

## DIRECT CONSOLIDATION

BETA	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Goodwill (gross val.)							0
Goodwill (deprec.)							0
Lands							0
Tangible assets (acq.val.)	3,000	1,000					4,000
Tangible assets (deprec.)	(1,200)		(300)				(1,500)
Fin.invest./BETA							0
Fin.invest./GAMMA							0
Fin.invest./DELTA							0
Receivables/3rd Parties	5,000						5,000
Cash	1,200						1,200
Link account(Fin.Inv.)					(4,500)		(4,500)
	8,000	1,000	(300)	0	0	(4,500)	4,200
Capital	3,000			(600)	(2,400)		0
Retained earnings	2,000			(400)	(1,600)		0
Reserves		1,000	(200)	(160)	(640)		0
Result	300		(100)	(40)	(160)		0
Consolidated reserves					4,800	(4,500)	300
Translation adjustments							0
Minority interests				1,200			1,200
Provisions	500						500
Payables/3rd Parties	2,200						2,200
	8,000	1,000	(300)	0	0	(4,500)	4,200
Turnover/3rd Parties	20,000						20,000
Purchases	(18,900)						(18,900)
Depreciations	(300)		(100)				(400)
Provisions	(500)						(500)
Result	300	0	(100)	0	0	0	200
Group result							160
Minority result							40

**BETA - Column (1)**

Statutory accounts in EUR.

**BETA - Column (2)**

When BETA has been acquired, some tangible assets have been revalued for a gross amount of 1000.

	Debit	Credit
Tangible assets (acq.val.)	1,000	
Reserves		1,000

**BETA - Column (3)**

This revaluation is depreciated on the basis of 10% each year. The total depreciation at the end of Year 1 is 300, with 200 on the

	Debit	Credit
Reserves	200	
Tangible assets (deprec.)		300
Depreciations	100	

Reserves account and 100 on the P&L.

**BETA - Column (4)**

Reclassification of 20% of all equity accounts to Minority interests.

	Debit	Credit
Capital	600	
Retained earnings	400	
Reserves	160	
Result	40	
Minority interests		1,200

**BETA - Column (5)**

Reclassification of 80% of all equity accounts on the Consolidated reserves account.

	Debit	Credit
Capital	2,400	
Retained earnings	1,600	
Reserves	640	
Result	160	
Consolidated reserves		4,800

**BETA - Column (6)**

The amount used in this adjustment is the adjusted financial investment on BETA in ALPHA accounts.

	Debit	Credit
Consolidated reserves	4,500	
Link account(Fin.Inv.)		4,500

**BETA - Column (7)**

This is the BETA contribution to the consolidated balance. The result of 200 is split into a Group result for  $160 = 80\% \times 200$  and a Minority result for  $40 = 20\% \times 200$ .

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GAMMA	(1)	(2)	(3)	(4)	(5)
Goodwill (gross val.)					0
Goodwill (deprec.)					0
Lands	1,000				1,000
Tangible assets (acq.val.)	4,000				4,000
Tangible assets (deprec.)	(800)				(800)
Fin.invest./BETA					0
Fin.invest./GAMMA					0
Fin.invest./DELTA					0
Receivables/3rd Parties	2,000				2,000
Cash	800				800
Link account(Fin.Inv.)				(1,400)	(1,400)
	7,000	0	0	(1,400)	5,600
Capital	2,000	(600)	(1,400)		0
Retained earnings	(500)	150	350		0
Reserves					0
Result	(400)	120	280		0
Consolidated reserve:→			770	(1,400)	(630)
Translation adjustments					0
Minority interests		330			330
Provisions					0
Payables/3rd Parties	5,900				5,900
	7,000	0	0	(1,400)	5,600
Turnover/3rd Parties	30,000				30,000
Purchases	(30,100)				(30,100)
Depreciations	(300)				(300)
Provisions					0
Result	(400)	0	0	0	(400)
Group result					(280)
Minority result					(120)

**GAMMA - Column (1)**

Statutory accounts in EUR.

**GAMMA - Column (2)**

Reclassification of 30% of all equity accounts to Minority interests.

	Debit	Credit
Capital	600	
Retained earnings		150
Result		120
Minority interests		330

**GAMMA - Column (3)**

Reclassification of 70% of all equity accounts on the Consolidated reserves account.

	Debit	Credit
Capital	1,400	
Retained earnings		
Result		280
Consolidated reserves		770

**GAMMA - Column (4)**

The amount used in this adjustment is the adjusted Financial investment on GAMMA in ALPHA accounts.

	Debit	Credit
Consolidated reserves	1,400	
Link account(Fin.Inv.)		1,400

**GAMMA - Column (5)**

This is the GAMMA contribution to the consolidated balance. The result of (400) is split into a group result for  $(280) = 70\% \times (400)$  and a minority result for  $(120) = 30\% \times (400)$ .

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DELTA	(1) (CUR)	(2)	(3)	(4)	(5)
Goodwill (gross val.)					0
Goodwill (deprec.)					0
Lands					0
Tangible assets (acq.val.)	8,000	6,400			6,400
Tangible assets (deprec.)	(4,000)	(3,200)			(3,200)
Fin.invest./BETA					0
Fin.invest./GAMMA					0
Fin.invest./DELTA					0
Receivables/3rd Parties	8,000	6,400			6,400
Cash	6,000	4,800			4,800
Link account(Fin.Inv.)					0
	18,000	14,400	0	0	14,400
Capital	8,000	6,400	800		7,200
Retained earlings	4,000	3,200	200		3,400
Reserves					0
Result	600	480	(60)	210	630
Consolidated reserves					0
Translation adjustments			(940)	30	(910)
Minority interests					0
Provisions	1,400	1,120		(240)	880
Payables/3rd Parties	4,000	3,200			3,200
	18,000	14,400	0	0	
Turnover/3rd Parties	30,000	21,000			21,000
Purchases	(28,600)	(20,020)			(20,020)
Depreciations	(800)	(560)			(560)
Provisions				210	210
Result	600	420	0	210	630
Group result					
Minority result					

### **DELTA - Column (1)**

Statutory accounts in local currency CUR.

### **DELTA - Column (2)**

We first translate all balance sheet accounts with the closing rate of 0.8 and all the P&L accounts with the average rate of 0.7.

### **DELTA - Column (3)**

By processing like this way, we introduce some mistakes because

- The capital amount should be translated with the historical rate of 0.9 instead of the closing rate, which gives an adjustment of  $800 = [0.9 - 0.81] * 8000$
- The retained earnings amount should be translated with the historical rate of 0.85 instead of the closing rate, which gives an adjustment of  $200 = [0.85 - 0.81] * 4000$
- The result amount has to be translated with the average rate of 0.7 instead of the closing rate, which gives an adjustment of  $(60) = [0.7 - 0.81] * 600$

This leads to the following adjustment.

	Debit	Credit
Capital		800
Retained earnings		200
Result	60	
Translation adjustments	940	

### **DELTA - Column (4)**

This column concerns the provision of 300 CUR booked in the statutory accounts, which is not compatible with the group rules.

	Debit	Credit
Provisions (Balance sheet)	240	
Provisions (P&L)		210
Translation adjustments		30

The debit amount of 240 corresponds to the provision at closing rate for  $240 = 300 \text{ CUR} * 0.8$  and the P&L counterpart is  $210 = 300 \text{ CUR} * 0.7$  (average rate). The difference of 30 is a translation adjustment amount.

### **DELTA - Column (5)**

Because of the number of columns, this spreadsheet is split into two parts and column (5) is a subtotal for columns (2) to (4).

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DELTA	(5)	(6)	(7)	(8)	(9)
Goodwill (gross val.)	0				0
Goodwill (deprec.)	0				0
Lands	0				0
Tangible assets (acq.val.)	6,400				6,400
Tangible assets (deprec.)	(3,200)				(3,200)
Fin.invest./BETA	0				0
Fin.invest./GAMMA	0				0
Fin.invest./DELTA	0				0
Receivables/3rd Parties	6,400				6,400
Cash	4,800				4,800
Link account(Fin.Inv.)	0			(3,600)	(3,600)
	14,400	0	0	(3,600)	10,800
Capital	7,200	(2,880)	(4,320)		0
Retained earnings	3,400	(1,360)	(2,040)		0
Reserves	0				0
Result	630	(252)	(378)		0
Consolidated reserves	0		6,738	(3,600)	3,138
Translation adjustments	(910)	364			(546)
Minority interests	0	4,128			4,128
Provisions	880				880
Payables/3rd Parties	3,200				3,200
		0	0	(3,600)	10,800
Turnover/3rd Parties	21,000				21,000
Purchases	(20,020)				(20,020)
Depreciations	(560)				(560)
Provisions	210				210
Result	630	0	0	0	630
Group result					378
Minority result					252

**DELTA - Column (5)**

We continue by referencing to the subtotal column (5).

**DELTA - Column (6)**

Reclassification of 40% of all equity accounts to Minority interests, including the translation adjustments.

	Debit	Credit
Capital	2,880	
Retained earnings	1,360	
Result	252	
Translation adjustments		364
Minority interests		4,128

**DELTA - Column (7)**

Reclassification of 60% of all equity accounts on the Consolidated reserves account, excluding the translation adjustments.

	Debit	Credit
Capital	4,320	
Retained earnings	2,040	
Result	378	
Consolidated reserves		6,738

**DELTA - Column (8)**

The amount used in this adjustment is the adjusted financial investment on DELTA in ALPHA accounts.

	Debit	Credit
Consolidated reserves	3,600	
Link account(Fin.Inv.)		3,600

**DELTA - Column (9)**

This is the GAMMA contribution to the consolidated balance. The result of 630 is split into a group result for  $378 = 60\% \times 630$  and a minority result for  $252 = 40\% \times 630$ .



## DIRECT CONSOLIDATION

CONTRIBUTION	ALPHA	BETA	GAMMA	DELTA	CONSO
Goodwill (gross val.)	1,200	0	0	0	1,200
Goodwill (deprec.)	(860)	0	0	0	(860)
Lands	1,000	0	1,000	0	2,000
Tangible assets (acq.val.)	0	4,000	4,000	6,400	14,400
Tangible assets (deprec.)	0	(1,500)	(800)	(3,200)	(5,500)
Fin.invest./BETA	0	0	0	0	0
Fin.invest./GAMMA	0	0	0	0	0
Fin.invest./DELTA	0	0	0	0	0
Receivables	1,500	5,000	2,000	6,400	14,900
Cash	800	1,200	800	4,800	7,600
Link account(Fin.Inv.)	9,500	(4,500)	(1,400)	(3,600)	0
	13,140	4,200	5,600	10,800	33,740
Capital	5,000	0	0	0	5,000
Retained earnings	3,000	0	0	0	3,000
Reserves	(620)	0	0	0	(620)
Result	160	0	0	0	160
Consolidated reserves	0	300	(630)	3,138	2,808
Translation adjustments	0	0	0	(546)	(546)
Minority interests	0	1,200	330	4,128	5,658
Provisions	1,000	500	0	880	2,380
Payables/3rd Parties	4,600	2,200	5,900	3,200	15,900
	13,140	4,200	5,600	10,800	33,740
Turnover/3rd Parties	10,000	20,000	30,000	21,000	81,000
Purchases	(9,600)	(18,900)	(30,100)	(20,020)	(78,620)
Depreciations	(240)	(400)	(300)	(560)	(1,500)
Provisions	0	(500)	0	210	(290)
Result	160	200	(400)	630	590
Group result	160	160	(280)	378	418
Minority result	0	40	(120)	252	172

This contribution spreadsheet gives a good overview of this first consolidation with the following comments

- Goodwills are booked only in ALPHA company. It is normal because it is the unique shareholder in this group.
- All financial investments in consolidated companies have been eliminated. Moreover, the Link account is equal to zero at the end of the consolidation process.
- Consolidated equity includes only ALPHA equity and Consolidated reserves appear only for the three subsidiaries.
- The translation adjustment amount corresponds to the group part (60%) in the translation adjustment initially booked in DELTA company.
- All the amounts in this contribution are of course supposed to be adjusted amounts.

## **4 CONSOLIDATION OF YEAR 2**

When receiving individual consolidation bundle of each company, it is worth checking if the announced events are indeed reflected in these accounts.

Moreover, validation of financial investments and equity evolution is the first step to undertake before entering into the consolidation process.

And finally, analyzing these figures can reveal some transactions that the consolidation office may just not simply be aware of.

Let's consider these figures.