	ALPHA		BETA		GAMMA		MU	DELTA (CUR)	
	Year 1	Year 2	Year 1	Year2	Year 1	Year 2	Year 2	Year 1	Year2
Lands	1,000			1,500	1,000				
Tangible assets (acq.val.)			3,000	4,000	4,000	5,000	6,000	8,000	8,000
Tangible assets (deprec.)			(1,200)	(1,800)	(800)	(1,300)	(3,000)	(4,000)	(4,800)
Fin.invest./BETA	5,000	7,400							
Fin.invest./GAMMA	2,100	900							
Fin.invest./DELTA	3,600	3,600		4,000					
Receivables/3rd Parties	1,500	1,600	5,000	7,000	2,000	3,000	3,000	8,000	14,000
Receivables/DELTA		1,000							
Cash	800	1,500	1,200	1,000	800	1,300	2,000	6,000	4,800
	14.000	16.000	8,000	15,700	7,000	8,000	8,000	18,000	22,000
Capital	5,000	5,000	3,000	6,000	2,000	2,000	3,000	8,000	8,000
Retained earnings	3,000	3,100	2,000	2,300	(500)	(900)	1,000	4,000	4,200
Result	400	800	300	900	(400)	(200)	500	600	1.000
Provisions	1,000	1,200	500	600				1,400	2,000
Payables/3rd Parries	4,600	5,900	2,200	5,900	5,900	7,100	3,500	4,000	5,550
Payables/ALPHA									1,250
	14.000	16,000	8,000	15,700	7.000	8,000	8,000	18,000	22,000
Turnover/3rd Parties	10,000	12,000	20,000	30,000	30,000	35,000	10.000	30,000	40,000
Turnover/DELTA		3,000							
Dividends/DELTA		150							
Gain on disposals		500				300			
Purchases/3rd Parties	(9.600)	(14,250)	(18,900)	(28,400)	(30,100)	(35,000)	(8,900)	(28,600)	(32,400)
Purchases/ALPHA									(5,200) (800)
Depreciations			(300)	(600)	(300)	(500)	(600)	(800)	
Provisions		(200)	(500)	(100)					(600)
Loss on disposals		(400)							
Result	400	800	300	900	(400)	(200)	500	600	1.000

Comeanv ALPHA

- The lands for **1000** in Year **1** have been sold to company BETA for a price of **1500,** giving a group profit of **500** that should be eliminated.

- There is an increase of **2400** in the financial investment in BETA. This corresponds to a subscription of **2400** = 80% * **3000** in the capital increase of company. **It** is important to notice that each shareholder subscribes in the proportion of its participation and that transaction should not imply consolidation adjustments.

- ALPHA has reduced its participation in company GAMMA from 70% to 30% by selling for a price of **800** 40% of shares at a book value of **1200.** This transaction gives a loss on disposal for **400** as **it** can be seen in the P&L

- There are intercompany receivables with company DELTA for an amount of **1000.** The P&L shows also intercompany turnover for **3000** with the same company. These figures will require a special care because the partner DELTA closes its accounts in CUR.

- Analysis of equity shows a distribution of gross dividends for **300.** These dividends have been paid during Year **2,** which means such transaction should appear in the cash flow statement.

- The dividends for **150** in the P&L have been paid by company DELTA on the basis of **240** CUR = 60% * **400** CUR. These dividends are related to Year **1** profit and paid during Year **2.**

Comeanv BETA

- The lands for **1500** have been acquired from company ALPHA. This book value includes a group profit for **500** to be eliminated.

- BETA acquires 90% of shares of company MU for a price of **4000.** This acquisition occurss on July 1st**,** Year **2.** This will imply a goodwill calculation at that date. Moreover, we must consolidate only the last six months of the new company.

- We notice indeed a capital increase for an amount of **3000.**

Company GAMMA

- All transactions reflected in these accounts occur with the outside world and need no consolidation adjustments. Of course, this company is now consolidated with the equity method.

	ALPHA		BETA		GAMMA		MU	DELTA (CUR)	
	Year 1	Year 2	Year 1	Year2	Year 1	Year 2	Year 2	Year 1	Year2
Lands	1,000			1,500	1,000				
Tangible assets (acq.val.)			3,000	4,000	4,000	5,000	6,000	8,000	8,000
Tangible assets (deprec,)			(1,200)	(1,800)	(800)	(1,300)	(3,000)	(4,000)	(4,800)
Fin.invest./BETA	5,000	7,400							
Fin.invest./GAMMA	2,100	900							
Fin.invest./DELTA	3,600	3,600		4,000					
Receivables/3rd Parties	1,500	1,600	5,000	7,000	2,000	3,000	3,000	8,000	14,000
Receivables/DELTA		1.000							
Cash	800	1,500	1,200	1,000	800	1,300	2.000	6,000	4,800.
	14,000	16,000	8,000	15,700	7,000	8.000	8,000	18,000	22.000
Capital	5,000	5,000	3,000	6,000	2,000	2,000	3,000	8,000	8,000
Retained earnings	3,000	3,100	2,000	2,300	(500)	(900)	1,000	4,000	4,200
Result	400	800	300	900	(400)	(200)	500	600	1.000
Provisions	1,000	1,200	500	600				1,400	2,000
Payables/3rd Parties	4,600	5,900	2,200	5,900	5,900	7,100	3,500	4,000	5,550
Payables/ALPHA									1,250
	14,000	16,000	8,000	15,700	7,000	8,000	8,000	18,000	22,000
Turnover/3rd Parties	10,000	12,000	20,000	30,000	30,000	35,000	10,000	30,000	40,000
Turnover/DELTA		3,000							
Dividends/DELTA		150							
Gain on disposals		500				300			
Purchases/3rd Parties	(9,600)	(14,250)	(18,900)	(28,400)	(30,100)	(35,000)	(8,900)	(28,600)	(32,400)
Purchases/ALPHA									(5,200)
Depreciations			(300)	(600)	(300)	(500)	(600)	(800)	(800)
Provisions		(200)	(500)	(100)					(600)
Loss on disposals		(400)							
Result	400	800	300	900	(400)	(200)	500	600	1,000

Company MU

- This is a new company acquired by company GAMMA on July 1st, Year **2.** On that date, the company's result was already **200.** Here are the accounts giving that result :
    - Turnover **6000**
    - Purchases **5500**
    - Depreciations **300**
- The due diligence concludes to no goodwill allocation.

Company DELTA

- Equity analysis confirms the payment of dividends for **400** CUR. As stated before, company ALPHA receives **240** CUR = 60% * **400** CUR booked for a value of **150** EUR.

- We remind that the provisions still include an amount of **300** CUR to be eliminated. These provisions have already been adjusted during Year **1** consolidation. This means that the adjustment has to be maintained.

- The intercompany payables of **1250** CUR with partner ALPHA correspond to the intercompany receivables booked in ALPHA accounts. This means the difference that will be noticed after currency translation is to be considered as an exchange gain or loss.

- The same comment can be made for the intercompany purchases with ALPHA for an amount of **5200** CUR.

Let's now proceed to the consolidation of Year 2 like we did for Year **1.**

DIRECT CONSOLIDATION

ALPHA	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Goodwill (gross val.)		500		300			800
Goodwill (deprec.)			(400)		(300)		(700)
Lands							0
Tangible assets (acq.val.)							0
Tangible assets (deprec.)							0
Fin.invest./BETA	7,400	(500)					6,900
Fin.invest./GAMMA	900			(300)			600
Fin.invest./DELTA	3,600						3,600
Fin.invest./MU							0
Equity value							0
Receivables/3rd Parties	1,600						1,600
Receivables/DELTA	1,000						1,000
Cash	1,500						1,500
Link account(Intercos)							0
Link account(Fin.Inv.)							0
	16,000	0	(400)	0	(300)	0	15,300'
Capital	5,000						5,000
Retained earnings	3,100						3,100
Reserves			(300)		(240)	168	(372)
Result	800		(100)		(60)	(168)	472
Consolidated reserves							0
Translation adjustments							0
Minority interests							0
Provisions	1,200						1,200
Payables/3rd Parties	5,900						5,900
Payables/ALPHA							0
	16,000	0	(400)	0	(300)	0	15,300
Turnover/3rd Parties	12,000						12,000
Turnover/DELTA	3,000						3,000
Dividends/DELTA	150					(150)	0
Exchange gain(unrealized)							0
Gain on disposals	500						500
Purchases/3rd Parties	(14,250)						(14,250)
Purchases/ALPHA							0
Depreciations			(100)		(60)		(160)
Provisions	(200)						(200)
Exchange loss(realized)						(18)	(18)
Loss on disposals	(400)						(400)
Loss on equity cies							0
Link account(Intercos)							0
Result	800	0	(100)	0	(60)	(168)	472

ALPHA - Column (1)

Statutory accounts.

ALPHA - Column (2)

Historical goodwill of 500 related to the acquisition of company BETA in beginning of Year -1.

	Debit	Credit
Goodwill (gross val.)	500	
Fin.invest./BETA		500

ALPHA - Column (3)

This goodwill is now depreciated for an amount of (400) corresponding to (300) impacting the Reserves and a depreciation of (100) to book in P&L.

	Debit	Credit
Reserves		
Goodwill (deprec.)		
De, reciations		

ALPHA - Column (4)

Initially, we had a gross goodwill of 700 corresponding to the 70% acquisition of GAMMA. In January this year, ALPHA has sold 40% of these shares, remaining with a participation of 30%. The remaining gross goodwill kept in the consolidation is than 300 = 700 * [30% / 70%].

	Debit	Credit
Goodwill (gross val.)	300	
Fin.invest./GAMMA		300

ALPHA - Column (5)

Same comment can be made for the goodwill depreciations which opening value is (240) = (560) * [30% / 70%]. After this transaction, the net value of the goodwill is now 60 and the group decides to depreciate it totally.

	Debit	Credit
Reserves	240	
Goodwill (deprec.)		300
Depreciations	60	

ALPHA - Column (6)

Company DELTA is paying dividends for 400 CUR valuated at Year 1 average rate of 0.7. ALPHA should then receive 168 = 60% * 400 CUR * 0.7 but, on the basis of the bank receipt, books only 150. The difference is considered as a realized exchange loss.

	Debit	Credit
Dividends/DELTA	150	
Exchange loss(realized)	18	
Reserves		168

DIRECT CONSOLIDATION

ALPHA	(7)	(8)	(9)	(10)	(11)	(12)
Goodwill (gross val.)	800					800
Goodwill (deprec.)	(700)					(700)
Lands	0					0
Tangible assets (acq.val.)	0					0
Tangible assets (deprec.)	0					0
Fin.invest./BETA	6,900				(6,900)	0
Fin.invest./GAMMA	600				(600)	0
Fin.invest./DELTA	3,600				(3,600)	0
Fin.invest./MU	0					0
Equity value	0					0
Receivables/3rd Parties	1,600					1,600
Receivables/DELTA	1,000			(1,000)		0
Cash	1,500					1,500
Link account(Intercos)	0			1,000		1,000
Link account(Fin.Inv.)	0				11,100	11,100
	15,300	0	0	0	0	15,300
Capital	5,000					5,000
Retained earnings	3,100					3,100
Reserves	(372)	400	(680)			(652)
Result	472	(400)	680			752
Consolidated reserves	0					0
Translation adjustments	0					0
Minority interests	0					0
Provisions	1,200					1,200
Payables/3rd Parties	5,900					5,900
Payables/ALPHA	0					0
	15,300	0	0		0	15,300
Turnover/3rd Parties	12,000					12,000
Turnover/DELTA	3,000			(3,000)		0
Dividends/DELTA	0					0
Exchange gain(unrealized)	0					0
Gain on disposals	500	(400)	280			380
Purchases/3rd Parties	(14,250)					(14,250)
Purchases/ALPHA	0					0
Depreciations	(160)					(160)
Provisions	(200)					(200)
Exchange loss(realized)	(18)					(18)
Loss on disposals	(400)		400			0
Loss on equity cies	0					0
Link account(Intercos)	0			3,000		3,000
Result	472	(400)	680	0	0	752
Group result						752
Minority result						0

ALPHA – Column (7)

We continue by referencing to the subtotal column (7).

ALPHA – Column (8)

We have already noticed that the disposal of lands for a price of 1500 generates a group profit of 500. This transaction being concluded with the 80% owned company BETA implies we recognize a group profit for only 400 = 80% * 500 which has to be eliminated and we keep a profit of 100 = 20% * 500 with the 3rd Parties.

	Debit	Credit
Gain on disposals	400	
Reserves		400

ALPHA – Column (9)

In statutory accounts, the 40% GAMMA shares valuated at 1200 are disposed for a price of 800 giving a loss of 400.

In consolidated accounts, the value of these shares is 440 = 40% * [2000 + (900)] where figures between brackets are the equity at time of disposal. Moreover, a corresponding part of the remaining goodwill has also to be eliminated against the P&L. We speak about 80 = [40% / 70%] * [700 + (560)]. Compared to the disposal price of 800, the consolidated gain is 280 = 800 – 440 – 80.

The final adjustment eliminates the statutory loss for 400 and book a complementary gain of 280.

	Debit	Credit
Reserves	680	
Loss on disposals		400
Gain on disposals		280

ALPHA – Column (10)

We eliminate the intercompany positions with DELTA on the receivables and turnover accounts against the Link account.

	Debit	Credit
Link account(Intercos)	1,000	
Receivables/DELTA		
Turnover/DELTA	3,000	
Link account Intercos		3 000

ALPHA – Column (11)

Elimination of each Financial investment via the Link account.

	Debit	Credit
Link account(Fin.Inv.)	11,100	
Fin.invest./BETA		6,900
Fin.invest./GAMMA		
Fin.invest./DELTA		3 600

DIRECT CONSOLIDATION

BETA	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Goodwill (gross val.)					220		220
Goodwill (deprec.)						(22)	(22)
Lands	1,500			(500)			1,000
Tangible assets (acq.val.)	4,000	1,000					5,000
Tangible assets (deprec.)	(1,800)		(400)				(2,200)
Fin.invest./BETA							0
Fin.invest./GAMMA							0
Fin.invest./DELTA							0
Fin.invest./MU	4,000				(220)		3,780
Equity value							0
Receivables/3rd Parties	7,000						7,000
Receivables/DELTA							0
Cash	1,000						1,000
Link account(Intercos)							0
Link account(Fin.Inv.)							0
	15,700	1,000	(400)	(500)	0	(22)	15,778
Capital	6,000						6,000
Retained earnings	2,300						2,300
Reserves		1,000	(300)	(500)			200
Result	900		(100)			(22)	778
Consolidated reserves							0
Translation adjustments							0
Minority interests							0
Provisions	600						600
Payables/3rd Parties	5,900						5,900
Payables/ALPHA							0
	15,700	1,000	(400)	(500)	0	(22)	15,778
Turnover/3rd Parties	30,000						30,000
Turnover/DELTA							0
Dividends/DELTA							0
Exchange gain(unrealized)							0
Gain on disposals							0
Purchases/3rd Parties	(28,400)						(28,400)
Purchases/ALPHA							0
Depreciations	(600)		(100)			(22)	(722)
Provisions	(100)						(100)
Exchange loss(realized)							0
Loss on disposals							0
Loss on equity cies							0
Link account(Intercos)							0
Result	900	0	(100)	0	0	(22)	778
Group result							
Minority result							

BETA – Column (1)

Statutory accounts.

BETA – Column (2)

At time of acquisition in Year -1, the initial goodwill has been partially allocated to some tangible assets for an amount of 1000. These tangible assets are still in the company and so we keep the adjustment.

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

BETA – Column (3)

A new depreciation is booked in the P&L.

	Debit	Credit
Reserves	300	
Tangible assets (deprec.)		400
Depreciations	100	

BETA – Column (4)

Lands account includes a group profit of 500 we eliminate against the Reserves account. We did the same in APLHA by eliminating the group profit for 400 also against the Reserves. The impact in BETA being taken at 80%, Reserves accounts between the two companies will be netted to zero.

	Debit	Credit
Reserves	500	
Lands		500

BETA – Column (5)

Acquisition of company MU is done with a goodwill corresponding to the difference between the acquisition price of 4000 and 3780 = 90% * [3000 + 1000 + 200]. Figures between brackets are the MU equity on July 1st, Year 2, 200 representing the first six months profit.

	Debit	Credit
Goodwill	220	
Fin.invest./MU		220

BETA – Column (6)

This goodwill is depreciated over 5 years, starting at acquisition date. The corresponding depreciation for Year 2 is 22 = 20% * 220 * [6/12].

	Debit	Credit
Depreciations	22	
Goodwill		22