

Revision in CA Final Financial Reporting New syllabus

1) Ind AS 27 : - Separate Financial Statements :-

Revision

- a) Any dividend received from subsidiary company by the holding will be credited to P&I A/c in the separate Financial statements of Holding Company.
- b) Therefore the dividends paid by subsidiary company out of its pre-acquisition profit will also be credited to P&I by Holding.
Earlier it was being credited to Investment A/c.
- c) The above 2 paragraphs will be applicable irrespective of the fact whether the Investment is measured at "Cost" or at "Fair Value as per Ind AS – 109" by the Holding Company in its separate financial statements.

2) Implication of this change in the consolidated B/s sums

- a) There will be no change in the amount of goodwill. NCI and Consolidated Reserve & Surplus, that we have already calculated.
However in the sums where holding company has credited the pre-acquisition dividend received to P&I, we used to pass a rectification entry in the books of Holding Company

P&I Dr
 To Investment

This we can't do anymore.

- b) But we have to find the goodwill on the acquisition date by comparing the Identifiable Net Assets (Equity of Subsidiary) on the acquisition date with the consideration paid on the acquisition date. This will result into same amount of goodwill and all other calculation.
- c) Let us see an example
 - i) Say A acquired 100% stake in B on 1.4.18. Capital & R&S were 100 & 200 on 1.4.18.
A paid 400 for acquiring B.
Goodwill = $400 - 300 = 100$
 - ii) Say Dividend paid by B 40 out of the above profits. We used to deduct Investment by 40 to make it 360 and Equity of B become $(300 - 40)$ ie. 260,
Goodwill = $360 - 260 = 100$

Now with the revision in Ind AS 27, we can't show the goodwill calculation as per (ii) method. We have to show it as per (i) method.