

S02.02-AS-02-I.2-Examples

2. Examples of the acquisition method

(CU = Currency Unit)

2.1. Simple acquisition with non-controlling interests (NCI)

F 75% G

Fact pattern:

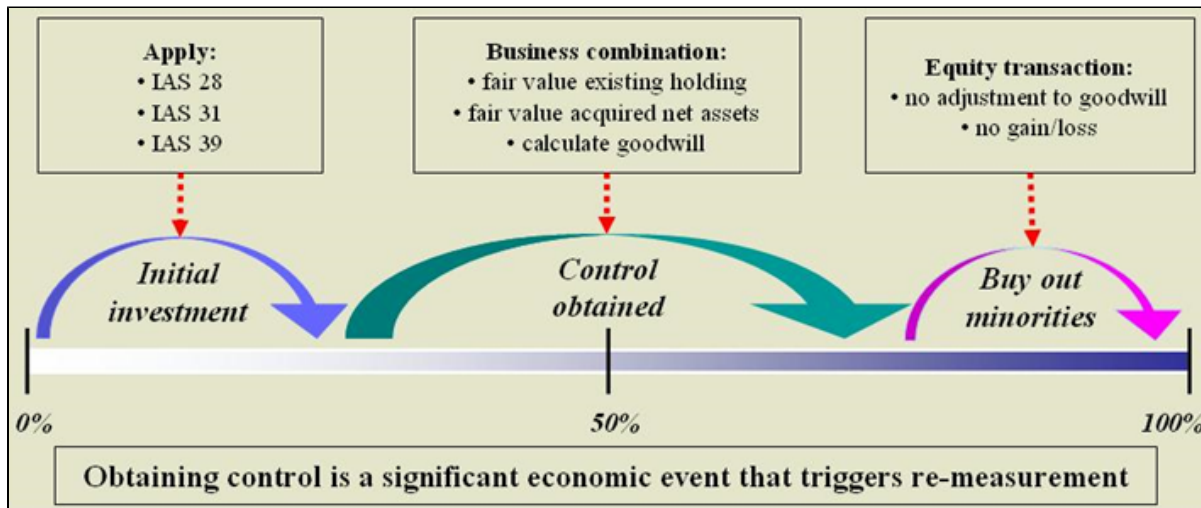
- Entity F acquires 75% of the shares in entity G for cash of CU 5000
- Transaction costs incurred in the acquisition: CU 1000
- Fair value of net assets of entity G at acquisition date: CU 4000
- Fair value of the NCI is CU 1200

How is goodwill calculated?

	Full goodwill method	Proportionate share method
	(NCI at Fair Value)	(NCI at portion of Net Assets)
+ Consideration	5000	5000
+ NCI	1200	1000
+ Fair Value of prior assets	0	0
- Net assets acquired	-4000	-4000
= Goodwill	2200	2000

2.2. Change in ownership interests

2.2.1. Increase in ownership interests



Step acquisition with NCIs: Example from 0% to 25% to 80%

F 25% 55% G

Fact pattern:

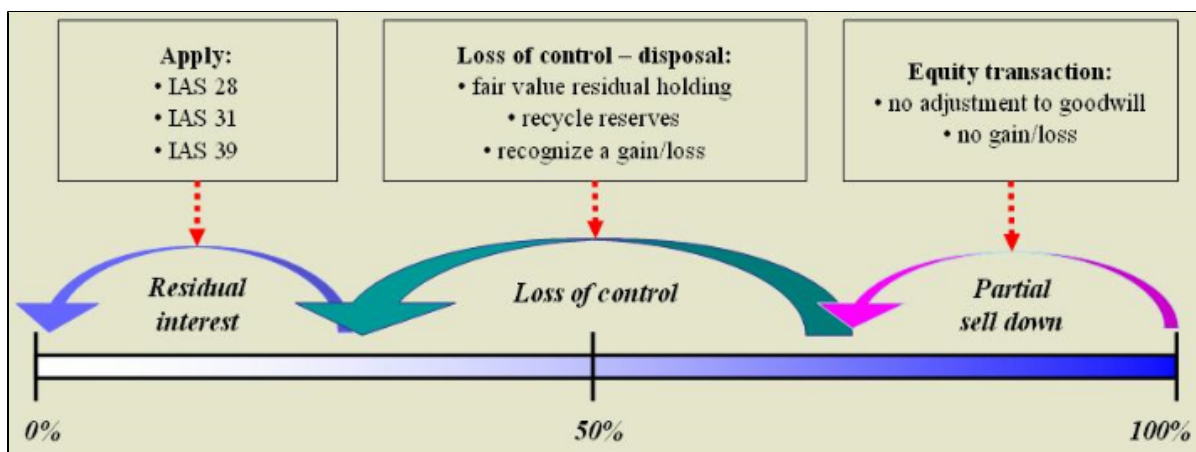
- Y: Entity H acquired 25% of the shares in entity G for CU 50 (25% gives H significant influence over G), when the Fair Value of the net assets of G was CU 100

- Y+1: Entity **H** purchased a further 55% of the shares in entity **G** for CU 125 (55% results in **H** controlling **G**), when the Fair Value of the net assets of **G** was CU 160.
The Fair Value of the 25% equity interest was CU 75.
The Fair Value of the NCI was CU 40

How is goodwill calculated?

Y+1	Full goodwill method	Proportionate share method
	(NCI at Fair Value)	(NCI at portion of Net Assets)
+ Consideration	125	125
+ NCI	40	32
+ Fair Value of prior assets	75	75
- Net assets acquired	-160	-160
= Goodwill	80	72

2.2.2. Decrease in ownership interests



Loss of control: Example from 90% to 10%

F 90% 10% G

Fact pattern:

- Entity **F** has 90% controlling interest in entity **G**.
On Dec 31, Y, the carrying value of **G**'s net assets in entity's **F** consolidated financial statements is CU 100 and the carrying amount attributable to the NCI in entity **G** (incl. the non-controlling interest's share of accumulated other comprehensive income) is CU 10 on Jan 1, Y+1.
- Entity **F** sells 80% of the share in entity **G** to a third party for cash proceeds of CU 120.
As a result of the sale, entity **F** loses control of entity **G** but retains a 10% NCI in entity **G**. The fair value of the retained interest on that date is CU 12

How is the gain (or loss) on sale of 80% interest in entity **G** calculated?

Cash proceeds		120
Fair Value of retained non-controlling equity investment in the former subsidiary (incl. accumulated OCI attributable to it) at the date control is lost		12
		132

LESS

Carrying value of G 's net assets at the date control is lost	100	
Carrying value of NCI (+/- any amounts included in other components of equity that relates to the subsidiary, that would be required if the parent had disposed of the related assets and liabilities)	10	
	110	
Gain on sale		22