

Consolidation Level I



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Training objectives

Through the case studies it is intended to:

- Learn to identify control availability and to classify investments in accordance with the requirements of IAS 27,
- Learn the basic principles of consolidated financial statements preparation,
- Demonstrate a standard for consolidated financial statements preparation,
- Learn to calculate Goodwill and Minority Interest (Non-controlling interest),
- Demonstrate the specifics of consolidated financial statements preparation at acquisition of new companies by the Group (including acquisition of a lower-tier subsidiary by a subsidiary and acquisition of a subgroup by a subsidiary),
- Demonstrate the specifics of consolidated financial statements preparation at occurrence of the intercompany transactions with unrealised income,
- Demonstrate the specifics of consolidated financial statements preparation at disposal of a subsidiary from the Group (including disposal of a lower-tier subsidiary and a subgroup),
- Understand the specifics of consolidation of the Groups with the sophisticated composition of structure including a number of subsidiaries' levels,
- Give trainees an opportunity to practice individually (with an adequate help by instructor) in preparation of the group consolidated financial statements: consolidated Balance Sheet, consolidated Statement of Income, consolidated Statement of Cash Flow, and consolidated Statement of Shareholders' Equity.

Training audience

The training has been developed for the specialists:

- Having initial theoretical experience of consolidated financial statement preparation (e.g. having DipIFR Qualification) and wishing to obtain practical skills in this preparation,
- Facing the necessity to prepare consolidated financial statements, but who lack sufficient experience to do it with confidence and, therefore, want to get additional practical training in such statements preparation.

Trainees acquired skills and abilities

Trainees will study a set of tools which they can apply to the case studies developed in the course of training. The obtained set of tools, added by their practical application, will enable the trainees to be on the firm ground when preparing of the group consolidated financial statements **no matter how complicated** they are. However, whereas the real situations are usually more complicated than a set of problems which can be explained and studied out during one- or two-day training, those case studies would never substitute for the actual experience in preparation of consolidated reporting.

Contents of Training

Day 1: 09:30 – 17:00

1. Come together

- Introduction of participants to one another, getting acquainted with the instructor, review of training topics and methods of working
- Discussion of expectations
Expected time: 15 minutes

2. Consolidation criteria

- IAS 27: Definitions and requirements of the Standard
- Examples 1-10: Definition of control
- Examples of accounting policies with regard to the definition of control
Expected time: 90 minutes

3. Acquisition

- Basic consolidation rules
- Example 1¹: Acquisition of a subsidiary (includes an example of 100% acquisition and acquisition with a minority [non-controlling] interest)
- Example 2: Horizontal Group with two subsidiaries
- Example 3: Vertical Group with two subsidiaries (acquisition of a lower-tier subsidiary by a subsidiary)
- Example 4: Acquisition of the vertical subgroup, consisting of two companies, by the parent company
Expected time: 120 minutes

4. Intercompany transactions

- Example 5: Example 1 exaggerated by intercompany transactions without unrealised income
- Example 6: Example 1 exaggerated by intercompany transactions with unrealised income (includes an example of intercompany disposal from a parent company to a subsidiary and vice versa)
Expected time: 75 minutes

5. Disposal

- Example 7: Example 1 with further disposal (sale) of a subsidiary
- Example 8: Example 2 (including four subsidiaries) with further disposal (sale) of one of the subsidiaries
Expected time: 60 minutes

¹ ALL examples use simplified form of companies' balance sheet: investments to subsidiaries, other assets, equity capital and retained profits (earnings). Such approach enables participants to focus directly on the specifics of consolidation and to obtain the required set of tools for solving future actual problems at preparation of consolidated statements.

Day 2: 09:30 – 17:00

6. Day 1 topics review

- Consolidation rules
 - Intercompany transactions
- Expected time: 30 minutes*

7. Disposal

- Example 9: Example 4 with further disposal (sale) of a subsidiary (disposal of a lower-tier subsidiary by a subsidiary)
 - Example 10: Example 3 with further disposal (sale) of a subgroup
- Expected time: 90 minutes*

8. Comprehensive example

- The Group of 4 companies with acquisition of a subgroup and disposal (sale) of a subsidiary at the first fiscal period; and disposal (sale) of another subgroup and acquisition of a subsidiary at the second fiscal period
- Expected time: 210 minutes*

9. Coming changes

- Amendments to IFRS (IAS) 27 and IFRS 3
- Expected time: 15 minutes*

10. Results of Training

- Discussion of expectations relevance to the derived knowledge and practical advices
 - Discussion of other topics being of interest for future seminars
- Expected time: 15 minutes*