

# CONTENTS

	Page
<b>1. Introduction</b> .....	<b>1</b>
1.1 What are consolidated financial statements .....	1
1.2 Who has to present consolidated financial statements .....	2
1.3 Consolidation procedures .....	3
1.4 Usefulness and limitations of consolidated financial statements .....	6
1.5 Approaches adopted in this book .....	7
1.6 Appendix A: Concept of "control" .....	8
1.7 Appendix B: Transitional provisions .....	20
<b>2. Consolidation at the Date of Acquisition</b> .....	<b>23</b>
2.1 Introduction .....	23
2.2 Combination of accounts .....	24
2.3 Fair value adjustments .....	26
2.4 Goodwill on consolidation .....	38
2.5 Non-controlling interest .....	48
2.6 Summary .....	58
2.7 Problems for self-study .....	59
<b>3. Consolidation Subsequent to the Date of Acquisition</b> .....	<b>71</b>
3.1 Introduction .....	71
3.2 Consolidated statement of comprehensive income .....	72
3.3 Pre acquisition and post acquisition reserves .....	77
3.4 Intragroup account balances .....	81
3.5 Unrealised intragroup profits and losses .....	87
3.6 Intragroup dividend .....	120
3.7 Other consolidation adjustments .....	129

	Page
3.8 Summary .....	148
3.9 Problems for self-study .....	150
<b>4. Changes in Shareholding Interests and Other Specific Issues</b> .....	<b>179</b>
4.1 Introduction .....	179
4.2 Changes in shareholding interests .....	180
4.3 Other specific issues .....	229
4.4 Summary .....	263
4.5 Problems for self-study .....	265
<b>5. Complex Group Structure</b> .....	<b>281</b>
5.1 Introduction .....	281
5.2 Father-son-grandson structure .....	281
5.3 Connecting affiliation structure .....	296
5.4 Cross holdings .....	317
5.5 Summary .....	320
5.6 Problems for self-study .....	322
<b>6. Associates and Joint Ventures</b> .....	<b>347</b>
6.1 Introduction .....	347
6.2 Associate: definition .....	348
6.3 Equity accounting; basic principles .....	349
6.4 Difference between cost and underlying net assets .....	356
6.5 Transactions between parent and associate .....	359
6.6 Impairment loss .....	371
6.7 Changes in ownership interest .....	378
6.8 Indirect shareholding .....	396
6.9 Associate with preference share capital .....	402
6.10 Joint venture .....	403

	<b>Page</b>
6.11 Summary .....	414
6.12 Problems for self-study .....	415
<b>7. Foreign Subsidiaries, Associates and Joint Ventures .....</b>	<b>445</b>
7.1 Introduction .....	445
7.2 Translation process .....	446
7.3 Foreign subsidiary .....	458
7.4 Foreign associate .....	471
7.5 Foreign joint venture .....	477
7.6 Summary .....	478
7.7 Problems for Self-study .....	479
<b>8. Consolidated Statement of Cash Flows .....</b>	<b>503</b>
8.1 Introduction .....	503
8.2 Non-controlling interest .....	504
8.3 Associates .....	505
8.4 Acquisition of subsidiary .....	507
8.5 Disposal of subsidiary .....	509
8.6 Foreign subsidiaries, associates and joint ventures .....	511
8.7 A comprehensive illustration .....	511
8.8 Summary .....	539
8.9 Problems for self-study .....	540
8.10 Appendix .....	557
<b>9. Consolidated Statement of Changes in Equity .....</b>	<b>569</b>
9.1 Introduction .....	569
9.2 Statement of changes in equity .....	569
9.3 Consolidation issues .....	571

	<b>Page</b>
9.4 Summary .....	577
9.5 Problems for self-study .....	578
<b>10. Further Issues .....</b>	<b>593</b>
10.1 Introduction .....	593
10.2 Consolidation theories .....	593
10.3 Pooling of interests (merger) method .....	612
10.4 Summary .....	626
<b>11. Problems for self-study .....</b>	<b>627</b>
<b>Index .....</b>	<b>695</b>