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Practical Consolidation Process under FRS 102

- Welcome to Your Webevent
- Introducing the Webevent Team
- Your Downloads and Material
- Your Questions
 - During the session
 - At the end of the session

Practical Consolidation Process under FRS 102

- Webevent Timing - 12:30 – 13:30
- Introduction – 5 Minutes
- Teaching Space – 45 Minutes
- Questions and Answers – 5 Minutes
- Session Close – 5 Minutes

Practical Consolidation Process under FRS 102

- Topic 1 – An overview of S9 consolidations and the new consolidation requirements under CAA 2017
- Topic 2 – Consolidation basics and collating the information
- Topic 3 – The core consolidation adjustments for Irish companies
- Topic 4 - Consolidation journals and adjustments
- Topic 5 – The financial statements and disclosures relating to consolidation
- Topic 6 – The audit file for consolidations

Topic 1: What changed under the 2017 Act

- Section 297 – deleted under Companies Accounting Act 2017
- Instead exemption from consolidation is the holding company can avail of the small companies exemption in S.280B
- Application of Gross & net thresholds
- Excluded entities in a group = consolidated stats for all of group
- Impact – reduced thresholds significantly and certain entities excluded
- Usual Intermediate exemptions still apply
- See handout – Overview of new consolidation requirements and the golden share

Topic 2: Consolidations and the basics & collating Info

- What entities are included in consolidation
- Remember Purchase accounts – Results from date of acquisition to date period end date only OR results from start of period to the date of disposal
- All subsidiaries are to be included in the financial statements unless long term restrictions placed on the entity which prevents the parent from controlling it e.g. company placed into administration or liquidation, severe restrictions on future distributions and veto powers by a 3rd party
 - Key thing is the ability to control the entity

Background – control

- What is Control
 - The ability to control the financial and operating policies; and
 - And benefits are obtained from that power (can be financial but also can be cost savings, access to customers or brand related goodwill etc.)
- power over more than half of the voting rights by virtue of an agreement with other investors; or
- power to govern the financial and operating policies of the entity under a statute or an agreement; or

Background – control

- What is Control (continued)
- power to appoint or remove the majority of members of the board of directors or equivalent; or
- power to cast the majority of votes at meetings of the board of directors; or
- having options or convertible instruments which are exercisable at the date of acquisition.
- Irrelevant as to whether the control is exercised. Ability to have it is what determines control (see example 1 & 2)
- Where shares held in bare trust, then look through & look to the beneficial holders

Control

- Strategic, financial and operating policies would include the ability to:
 - have control over distributions and investment decisions (most important) e.g. Right to block customary or expected dividends,
 - Place the company into Liquidation
 - Issue and repurchase shares
 - to determine the budgets, Capital expenditure and manage treasury,

Control

- Strategic, financial and operating policies would include the ability to:
 - Determine the dividend policy;
 - manage production, marketing, sales and human resources
 - The ability to control the composition of board of directors

Consolidation steps – Collating the Info

- Steps to consolidate:
 - See Sample Consolidation checklist in Appendix

Topic 3 & 4: Consolidations Adjustments

- Share for shares – creates goodwill – Consider Merger accounting option??
- Impact of golden share and how it is to be accounted for and shown in FS's
- Calculation of goodwill and determining fair value
- Elimination of investments including non-controlling interests
- Procedures where consolidated financial statements prepared for first time
- Allocation of result between controlling and non-controlling interest;
- Differing Year end of parent and Subsidiary
- Elimination of interco dividends, balances, inter Co. profits, sales, purchases
- Investment in associates/JV's – Equity method of accounting
- Properties rented to group companies – elimination of fair value uplifts and restatement to cost less depreciation as carried as investment property in individual entity accounts

Topic 5 – Consol Financial Statements

- What to watch out for?
- Directors report,
- Auditors report,
- Profit and loss – Group – Parent Unless S.304 applies
- Balance sheet – Group and Parent
- SOCE – Group and Parent
- Notes & Accounting policies – Notes for P&L as applicable for Group & not for parent – All notes for Group and Parent on balance sheet notes
- Disclosure of S.357 Guarantee if given

Topic 6 – Audit File for Consolidations

- Options on layout;
- Use the consolidation checklist to show evidence of work done;
- Have clear linking for basis for adjustments and testing;
- Watch materiality – if adjustments made at group level reduce profit;
- If not Component auditor issue instructions & review work

Q&A

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Wrap Up

- Webinar Series Continues – Property Management Audits – The key problem areas – 22 May
- Weekly Webinars – Bundle Tickets Available
- CPDStore.com
- OmniPro Corporate Consultants Team
- OmniPro Team
- Thank You

Why OmniPro

Our Why - Our core belief is simply this : Accountants can and do change lives. So we get up every morning to bring them the tools, advice and training so that they can create great businesses for themselves and their clients too. In this way we change lives, communities and our world. We would live to do that together with you.

Why OmniPro

How We Do That –

- We do accountants
- We connect with accountants.
- We learn about accountants so we can understand them.
- We work out what accountants want and need
- We find the best solution for accountants in any given situation

Why OmniPro

What We Do -

We provide accountants with information products, consulting and training in the areas of;

- practice management, business development & marketing;
- company secretarial & taxation;
- audit & financial reporting;
- professional regulation and disciplinary defence.