CHAPTER 13

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF GROUP ENTITIES



LEARNING OUTCOMES

After studying this chapter, you will be able to:

- Understand the scope and objective of various Ind AS related to preparation of consolidated and separate financial statements
- Comprehend the concepts of control evaluation over an investee
- Analyse whether an entity is an investment entity
- Learn consolidation procedure for subsidiaries and accounting of non-controlling interests
- Determine whether an entity is a joint arrangement and if yes then whether that joint arrangement is a joint operation or joint venture
- Assess whether an investor has significant influence over an investee to treat that investee as an associate
- Learn what is the equity method of accounting and how it is applied in accounting of associates and joint ventures in the consolidated financial statements
- Gain knowledge of what are separate financial statements and how to account for the investments in subsidiaries, associates and joint ventures in separate financial statements of the investor
- Understand the disclosure requirements with respect to interests in other entities in the consolidated and separate financial statements.

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UNIT 1:
INTRODUCTION TO CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1.1 INTRODUCTION

Consolidated and Separate Financial Statements of Group Entities

Consolidated financial statements present the financial position of an entire group including the parent and its group companies. Whereas the separate financial statements present the financial position of a single entity for which the financial statements are prepared.

Various stakeholders such as investors, promoters, lenders, government authorities, etc. are more interested in referring to the consolidated financial statements for their decision-making purpose as consolidated financial statements provide a complete overview of the operations and profitability of the entire group which is controlled by the parent rather than just looking at the separate financial statements of the parent. Also, in current business scenario, various large corporates frequently do business restructuring or expansion by creating more group companies in order to achieve benefits like tax savings, operational efficiency, etc. Hence, in such circumstances the consolidated financial statements are imperative to have a complete understanding of the profitability and financial position of the entire group.

1.2 IND AS COVERED IN THE CHAPTER

In this study material, following Ind AS are covered related to the preparation of consolidated and separate financial statements of group entities:

- Ind AS 110 *'Consolidated Financial Statements'*: This Ind AS provides the criteria for evaluation of whether an entity controls one or more other entities to treat them as subsidiaries of the entity. It also explains the procedures for preparation of consolidated financial statements including the requirements for elimination of inter-company transactions, accounting of non-controlling interests, accounting of loss of control over subsidiaries and many more. The principles of control evaluation are covered in unit 3 of this chapter and principles of consolidation procedures are covered in unit 4 of this chapter.
- Ind AS 111 *'Joint Arrangements'*: This Ind AS explains the principles of determining whether an investment by an entity in an arrangement with one or more other parties can be treated as a joint arrangement or not. Also, it explains how to classify such joint arrangement between joint operation and joint venture. The principles of this Ind AS are covered in unit 5 of this chapter.

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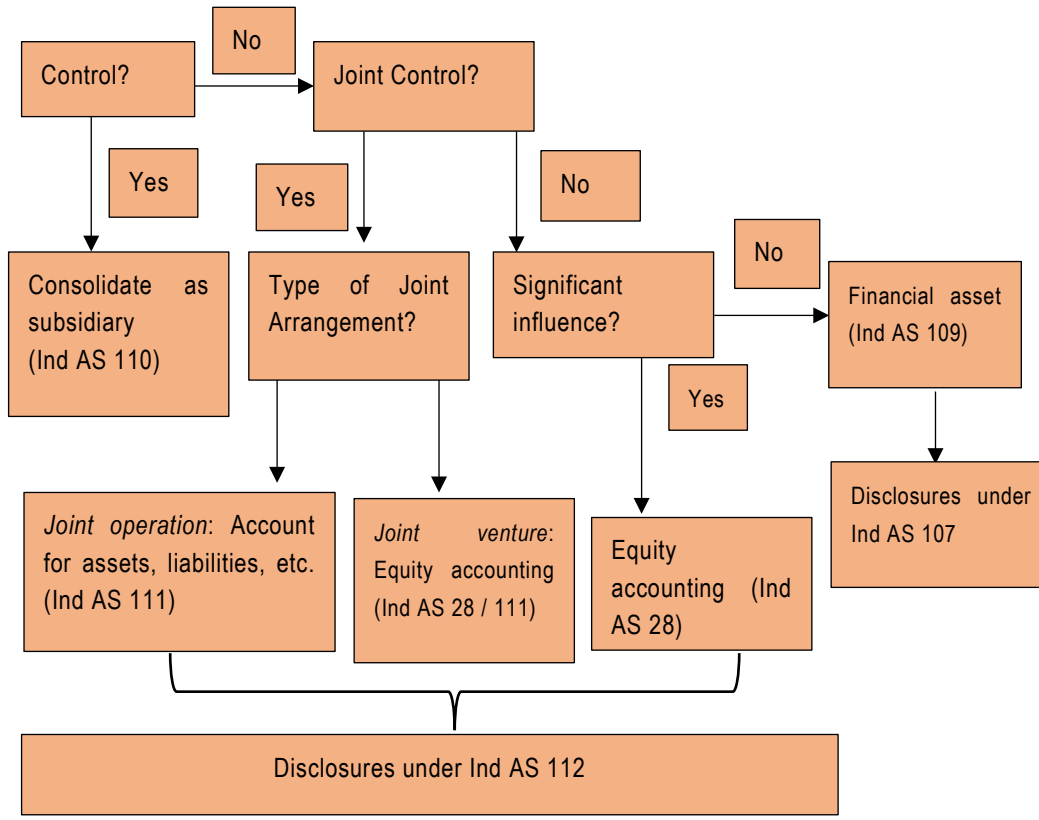
- Ind AS 28 *'Investments in Associates and Joint Ventures'*: This Ind AS describes the principles of determining whether an investor has significant influence over an investee whereby the investee will be treated as an associate of the investor. Further, this Ind AS explains the principles of application of equity method of accounting for accounting of investments in associates and joint ventures in the consolidated financial statements. The principles of this Ind AS are covered in unit 6 of this chapter.
- Ind AS 27 *'Separate Financial Statements'*: This Ind AS prescribes the principles of accounting and disclosure of investment in subsidiaries, associates and joint ventures in the separate financial statements of an entity. The principles of accounting of investments in subsidiaries, associates and joint ventures are covered in unit 7 of this chapter and principles of disclosures of investments in subsidiaries, associates and joint ventures are covered in unit 8 of this chapter.
- Ind AS 112 *'Disclosures of Interests in Other entities'*: This Ind AS provides the requirements for an entity to disclose certain information in its financial statements with respect to its interests in other entities. The requirements of this Ind AS are covered in unit 8 of this chapter.



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