Question 1.03

	In CUR	Rates
Capital	1000	1.3
Retained earnings	600	1.4
Profit	100	

Closing rate	1.5
Average rate	1.6

Here are the equity accounts of a foreign company whose currency is CUR.

This company is consolidated by the global integration method with an indirect financial percentage of 80%.

Rates 1.3 and 1.4 are historical rates.

What is the contribution of the company in the « Translation adjustments » account in the consolidated equity?

a		Debit	200
b		Debit	250
c		Credit	200
d		Credit	250

Question 1.04

The evolution of the Tangible assets account of a foreign company is given here below in local currency CUR.

Opening value	100	0.5
Acquisitions Disposals	30 (10)	
Closing value	120	0.7

The rate 0.5 is the closing rate to apply for the opening value and 0.7 for the closing value.

The Acquisitions and Disposals flows are translated at the average rate 0.6.

What will be the value of the Translation adjustment flow after currency conversion?

a		20
b		0
c		22
d		(20)

Question 1.05

A group consists in a parent company P owning directly three companies: **A,** B and **C** with financial percentages and consolidated with consolidation methods as presented hereunder.

Company	Consolidation method	Financial %	Closing value
P	Parent company		2,000
A	Global integration	80%	1,000
B	Proportional integration	50%	600
C	Equity method	30%	800

The statutory closing value of the Bank account of each of these companies is also given here.

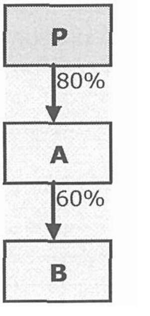
What will be the consolidated value of this Bank account?

a		3,300
b		4,400
c		3,340
d		3,100

Question 1.06

Company P consolidates **A** and B by the global integration method.

Total equity of companies **A** and B and the financial investment from **A** in B are given here below.

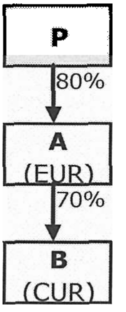


Total equity of **A**	1,000
Financial investment from **A** in B	800
Total equity of B	1,000

What will be the value of the Minority interests account in the consolidated balance sheet?

a		720
b		600
c		440
d		560

Question 1.07



The structure of this group remains unchanged in Year 1 and Year 2.

Company B is a foreign company with currency CUR.

At the end of Year 1, company B decides to pay dividends of 1000 CUR and local laws require company B to withhold a tax of 25% on these dividends.

Company A receives a cash amount of 525 CUR = 70% * [75% * 1000 CUR] which corresponds to 470 EUR on the Bank receipt and book for that amount on the Financial income account.

Last information: average rate of currency CUR of Year 1 is 0.8 and of Year 2 is 0.7.

What is the amount of dividends to eliminate in company A accounts, that is to transfer from profit to reserves?

a		600
b		560
c		800
d		470

Question 1.08

A company P acquires 80% of shares of a company A for a price of 1000.

At the date of acquisition, company A total statutory equity is 800 and, after the due diligence process, it is decided to revaluate a building for 200.

If this transaction leads to a goodwill, what would be its value?

a		160
b		0
c		200
d		40

Question 1.09

Here is the consolidated P&L of a group.

Turnover	2,000
Cost of sales	(1,600)
Depreciations	(200)
Provisions	(100)
Financial income	150
Profit from equity method comp	50
Consolidated profit	300
3rd Parties profit	60
Group profit	240

What is the consolidated cash flow statement of this group?

a		300
b		550
c		490
d		600

Question 1.10

A few years ago, the following consolidation adjustment has been booked in local currency in a company consolidated by the proportional method at 50%.

	Debit	Credit
Write-off on receivables (P&L)	100	
Receivables (Balance sheet)		100

For this consolidation, the closing rate was 2.3 and the average rate 2.5.

This year, the adjustment is maintained in the consolidation and the closing and average rates are 1.8 and 1.7 respectively.

What is the contribution of the adjustment in the consolidated Translation adjustment account?

a		Debit 35
b		Debit 70
c		Credit 35
d		Credit 70

2 QUIZZ 2 (++)

Question 2.01

We consider the three following companies belonging to a consolidation scope, with their consolidation method as specified here below.

Company P	Consolidating company
Company A	Global integration
Company B	Equity method

We also give the Payables account of each company, with the intercompany details.

Company P	3rd parties	500
	Company A	200
	Company B	300
Company A	3rd parties	700
	Company P	100
Company B	3rd parties	100
	Company P	400

Supposing all intercompany accounts are correctly reconciled, what will be the consolidated value of this Payables account?

a		1,300
b		1,200
c		1,700
d		1,500

Question 2.02

At the beginning of the year, company A is owned with a financial percentage of 90%.

On July 1st, the group sells 20% of shares and company A is now owned at 70%.

The 12 months statutory profit of 200 splits into 120 for the first half year and 80 for the second half year.

Moreover, there is a consolidation adjustment booked for 40 corresponding to an additional depreciation.

What is the contribution of the company in the consolidated profit of the group?

a		112
b		128
c		132
d		136

Question 2.03

Parent company P owns 80% of company A, for a statutory value of 1000.

P decides to sell 20% of its participation to 3rd Parties for a price of 400, making a gain of 150.

At the date of disposal, the company A total adjusted equity is 1500.

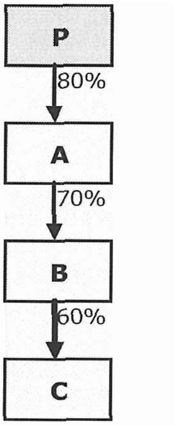
What will be the amount of the consolidation adjustment correcting the statutory gain in P&L?

a		Debit 50
b		Credit 150
c		Credit 50
d		Debit 150

Question 2.04

In this group, P is the consolidating company and A, B and C are consolidated with the global integration method.

Here below is some information on some accounts. All amounts are in consolidation currency.



Total equity of **A**	2,000
Total equity of B	1,000
Total equity of C	1,000
Financial investment from **A** in B	900
Financial investment from B in C	700

What is the amount of Minority interests in the consolidated equity?

a		1,016
b		1,500
c		1,100
d		1,520

Question 2.05

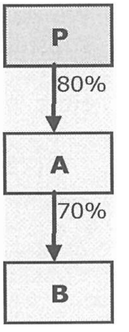
We show below the statutory equity of the consolidating company and the consolidated equity of its group.

	Statutory equity	Consolidated equity
Capital	1,000	1,000
Reserves	800	(300)
Translation adjustments		100
Minority interests		200
	1,800	1,000

Considering these figures, which of the four following proposals is the correct one?

a		If Reserves are negative (Debit), it should be the same for Minority interests
b		At least one company is making more losses than profits since its first consolidation
c		Reserves cannot be negative (debit)
d		Consolidated equity is always greater than statutory equity of parent company

Question 2.06



In this group,

- P pays dividends of 300
- A pays dividends of 200
- B pays dividends of 100

These dividends are all related to previous year, paid and booked in the corresponding Financial income accounts during the first months of this year.

What will be the total amount of dividends paid in the consolidated cash flow statement?

a		(600)
b		(530)
c		(384)
d		(370)

Question 2.07

Company A is consolidated by the equity method with a percentage of 30%.

This company decides to increase its capital by 1000 and each shareholder subscribes with respect to its participation percentage. Thus, the parent company subscribes 300 and the other shareholders, all together, subscribe 700.

What will be the amount appearing in the consolidated cash flow statement concerning this capital increase?

a		0
b		700
c		(300)
d		1,000

Question 2.08

We consider a group of two companies, the consolidating company P and a subsidiary A owned at 80% (global integration).

Here is the consolidated reserves evolution report.

	Reserves Year 1	Result Year 2	Dividends paid	Dividends received	Transfers	Appropriation	Reserves Year 2
P	2,000	500		100	150	(200)	2,550
A	1,000	300	(100)		(150)		1,050
	3,000	800	(100)	100	0	(200)	3,600

Which of the following proposals is not correct?

a		A pays a gross dividend of 125
b		P pays a gross dividend of 200
c		This report is technically correct
d		A pays an interim dividend of 150

Question 2.09

The parent company P owns 60% of company A and the statutory book value of this participation is 1000. Company A statutory equity is 2000.

In consolidation, we have booked the following adjustments

		Debit	Credit
In P accounts	Financial investment/A	200	
	Reserves		200

		Debit	Credit
In A accounts	Tangible assets	500	
	Reserves		500

	Debit	Credit
Reserves	200	
Provisions		200

This second adjustment in company A accounts is booked 100% on group accounts.

What are the consolidated reserves of company A?

a		180
b		100
c		300
d		500

Question 2.10

We present here the evolution of the statutory equity of a foreign company.

	Year 1	Flows	Year 2
Capital	1,000		2,000
Increase in capital		1,000	
Retained earnings	800		700
Dividends paid		(100)	
Result	200		300
Dividends paid		(200)	
Year 2 profit		300	
Total	2,000	1,000	3,000

The different rates used for Year 1 and Year 2 consolidations are given hereunder

Year 1	Historical rate for the capital	3.0
	Average rate	3.5
	Retained earnings for 800 consist in	
	300 at historical rate of	3.1
	500 at historical rate of	3.2
Year 2	Closing rate	3.7
	Average rate	**3.4**
	Rate for the capital increase	3.6

Notice that the dividends for 100 are coming from the 500 part of the Retained earnings amount of 800.

What is the amount of translation adjustments for this company?

a		Debit 900
b		Credit 900
c		Debit 1270
d		Credit 1270