B95; AASB 112 11, 15, 24. Original Accounting Ahead examples.

Acquisition and current journals

MODULE 5 / 2 / MERIDIAN ANSWERS

FV net assets = 300,000 + 40,000 - 12,000 = 328,000. NCI = 65,600. Goodwill = 300,000 - 80% x 328,000 = 37,600.

Combined acquisition elimination

Dr Flint share capital	200,000
Dr Flint pre-acquisition RE	100,000
Dr Plant uplift	40,000
Dr Goodwill	37,600
Cr Deferred tax liability	12,000
Cr Investment in Flint	300,000
Cr NCI at acquisition	65,600

Current acquisition depreciation and tax

Dr Depreciation expense	8,000
Dr Deferred tax liability	2,400
Cr Accumulated depreciation	8,000
Cr Income tax expense	2,400

Downstream sale: half of 6,000 profit remains

Dr Sales	30,000
Cr Cost of sales	27,000
Cr Inventory	3,000

Closing inventory tax

Dr Deferred tax asset	900
Cr Income tax expense	900

Dividend elimination: Dr parent dividend income 16,000; Cr subsidiary distributions/RE 16,000. External NCI dividend 4,000 remains. Each journal balances; acquisition and subsequent adjustments are separate.

Historical standards (October 2022 study context). AASB 3 10-40; AASB 112 15-24, 66. Original Accounting Ahead examples.

Profit, retained earnings and NCI

MODULE 5 / 3 / THREE BRIDGES TO CROSS-CHECK

Group profit	Amount
Parent PAT + subsidiary PAT	140,000
Remove parent dividend income	-16,000
Acquisition depreciation after tax	-5,600
Downstream unrealised inventory profit after tax	-2,100
Consolidated PAT	116,300
NCI: 20% x (50,000 - 5,600)	8,880
Profit attributable to parent owners	107,420

Closing group RE = opening parent RE 100,000 + owners profit 107,420 - parent dividends 10,000 = 197,420.

Alternative RE = parent closing RE 180,000 + 80% x (130,000 - 100,000 - 5,600) - 2,100 = 197,420.

NCI bridge	Amount
Acquisition NCI	65,600
Current NCI profit	+8,880
External NCI dividend	-4,000
Closing NCI	70,480

Downstream inventory gain was earned by the parent. It does not reduce subsidiary NCI. The acquisition depreciation does affect subsidiary adjusted profit and therefore NCI.

Historical standards (October 2022 study context). AASB 10 B86, B94-B95. Original Accounting Ahead examples.

Consolidated statement and checks

MODULE 5 / 4 / MERIDIAN ANSWERS

Consolidated SFP	Working	Amount
Cash	50,000 + 30,000	80,000
Inventory	70,000 + 80,000 - 3,000	147,000
Plant: net	300,000 + 250,000 + 40,000 - 8,000	582,000
Goodwill	Acquisition schedule	37,600
Deferred tax asset	3,000 x 30%	900
Total assets		847,500
Other liabilities	140,000 + 30,000	170,000
Deferred tax liability	12,000 - 2,400	9,600
Parent share capital	Subsidiary capital eliminated	400,000
Group retained earnings	Owners-equity bridge	197,420
Non-controlling interest	NCI bridge	70,480
Liabilities + equity		847,500

> The investment in Flint and Flint share capital do not remain as separate group assets/equity. All underlying assets and liabilities enter in full.

Deferred tax is shown gross here; offset only if the applicable criteria are satisfied. The worksheet is a reporting adjustment, not a new transaction in either entity's legal books.

Checks: total assets 847,500 = liabilities 179,600 + equity 667,900; PAT 116,300 = owners 107,420 + NCI 8,880; both closing equity bridges agree.

Historical standards (October 2022 study context). AASB 10 B86-B95; AASB 112 71-74. Original Accounting Ahead examples.

Rowan and Elm: the equity-method bridge

MODULE 5 / 1 / KEEP PROFIT SEPARATE FROM OCI

Rowan buys 30% of Elm for 138,000. Its share of acquisition FV net assets is 120,000; embedded goodwill is 18,000. Elm reports PAT 64,000, OCI 10,000 after tax and dividends 18,000. Acquisition plant uplift 20,000 has five years remaining; unchanged tax base; 30% tax.

Extra depreciation 20,000/5 = 4,000; tax reversal 1,200. Adjusted profit = 64,000 - 4,000 + 1,200 = 61,200.

Investment bridge	Amount
Cost / opening investment	138,000
Share of adjusted profit: 30% x 61,200	+18,360
Share of separate after-tax OCI: 30% x 10,000	+3,000
Dividend: 30% x 18,000	-5,400
Closing investment	153,960

Goodwill is embedded in the investment, not a separately presented goodwill asset. Do not amortise the embedded goodwill. Fair-value depreciation adjustments still affect the share of profit.

If the investor share of acquisition fair-value net assets instead exceeds cost after reassessment, include the confirmed excess in the investor share of profit for the acquisition period. Do not carry a negative goodwill balance inside the investment.

If a source gives profit and OCI as one amount, obtain the separate components rather than assuming OCI is included in profit. Use the investor ownership interest once.

Historical standards (October 2022 study context). AASB 128 10, 26, 32. Original Accounting Ahead examples.

Equity method: journal cards

MODULE 5 / 2 / ASSUMES EQUITY METHOD IN THE RECORDS

Share of adjusted profit

Dr Investment in associate	18,360
Cr Share of associate profit	18,360

Share of after-tax OCI

Dr Investment in associate	3,000
Cr OCI - associate share	3,000

Dividend received

Dr Cash	5,400
Cr Investment in associate	5,400

If the starting separate records instead use cost

They may already contain Dr cash / Cr dividend income 5,400. Do not repeat the cash receipt. The worksheet conversion removes that income and reduces the investment, alongside the profit/OCI adjustments.

Cost-record conversion for dividend only

Dr Dividend income	5,400
Cr Investment in associate	5,400

Use the appropriate route for the starting accounts. IAS 27 permits equity accounting in separate financial statements; journals are not universally restricted to a consolidation worksheet.

Historical standards (October 2022 study context). AASB 128 10; AASB 127 10, 12. Original Accounting Ahead examples.

Associate transactions and final checks

MODULE 5 / 3 / NOT FULL SUBSIDIARY CONSOLIDATION

Original downstream inventory case: Rowan sells to Elm at profit 9,000; 40% remains. Unrealised profit is 3,600. Rowan owns 30%, giving a pre-tax elimination of 1,080. The remaining 70% relates to unrelated investors.

> Subsidiary: eliminate the internal transaction in full. Associate: apply the investor-share equity-method rule.

For an upstream sale, adjust the associate result used for the investor's share and the retained asset as appropriate; avoid applying ownership twice. Tax effects depend on the actual tax facts and require separate IAS 12 analysis.

Check	What to resolve
Acquisition differences	Separate identifiable fair-value depreciation/amortisation from embedded goodwill.
Dates and policies	Use consistent policies; align reporting dates or apply permitted adjustments and limits.
Unrealised loss	Preserve an impairment or NRV loss supported by the facts.
Impairment	Test the equity-accounted investment as a single asset under IAS 28.
Preference shares	Adjust for relevant cumulative preference dividends before allocating ordinary profit.
Method ceases	Reassess on loss of significant influence/joint control; apply the specified retained-interest/OCI rules.

Historical standards (October 2022 study context). AASB 128 28-43; AASB 112 38-45. Original Accounting Ahead examples.

Rebuild the opening equity-method amount

MODULE 5 / 4 / ONLY WHEN THE STARTING BOOKS STILL USE COST

Separate original case: Willow owns 40% of Fern and carries its investment at original cost 90,000 in the separate opening records. Since acquisition, Fern has earned adjusted after-tax profit 65,000, paid dividends 20,000 and accumulated after-tax OCI 12,000.

All figures are post-acquisition and already reflect applicable fair-value and tax adjustments. Willow recorded its 8,000 dividend receipts in income under cost accounting. There are no impairments, other movements, ownership changes or additional investor tax entries in this illustration.

Retained profit increase = 65,000 - 20,000 = 45,000. Investor share = 40% x 45,000 = 18,000. Opening OCI share = 40% x 12,000 = 4,800.

Opening profit conversion: the dividend was already in income

Dr Investment in associate	18,000
Cr Opening retained earnings	18,000

Opening OCI conversion: keep it out of current profit

Dr Investment in associate	4,800
Cr Opening accumulated OCI	4,800

Opening investment bridge	Amount
Cost balance in starting records	90,000
Cumulative adjusted retained-profit share	+18,000
Cumulative OCI share	+4,800
Correct opening equity-method amount	112,800

These are reporting-worksheet conversions, not new current-year income. Add the current-year profit/OCI/dividend adjustments separately using the current facts. If opening investment already equals 112,800 under the equity method, do not post these opening adjustments again.

Use a complete movement bridge if prior impairment, distributions in excess of profits, losses not recognised or other equity changes exist. Goodwill embedded in the original cost is not added a second time.

Historical standards (October 2022 study context). AASB 128 10, 26, 32; AASB 127 10, 12. Original Accounting Ahead examples.

Associate losses: do not stop too early

MODULE 5 / 1 / DEFINE THE NET INVESTMENT

First identify qualifying long-term interests that in substance form part of the net investment and apply IFRS 9 to them. Then apply IAS 28 loss allocation and assess legal/constructive obligations or payments on the associate's behalf.

Simple original case below explicitly has no qualifying long-term interests and no obligations. Opening investment is 24,000; current share of loss is 31,000.

Recognise only the available investment balance

Dr Share of associate loss	**24,000**
Cr Investment in associate	**24,000**

Unrecognised share of loss = 31,000 - 24,000 = 7,000. Track it; do not book a negative ordinary investment automatically.

Next year share of profit is 11,000. Absorb the unrecognised 7,000 first; recognise the remaining 4,000.

Resume profit recognition

Dr Investment in associate	**4,000**
Cr Share of associate profit	**4,000**

Separate obligation variant: with the same 7,000 excess and a support obligation qualifying for recognition of 5,000, recognise additional loss/liability of 5,000. The remaining 2,000 is tracked unrecognised. Do not use this variant without an actual obligation.

Historical standards (October 2022 study context). AASB 128 14A, 38-39. Original Accounting Ahead examples.

Associate loss recovery: working tracker

MODULE 5 / 2 / RECORD UNRECOGNISED LOSSES TOO

Year	Opening investment	Share of result	Recognised result	Unrecognised closing	Closing investment
1	24,000	-31,000	-24,000	7,000	0
2	0	+11,000	+4,000	0	4,000
3	4,000	+8,000	+8,000	0	12,000

No dividends, OCI, impairment or other movements in this simple three-year case. If they exist, show them separately in the investment bridge.

Year	Opening	Result	Other movements	Unrecognised loss	Closing
____	_____	_____	_____	_____	_____
____	_____	_____	_____	_____	_____
____	_____	_____	_____	_____	_____
____	_____	_____	_____	_____	_____
____	_____	_____	_____	_____	_____
____	_____	_____	_____	_____	_____

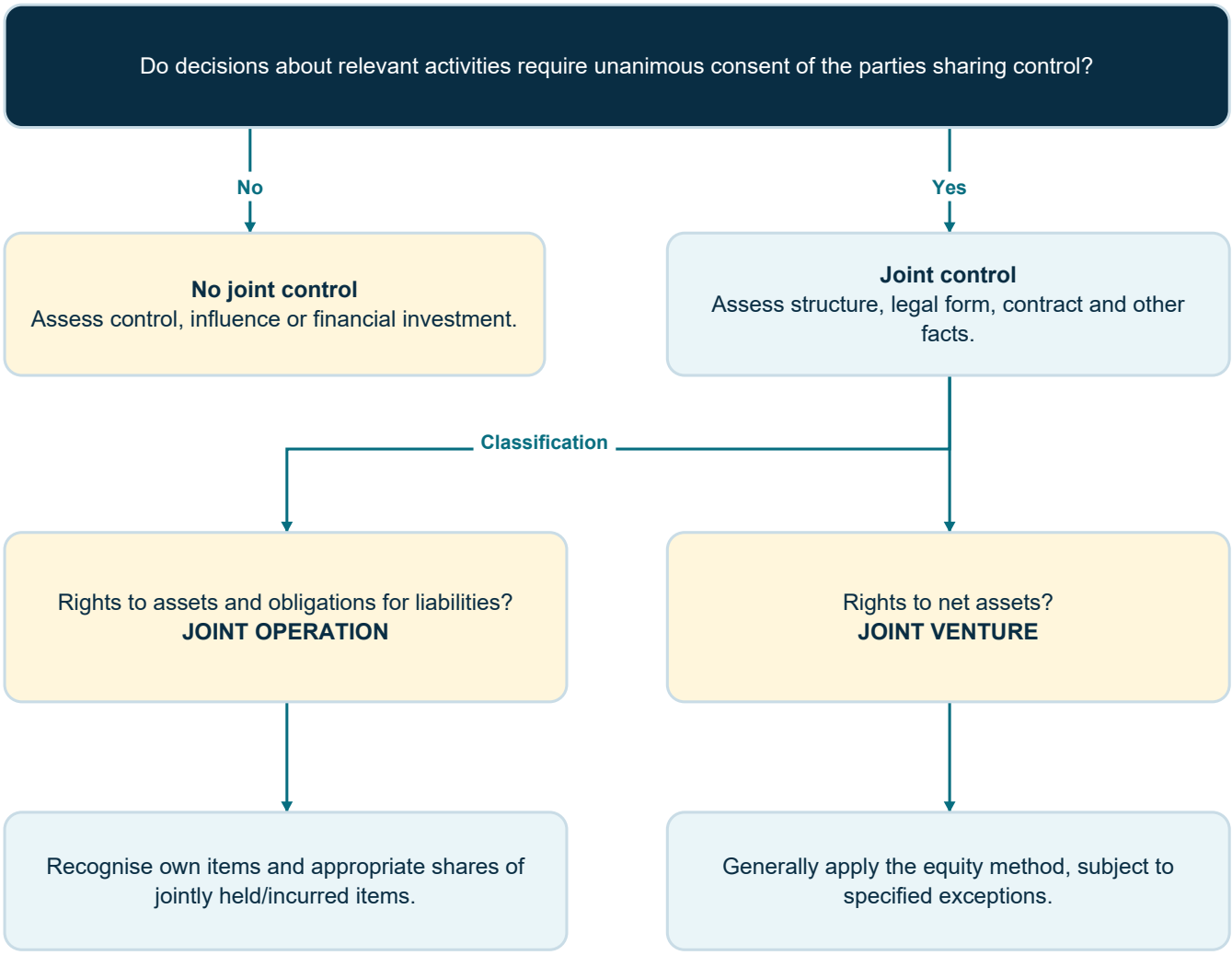
Long-term interests and priority: _____
IFRS 9 adjustment first: _____
Legal/constructive obligation evidence: _____
Previous unrecognised losses to absorb: _____

An associate tax loss does not automatically generate a recognised tax benefit. Keep the associate's reported, correctly measured result separate from the investor's loss-recognition limit.

Historical standards (October 2022 study context). AASB 128 14A, 38-39. Original Accounting Ahead examples.

Joint operation or joint venture?

MODULE 5 / 1 / READ THE RIGHTS AND OBLIGATIONS



A separate legal vehicle does not automatically mean joint venture. A 50/50 split does not automatically mean joint control. Read the decisions requiring consent and the contractual rights to output, assets and funding obligations.

Historical standards (October 2022 study context). AASB 11 4-24, B5-B33. Original Accounting Ahead examples.

Joint operation: original recognition check

MODULE 5 / 2 / FOLLOW THE CONTRACTUAL SHARES

The agreement establishes joint control, direct rights to 40% of jointly held equipment, obligations for 40% of the joint payable, and a 40% share of the relevant joint revenue and expenses. Joint equipment cost is 250,000, joint payable 90,000, relevant joint revenue 80,000 and joint expenses 50,000. No other items or tax effects are included in this illustration.

Recognised component	Calculation	Amount
Equipment interest	250,000 x 40%	100,000
Joint payable obligation	90,000 x 40%	36,000
Relevant revenue share	80,000 x 40%	32,000
Relevant expense share	50,000 x 40%	20,000
Illustrative profit contribution	32,000 - 20,000	12,000

This is a component-recognition illustration, not a complete trial balance or a journal with an unexplained cash balancing number. Recognise the operator's own items as well. Different contractual shares may apply to different assets, liabilities or output.

For a joint venture, do not import this line-by-line component method. The investor normally recognises a single equity-accounted investment and its share of results.

> Disclose significant classification judgements, material interests, commitments and risks using the applicable IFRS 12 requirements.

Historical standards (October 2022 study context). AASB 11 20-24; AASB 12 7-9, 20-23. Original Accounting Ahead examples.

Group reporting: final review

MODULE 5 / CLEAR NUMBERS NEED CLEAR EXPLANATIONS

Area	Review prompts
Acquisition	Nature/date; consideration; identifiable amounts; goodwill factors; contingent/provisional amounts; relevant revenue and profit information.
Control judgements	Why control exists without majority votes, or does not despite a majority; principal/agent and investment-entity conclusions.
Group and material NCI	Composition; material NCI interests and required summarised information; profit/OCI attribution and equity presentation.
Restrictions and support	Restrictions on accessing group assets or transferring funds; financial support; interests in structured entities where relevant.
Ownership changes	Retained-control equity changes; loss-of-control effects and retained interest.
Associates / joint arrangements	Nature and extent of material interests; summarised information/reconciliation; commitments; contingent risks; restrictions; current-period and cumulative shares of losses not recognised.
Complete statements	Financial position; profit or loss and OCI; changes in equity; cash flows; notes and required comparative information.
Statement cross-check	Assets equal liabilities plus equity; parent RE and NCI bridges agree; current profit is not mixed with opening reserves.

Assess materiality and applicability; this card is a prompt, not an assertion that every disclosure is required for every entity. Clearly distinguish consolidated from separate financial statements.

> Final questions: Which entity earned the profit? Which period does it belong to? Is it realised outside the group? What tax and NCI effects follow?

Historical standards (October 2022 study context). AASB 3 59-63, B64-B67; AASB 12 7-23, B10-B17; AASB 101 10, 38, 54, 81B, 82, 106. Original Accounting Ahead examples.