

# Consolidation Level II



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## Training objectives

Through the case studies it is intended to:

- Study out the definitions of the basic concepts related to consolidated statements (IAS 27),
- Learn to identify control availability and to classify investments in accordance with the requirements of IAS 27,
- Study out the specifics of consolidation of the Groups consisted of more than one level of subsidiaries (sub-affiliated or so called «grandchildren» companies), including acquisition and disposal of companies being on the level of the «grandchildren» companies,
- Demonstrate the requirements of standards and the specifics of consolidated financial statements preparation at partial disposal,
- Demonstrate the specifics of consolidated financial statements preparation at contingent disposal – disposal of a subsidiary through the increase in its equity capital and «washout» of the parent company interest,
- Demonstrate the requirements of standards and the specifics of consolidated financial statements preparation at the business combinations achieved in stages,
- Give trainees an opportunity to practice individually (through the comprehensive example that includes acquisition and disposal of companies) in preparation of consolidated financial statements for the Group consisted of 5-7 companies, and also study the solution of this example in full details together with the instructor.

## Training audience

The training has been developed for the financial directors, financiers, office accountants, chief accountants, bookkeepers, analysts, and internal auditors who intend to improve academically and to get additional training in preparation of consolidated financial statements when the Group has more than one level of consolidation or performs partial disposal, contingent disposal and business combinations in stages.

## 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.

## 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. Review of basic consolidation principles**

- Acquisition of a subsidiary including the acquisition of a lower-tier subsidiary by a subsidiary
- Disposal of a subsidiary including sale of a lower-tier subsidiary by a subsidiary
- Intercompany transactions including transactions with the intercompany profits  
*Expected time: 45 minutes*

### **4. Partial disposal**

- Example 1: The Group of two companies: acquisition and subsequent sale of controlling interest (a balance is the financial investment)
- Example 2: Vertical Group of three companies: acquisition and subsequent sale of a subgroup by the parent company
- Example 3: Vertical Group of three companies: acquisition and subsequent partial sale of a lower-tier subsidiary's share by a subsidiary  
*Expected time: 105 минут*

### **5. Contingent disposal**

- Example 3: The Group of two companies: acquisition and subsequent contingent disposal (a balance is the financial investment)
- Example 4: Vertical Group of three companies: acquisition and subsequent contingent disposal of a lower-tier subsidiary  
*Expected time: 90 minutes*

**Day 2: 09:30 – 17:00**

**6. Day 1 topics review**

- Criteria and basic consolidation principles
  - Partial disposal
  - Contingent disposal
- Expected time: 30 minutes*

**7. Business combinations achieved in stages**

- Example 5: Transaction #1: acquisition of financial investment; Transaction #2: acquisition of control; Transaction #3: partial disposal
- Expected time: 120 minutes*

**8. Comprehensive example**

- The Group of 7 companies with acquisition of one subgroup and sale of another subgroup. An example includes the increase in equity capital of a subsidiary, payment of dividends by a subsidiary and intercompany turnovers with unrealised income
- Expected time: 180 minutes*

**9. Coming changes**

- Expected amendments to 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*