CONSOLIDATED FINANCIAL STATEMENTS UNDER IFRS

Tănase Alin-Eliodor[1],
Calotă Traian-Ovidiu[2]

Abstract:
This article is focuses on accounting consolidation techniques and the preparation of consolidation worksheets for the components of financial statements (statement of comprehensive income, statement of changes in equity, and financial position). The presented group includes parent company, two subsidiaries (only one fully controlled by the parent company) and a jointly controlled entity. The financial statements are presented under the following standards IFRS 3 Business Combination, IAS 27 Consolidated and separate financial statements and IAS 31 Interests In Joint Ventures.

Keywords*:* subsidiary, joint venture, noncontrolling interests, the acquirer, goodwill, full consolidation, proportionate consolidation method

JEL: G32 – Financing Policy; Financial Risk and Risk Management; Capital and Ownership Structure; Goodwill; G34– Mergers; Acquisitions; Restructuring; Corporate governance; H32 – Firm; M41 – Accounting.

1. Introduction

Entity A purchased 75% of Entity B' shares at 01/01/2009.

Entity A and Entity X entered into a joint venture management agreement in 2009 and- based on this agreement – a new Entity C was incorporated. Each party contributed with 50% to the share capital of the new entity.

Entity A acquired from the open market 100% of the share capital of Entity D at date of 01/01/2012

Listed below is the aggregate information from individual financial statements of affiliated entities A, B, C, and D.

[1] *PhD, financial director EVERET România Distribution, alin.tanase@everet.ro*
[2] *PhD, Lecturer,* Titu Maiorescu University, Bucharest, *traiancalota@infofisc.ro*

Table 1: Statements of Comprehensive Income at 31/12/2012;

Description	Entity A	Entity B	Entity C	Entity D
	CU'000	***CU'000***	***CU'000***	***CU1'000***
Revenue	111.595	84.498	7.454	10.425
Cost of sales	-29.755	-12.205	-1.444	-1.650
Gross profit	81.840	72.293	6.010	8.775
Distribution costs	-8.100	-8.003	-600	-790
Administrative expenses	-8.475	-3.020	-585	-830
Operating profit before tax	65.265	61.270	4.825	7.155
Taxation	-20.250	-18.405	-1.320	-1.965
Profit after tax	45.015	42.865	3.505	5.190

Table 2: Statements of Financial Position as at 31/12/2012

Description	*Note*	Entity A	Entity B	Entity C	Entity D
		CU'000	***CU'000***	***CU'000***	***CU1'000***
ASSETS					
Non Current Assets					
Property, plant and equipment, net value		49.510	53.519	7.050	10.573
Investment in Entity B	1	9.250			
Investment in Entity C	4	2.400			
Investment in Entity D	6	9.180			
Loan to Entity C	5	300			
Current Assets					
Inventory		1.370	2.851	1.780	1.247
Accounts receivables		19.965	14.790	1.580	3.170
Bank		4.230	6.535	1.555	1.450
Total assets		***96.205***	***77.695***	***11.965***	***16.440***
EQUITY AND LIABILITIES					
Capital and reserves					
CU 1/CU1 1 ordinary shares		13.395	7.500	4.800	2.850
Retained earnings		77.000	61.335	6.755	12.210

Non Current Liabilities					
Loan					820
Loan from Entity A	5			300	
Current Liabilities					
Accounts payables		5.765	8.800	100	500
Taxation		45	60	10	60
Total equity and liabilities		***96.205***	***77.695***	***11.965***	***16.440***

Table 3: Statement of Changes in Equity at 31/12/2012

Description	**Entity A**	**Entity B**	**Entity C**	**Entity D**
	CU'000	CU'000	CU'000	CU1'000
Retained earnings at 01/01	31.985	18.470	3.250	7.020
Profit for the year	45.015	42.865	3.505	5.190
Retained earnings at 31/12	***77.000***	***61.335***	***6.755***	***12.210***

All the amounts are denominated in functional currency CU for A, B, and C entities and in functional currency CU1 for D entity.

Further it will be presented the accounting consolidation techniques and the drawing of the consolidation worksheets for the components of financial statements. It will be distinctly presented the stages of consolidation process for each relationship between the parent company (Entity A) and each of its related entities (Entity B, C, and D).
The presentation currency for the consolidated financial statement of Group is CU currency.

2. What is the group's structure?

Group Structure Entity A is parent company (the acquirer)

Table 4: Group's structure and accounting method

Entity	**Group's interest**	**NCI**	**Type**	**Accounting method**	***IFRS***
Entity B	75%	25,00%	Subsidiary (the acquiree)	Full consolidation	*IAS 27*
Entity D	100%	0,00%	Subsidiary (the acquiree)	Full consolidation	*IAS 27*
Entity C	50%	n/a	Joint Venture	Proportional consolidation	*IAS 31*

Full consolidation - „In preparing consolidated financial statements an entity combines the items presented in the financial statements *line by line*, adding together like items of assets, liabilities, equity, income and expenses. When less than 100% of the shares of the acquired entity are owned by the acquirer, a complication arises in the preparation of consolidated statements, and a noncontrolling interest must be determined and presented. The acquired assets and liabilities are still fully included in the parent's consolidated financial statements and are valued at fair value, which has implications for the presentation of noncontrolling interest"(Barry J. Epstein, Eva K. Jermakowicz, 2010, page 556 -557).

Proportionate consolidation is a method of accounting whereby a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial statements or reported as separate line items in the venturer's financial statements.

3. What are the steps of consolidation process?

(i) Identify the acquirer and establish the date of acquisition

(ii) Recognize, measure, and classification the identifiable tangible and intangible assets acquired and liabilities assumed

(iii) Recognize and measure any noncontrolling interest in the acquiree

(iv) Measure the consideration transferred

(v) Recognize and measure goodwill or gain from a bargain purchase

"The objective of consolidated accounts is to present the financial position, performance and evolution of financial position related to entities on the group, as if they would be a single entity" (Niculae Feleaga, Liliana Malciu, 2002, page 296). It is important evolution "in the financial position or performance of the entity' (Rodica Gherghina, Ioana Duca, 2012, page 17).

3.1 Relation Parent Company (Entity A) - Subsidiary (Entity B)

Additional information for the relationship between Entity A- Entity B:

Note 1 Entity A purchases 75% of Entity B' shares - paying the market price for the acquired shares - at 01/01/2009 when the amount of the retained earnings of Entity B was CU3.235.500.

At the date of acquisition the fair value of the assets of Entity B was established as equal to their book value, with the exception of buildings which had a fair value of CU 435.000 in excess of their book value at that date.

This has not been reflected in the books and records of Entity B. If the revaluations had been reflected in the books and records of the Entity B, an additional depreciation of CU 5.000 per year would need to have been charged in each of the four years 2009 to 2012.

Note 2 During the year 2012 Entity A sold goods to the value of CU 748.500 to Entity B, making a profit of 30% on these sales. At 31/12/2012 Entity B still had in inventory CU 175.000 of these goods.

Note 3 The receivables of the Entity A include an amount due from Entity B of CU 85.000. The records of Entity B show a balance owed to Entity A of CU 39.550. A payment of CU 45.450 was made on 30/12/2012 by the Entity B but was not recorded by Entity A until 02/01/2013.

a) Measure the amount of goodwill at the date of acquisition

"IFRS 3 (R) provides the acquirer with a choice of two methods to measure noncontrolling interests arising in a business combination.

1. To measure the noncontrolling interest at fair value (also recognizing the acquired business at fair value), or

2. To measure the noncontrolling interest at the noncontrolling interest's share of the value of net assets acquired (under this approach the only difference is that, in contrast to the approach of measuring the noncontrolling interest at fair value, no portion of imputed goodwill is allocated to the noncontrolling interest)" (Barry J. Epstein, Eva K. Jermakowicz, 2010, page 518 -519).

Implied Value (IV) (Acquisition price /Group's interest) CU 12.333.333;

Acquisition price (the fair value/market value at the date of acquisition): CU 9.250.000; Group's interest is: 75%

Table 5: Value of Goodwill

Description	**Parent**	**NCI**	**Total**
Acquisition price & IV	9.250.000	3.083.333	12.333.333
Book value (BV) of net assets acquired	8.051.625	2.683.875	10.735.500
Difference between IV and BV	1.198.375	399.458	1.597.833
Adjustment to fair value			
Buildings	-326.250	-108.750	-435.000
Rest amount	872.125	290.708	1.162.833
Goodwill recognised	872.125	290.708	1.162.833
Rest amount after the recognision of goodwill	0	0	0

b) Elimination of interests held by Entity A (the acquirer) in Entity B (the acquiree) and recognition of noncontrolling interests in the acquiree

R1

Ordinary share capital - entity B	7.500.000	
Retained earnings - entity B	3.235.500	
Difference IV and BV - Entity B	1.597.833	
Investment in Entity B		9.250.000
NCI - Entity B		3.083.333

R2

Buildings	435.000	
Goodwill	1.162.833	
Difference IV and BV - Entity B		1.597.833

c) Record the amortisation generated by the difference between the fair value and book value of the buildings:

Annual amortization is CU 5.000. Total amortization between date of acquisition (01/01/2009) and date of consolidated financial statements (31/12/2012) is 20000 divided as follow: (i) Current year 2012 CU 5.000; (ii) Previous years CU 15.000

R3

Amortization expense - current year		5.000	
Retained earnings Parent Entity - opening balance	75%	11.250	
NCI Entity B - opening balance	25%	3.750	
Property, plant and equipment			20.000

Table 6: Evolution of equity and noncontrolling interests (NCI):
- in CU –

Date	Equity	NCI	Description
01/01/2009	10.735.500	3.083.333	Opening balance 01/01/2010
01/01/2010-01/01/2012	15.234.500	3.808.625	Opening balance 01/01/2012

R4

Retained earnings Parent - Opening balance	3.808.625	
NCI Entity B - opening balance		3.808.625

"In preparing consolidated financial statements, any transactions among members of the group (intragroup or intercompany transactions) must be eliminated. For example, a parent may sell merchandise to its subsidiary, at cost or with a profit margin added, before the subsidiary ultimately sells the merchandise to unrelated parties in arm's-length transactions. Furthermore, any balances due to or from members of the consolidated group at the end of the reporting period must also be eliminated.The reason for this requirement is to avoid grossing up the financial statements for transactions or balances that do not represent economic events with outside parties. Were this rule not in effect, a consolidated group could create the appearance of being a much larger entity than it is in reality, merely by engaging in multiple transactions with itself." (Barry J. Epstein, Eva K. Jermakowicz, page 557)

d) Elimination of intercompany transactions (downstream sales)

Sales of goods: CU 748.500

R5	Revenue	748.500	
	Cost of sales		748.500

e) Elimination of the profit's share generated by the previous sale and included in the value of the unsold goods

Value of unsold goods held by the subsidiary at the end of the year is: CU 175.000. The share of the profit included in these goods is: CU 52.500.

R6	Cost of sales	52.500	
	Inventory		52.500

f) Elimination of the inter company balances (Accounts receivables and Accounts payables)

Record the payment of CU 45.450 made by Entity A to Entity B on 30/12/2012

R7	Bank	45.450	
	Accounts receivables		45.450

Intercompany balances elimination

R8	Accounts payables	39.550	
	Accounts receivables		39.550

g) Computing of noncontrolling interests included in Comprehensive income - in CU –

Reported profit by Entity B	42.865.000
(-) Amortization adjustments (difference between FV and BV of buildings)	-5.000
Adjusted profit of Entity B	42.860.000
NCI percentage	25%
NCI included in Comprehensive income - Entity B	10.715.000

3.2 Relation Entity A - Entity C (Joint Venture)

Additional information for the relationship between Entity A- Entity C:

Note 4 Entity A and Entity X entered into a joint venture management agreement in 2009 and a new Entity C was created. Each associate has 50% to the share capital of the new entity. Entity A and Entity X share profits equally and neither has control of Entity C. Entity A uses proportionate consolidation method on a line by line basis to account for joint ventures.

Note 5 During 2011 the Entity A gave a loan of CU 300.000 to the Entity C. No interest is charged for this loan.

„IAS 31 allows two accounting treatments for an investment in the jointly controlled entity: (i) proportionate consolidation; (ii) The equity method of accounting".

"Under the proportionate consolidation method of accounting, the balance sheet of the venturer includes its share of the net assets of the joint venture and the comprehensive income includes its share of the income and expenses of the joint venture." (Abbas Ali Mirza, Magnus Orrell, and Graham J. Holt, 2008, page 216-217).

Determination of assets, liabilities, revenues and expenses controlled by Venture Partner (Entity A) in Jointly Controlled Entity (Entity C). Percentage held by Entity A is 50% according to the existing agreement.

"Joint ventures can take many forms and structures. Joint ventures may be created as partnerships, as corporations, or as unincorporated associations. The standard identifies three distinct types, referred to as jointly controlled operations, jointly controlled assets, and jointly controlled entities. Notwithstanding the formal structure, all joint ventures are characterized by certain features: having two or more venturers that are bound by a contractual arrangement, and by the fact that the contractual agreement establishes joint control of the entity. The contractual provision(s) establishing joint control most clearly differentiates joint ventures from other investment scenarios in which the investor has significant influence over the investee. In fact, in the absence of such a contractual provision, joint venture accounting would not be appropriate, even in a situation in which two parties each have 50% ownership interests in an investee. The actual existence of such a contractual provision can be evidenced in a number of ways, although most typically it is in writing and often addresses such matters as the nature, term of existence, and reporting obligations of the joint venture; the governing mechanisms for the venture; the capital contributions by the respective venturers; and the intended division of output, income, expenses, or net results of the venture" (Barry J. Epstein, Eva K. Jermakowicz, 2010. page 473).

Accounting method applied is proportionate consolidation.

Table 7: Amounts controlled by Entity A

Description	**Total amounts of Entity C**	**Amounts controlled by Entity A**
Revenue	7.454.000	3.727.000
Cost of sales	-1.444.000	-722.000
Distribution costs	-600.000	-300.000
Administrative expenses	-585.000	-292.500
Taxation	-1.320.000	-660.000
Property, plant and equipment, net value	7.050.000	3.525.000
Inventory	1.780.000	890.000
Accounts Receivables	1.580.000	790.000
Bank	1.555.000	777.500
Loan from Entity A*)/ Claim against the other associate Entity X	300.000	150.000
Accounts Payables	100.000	50.000
Taxation	10.000	5.000
Retained earnings at 01/01	3.250.000	1.625.000

*) Entity A cannot lend money to itself and - as a consequence - Entity A must eliminate the value of the loan lend to the Entity C. However, due to the fact Entity C is a joint venture between Entity A and another associate named Entity X, Entity A has, in fact, a claim against Entity X for 50 % from the value of the loan.

Integration of controlled assets, liabilities, revenues and expenses into the Financial Position of Entity A is done by using proportionate consolidation method.

- in CU -

R9	Investment in Entity C	55.000	
	Accounts payables		50.000
	Taxation		5.000

R10	Loan owned by associate Entity X /Claim against X	150.000	
	Loan gave by Entity A (entire amount)	-300.000	
	Property, plant and equipment , net value	3.525.000	
	Inventory	890.000	
	Accounts receivables	790.000	
	Bank	777.500	
	Investment in Entity C		5.832.500

R11	Investment in Entity C	5.352.000	
	Revenue		3.727.000
	Retained earnings at 01/01		1.625.000

R12	Cost of sales	722.000	
	Distribution costs	300.000	
	Administrative expenses	292.500	
	Taxation	660.000	
	Investment in Entity C		1.974.500

3.3 Relation Parent Company (Entity A) - Subsidiary (Entity D)

Additional information for the relationship between Entity A- Entity D:

Note 6 Entity A acquired from the open market 100% of the share capital of Entity D at date of 01/01/2012 at a cost of CU 9.180.000. At the date of acquisition the fair value of the assets of the Entity D was equal to their book value, with the exception of land which had a fair value of ***CU1*** 1.500.500 in excess of its book value. This has not been reflected in the books and records of Entity D.

Note 7 The exchange rates for the year are as follows: (i) 01/01/2012: 1CU = 1,25 CU1; (ii) 31/12/2012: 1CU = 2 CU1; (iii) Average 2012: 1CU = 1,65 CU1.

Note 8 Between Entity A and Entity D does not exist intercompany transactions.

Entity D represents a foreign operation for the Group. According to IAS 21 *The Effects of Changes in Foreign Exchange Rates* a **foreign operation** is a subsidiary, associate, joint venture, or branch whose activities are based or conducted in a country or currency other than those of the reporting entity. „If the presentation currency differs from the functional currency, the financial statements are retranslated into the presentation currency. If the financial statements of the entity are not in the functional currency of a hyperinflationary economy, then they are translated into the presentation currency in this way:

- Assets and liabilities (including any goodwill arising on the acquisition and any fair value adjustment) are translated at the closing spot rate at the date of that balance sheet;

- The comprehensive income is to be translated at the spot rate at the date of the transactions (Average rates are allowed if there is no great fluctuation in the exchange rates);

- All exchange differences are recognized in a separate component of equity." (Abbas Ali Mirza, Magnus Orrell, and Graham J. Holt, 2008, page 161)

Table 8: Statements of Comprehensive Income of Entity D at 31/12/2012

Description	**Entity D**	Exchange rate	**Entity D**
	CU1'000		***CU'000***
Revenue	6.950	1,65	4.212,12
Cost of sales	-1.650	1,65	-1.000,00
Gross profit	5.300		3.212,12
Distribution costs	-510	1,65	-309,09
Administrative expenses	-570	1,65	-345,45
Operating profit before tax	4.220		2.557,58
Taxation	-1.310	1,65	-793,94
Profit after tax	2.910		1.763,64

Table 9: Statement of Changes in Equity of Entity D at 31/12/2012

Description	**Entity D**	Exchange rate	**Entity D**
	CU1'000		***CU'000***
Retained earnings at 01/01	7.020	1,25	5.616
Profit for the year	2.910		1.763,64
Retained earnings at 31/12	***9.930***		***7.379,64***

Table 10: Statements of Financial Position of Entity D at 31/12/2012

Description	**Entity D**	Exchange rate	**Entity D**
	CU1'000		***CU'000***
ASSETS			
Non Current Assets			
Property, plant and equipment	10.573	2	5.286,50
Current Assets			
Inventory	1.247	2	623,50
Receivables	3.170	2	1.585,00
Bank	1.450	2	725,00
Total assets	***16.440***		***8.220,00***
EQUITY AND LIABILITIES			
Capital and Reserves			
CU 1/CU1 1 ordinary shares	2.850	1,25	2.280,00
Retained earnings	12.210		7.379,64
Non Current Liabilities			
Loan	820	2	410,00
Current Liabilities			
Payables	500	2	250,00
Taxation	60	2	30,00
Total equity and liabilities	***16.440***		***10.349,64***
Adjustment from conversion (8.220,00 – 10.349,64)			***-2.129,64***
Total			**8.220,00**

"The consolidation process of companies' accounts from the group cannot be done unless they are denominated in a single currency, respectively the currency used for consolidation" (Cernusca, 2004, page 350).

a) Measure the amount of goodwill at the date of acquisition

Implied Value (IV) (Acquisition price /Group's interest) 11.475.000 *denominated in CU1*

Acquisition price: ***CU1*** 11.475.000 Group's interest is: 100%

Table 11: Value of Goodwill

Description	Parent (in CU1)
Acquisition price & IV	11.475.000
Book value (BV) of net assets acquired	9.870.000
Difference between IV and BV	1.605.000
Adjustment to fair value	
Buildings	-1.500.500
Rest amount	104.500
Goodwill recognised	104.500
Rest amount after the recognition of goodwill	0

b) Elimination of interests held by Entity A (the acquirer) in Entity D (the acquiree) - in CU –

R13	Ordinary share capital - Entity D	2.280.000	
	Retained earnings - Entity D	5.616.000	
	Difference IV and BV - Entity D	1.284.000	
	Investment in Entity D		9.180.000

R14	Land	1.200.400	
	Goodwill	83.600	
	Difference IV and BV - Entity D		1.284.000

Value of the increase of land established at the date of acquisition		1.200.400
Revaluated amount at the end of year	31.12.2012	750.250
Difference		-450.150

R15	Retained earnings - Entity D	450.150	
	Land		450.150

Value of Goodwill at the date of acquisition		83.600
Revaluated value at the end of year	31.12.2012	52.250
Difference		-31.350

R16	Retained earnings - Entity D	31.350	
	Goodwill		31.350

Remember: Between Entity A and Entity D does not exist intercompany transactions.

4. How the mentioned above adjustments are displayed into the worksheets relating to consolidation process?

4.1 Worksheet for Individual/Consolidated Statement of Comprehensive income

Description	**Entity A**	**Entity B**	**Entity D**	***Note***	***Adjustments***		***Note***	***NCI***	***Consolidated amounts***
	CU'000	***CU'000***	***CU'000***		***Debit***	***Credit***			
Revenue	111.595	84.498	4.212,12	***R5***	748,50	3.727,00	***R11***		203.283,62
Cost of sales	29.755	12.205	1.000,00	***R6***	52,50	748,50	***R5***		42.986,00
				R12	722,00	-			
Gross profit	***81.840***	***72.293***	***3.212***						***160.297,62***
Distribution costs	8.100	8.003	309,09	***R12***	300,00	-			16.712,09
Administrative expenses	8.475	3.020	345,45	R3	5,00	-			12.137,95
				R12	292,50	-			
Operating profit before tax	65.265	61.270	2.558						131.447,58
Taxation	20.250	18.405	793,94	***R12***	660,00	-			40.108,94
Profit after tax	45.015	42.865	1.764						91.338,64
NCI in comprehensive income - Entity B								**10.715,00**	10.715,00
Profit after tax included in equity	***45.015***	***42.865***	***1.763,64***		**2.780,50**	**4.475,50**		**10.715,00**	***80.623,64***

4.2 Worksheet for consolidated statement of changes in equity

Description	**Entity A**	**Entity B**	**Entity D**	***Note***	Adjustments		***Note***	***NCI***	***Consolidated amounts***
	CU'000	***CU'000***	***CU'000***		Debit	Credit			
Retained earnings at 01/01									
Entity A	31.985			R3	11,25	-			31.973,75
Entity B		18.470		R1	3.235,50	-			11.425,88
				R4	3.808,63	-			
Entity D			5.616,00	R13	5616	1.625,00	R11		1.625,00
Profit after tax included in equity	**45.015**	**42.865**	**1.763,64**		**2.780,50**	**4.475,50**		**10.715,00**	***80.623,64***
Exchange loss/profit			-2.129,64	R15	450,15	-			-2.611,14
				R16	31,35	-			
Retained earnings at 31/12	**77.000**	**61.335**	**5.250,00**	**0**	**15.933,38**	**6.100,50**	**0**	**10.715,00**	**123.037,13**

4.3 Worksheet for Individual / Consolidated Statement of Financial Position

Description	Entity A	Entity B	Entity D	*Note*	Adjustments		*Note*	*NCI*	*Consolidated amounts*
	CU'000	*CU'000*	*CU'000*		Debit	Credit			
ASSETS									
Non Current Assets									
Property, plant and equipment	49.510	53.519	5.286,50	R2	435	20	R3		
				R10	3.525	-			113.005,75
				R14	1.200,40	450,15	R15		
Investment in Entity B	9.250				-	9.250	R1		0,00
Investment in Entity C	2.400			R9	55	5.832,50	R10		0,00
				R11	5.352	1.974,50			
Investment in Entity D	9.180			R13	-	9.180	R13		0,00
Loan to Entity C	300			R10	-300,00	-			0,00
Difference IV and BV - Entity B				R1	1.597,83	1.597,83	R2		0,00
Difference IV and BV - Entity D				R13	1.284	1.284	R14		0,00
Goodwill - Entity B				R2	1.162,83	-			1.215,08
Goodwill - Entity D				R14	83,60	31,35	R16		
Loan owned by associate Entity X				R10	150	-			150,00
Current Assets									
Inventory	1.370	2.851	623,50	R10	890	52,50	***R6***		5.682,00
Accounts receivables	19.965	14.790	1.585,00	R10	790	45,45	R7		37.045,00
						39,55	R8		
Bank	4.230	6.535	725,00	R7	45,45	-			12.312,95
				R10	777,50	-			
Total assets	***96.205***	***77.695***	***8.220,00***		-	-			***169.410,78***

EQUITY AND LIABILITIES									
Capital and Reserves									
Ordinary share capital - Entity A	13.395				-	-			13.395,00
Ordinary share capital - Entity B		7.500		R1	7.500,00	-			0,00
Ordinary share capital - Entity C					-	-			0,00
Ordinary share capital - Entity D			2.280,00	R13	2.280,00	-			0,00
Retained earnings	**77.000**	**61.335**	**5.250**		**15.933,38**	**6.100,50**		**10.715,00**	**123.037,13**
NCI - Entity B				R3	3,75	3.083,33	R1	10.715,00	17.603,21
					-	3.808,63	R4		
Non Current Liabilities									
Loan	0	0	410,00		-	-			410,00
Loan from Entity A	0	0			-	-			0,00
Current Liabilities									
Payables	5.765	8.800	250,00	R8	39,55	50,00	R9		14.825,45
Taxation	45	60	30,00		-	5,00	R9		140,00
Total equity and liabilities	***96.205***	***77.695***	***8.220,00***		***42.805,29***	***42.805,29***			***169.410,78***

5. What is the structure of consolidated financial statement?

Table 12: Consolidated statement of comprehensive income at 31/12/2012 CU'000

Revenue	203.284
Cost of sales	42.986
Gross profit	160.298
Distribution costs	16.712
Administrative expenses	12.138
Operating profit before tax	131.448
Taxation	40.109
Profit after tax, attributable to:	**91.339**
Noncontrolling interests	**10.715**
Owners of the parent	**80.624**

Table 13: Consolidated statement of changes in equity at 31/12/2012 CU'000

Description	Share Capital	Retained earnings	***Total***
Balance @ 01/01	13.395	45.025	*58.420*
Profit	0	80.624	*80.624*
Exchange (loss)/profit	0	-2.611	*-2.611*
Total @ 31/12	***13.395***	***123.038***	***136.433***

Table 14: Consolidated Financial Position at 31/12/2012 CU'000

ASSETS	
Non Current Assets	
Property, plant and equipment	113.006
Goodwill	1.215
Loan owned by associate Entity X	150
Current Assets	
Inventory	5.682
Accounts receivables	37.045
Bank	12.313
Total assets	***169.411***
EQUITY AND LIABILITIES	

Capital and Reserves	
Ordinary share capital -Entity A	13.395
Retained earnings	123.037
Atribuibil to the equity shareholders	**136.433**
NCI	17.603
Non Current Liabilities	
Loan	410
Current Liabilities	
Payables	14.825
Taxation	140
Total equity and liabilities	***169.411***

6. Base for presentation and conclusions

This article is focused on the consolidation techniques and necessary worksheets. The group is compounded by parent company, two subsidiaries, and one joint venture entity. Consequently the parent company (entity who prepares the consolidated financial statements) should apply different standards as mentioned bellow.

The consolidated financial statements are prepared based on IAS 27 *Consolidated and Separate Financial Statements (2008)* for consolidation of its two subsidiaries (Entity B and D) and IAS 31 *Interests in Joint Ventures (2003)* for the joint venture (Entity C).

Starting from 12 May 2011:

- IAS 31 is superseded by IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* effective 1 January 2013;

- IAS 27 (2008) is superseded by IAS 27 (2011) *Separate Financial Statements* effective 1 January 2013; and

- IAS 28 (2003) is superseded by IAS 28 (2011) *Investments in Associates and Joint Ventures* effective 1 January 2013

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