

0 · How to Use This

READ FIRST

★ The final exam is 55%, **CLOSED BOOK**, and a **HURDLE** — score ≥45% in the exam itself or you fail the unit, whatever your other marks. Rest: tutorial participation 15% (9% group presentation + 6% weekly), group case study 20% (≈Wk 11), four in-lecture quizzes 10% (Wks 5, 7, 9, 11).

Permitted in the exam: an **unannotated CAANZ Financial Reporting Handbook** + **ONE double-sided HAND-WRITTEN A4**. **Printed standards are banned**; no Excel templates — you draft every worksheet journal by hand.

So treat this as the **master you distil onto your own handwritten A4**: it is the formula + journal bank for the whole unit. Side 1 = build the consolidation; side 2 = eliminate & the breadth topics. Tutorial/quiz questions are “adapted from past exams” — your best exam proxy.

SIA → *The whole unit is **cumulative and done by hand** — every later topic re-uses the worksheet spine. Drill the journals until the layout is automatic; confirm the permitted-materials rule in your current unit outline.*

1 · Control · Consolidate?

C1 · AASB 10

Control [AASB 10.6-7] = all THREE: (a) **power** over the investee (current ability to direct the *relevant activities*), (b) **exposure to variable returns** (+/-, not just dividends), (c) the **link** — ability to use power to affect returns.

No % in the definition. Control is substance over form: *de facto* control can exist below 50%; a majority can fail if rights are non-substantive.

- **Substantive rights** — holder has the practical ability to exercise (no barriers) ⇒ count
- **Protective rights** — apply only on default/fundamental change ⇒ *never* confer power
- **Potential voting rights** (options/convertibles) count only if substantive — currently exercisable & not deeply out-of-the-money
- **Agent vs principal** — a trustee acting for others does not control

Who consolidates: a parent prepares consolidated financial statements (CFS). Exemption [10.4]: a wholly/partly-owned sub whose debt isn't publicly traded & whose ultimate parent files IFRS CFS.

DISCLOSURE

AASB 12 — significant judgements in determining control [.7], info on subs & NCI [.10], unconsolidated structured entities [.24]. **AASB 124** — parent & sub are **related parties** [.9]; disclose the relationship, ultimate parent, & related-party transactions.

SIA → *Classic trap: a 60% holder who has directed activities for years still controls even if another party holds options — if those options are out-of-the-money they are not substantive. Re-test substantiveness at the reporting date.*

1b · Investment-Type Map

WHICH METHOD?

Method is driven by **decision-making rights**, not the % alone (% is only an indicator).

INFLUENCE	CLASS / STD	METHOD
Insignificant	Fin. asset - AASB 9	Fair value (P&L / OCI)
Significant (≥20%)	Associate - AASB 128	Equity method
Joint control	JV - 128/11	Equity method
Joint control	JO - AASB 11	Line-by-line (A,L,E)
Control	Subsidiary - 10/3	Full consolidation

Threshold is substance: 19% may be significant influence; 45% may be de facto control; 60% need not be control if rights aren't substantive.

2 · Acquisition Method

C2 · AASB 3

Apply the **acquisition method** [AASB 3.4] — the 5-part acquisition analysis:

1. **Identify the acquirer** — who obtains control [3.6-7]
2. **Identify the acquisition date** — date control passes; fixes FVs & freezes pre-acq equity
3. **Measure FVINA** — identifiable A & L at acquisition-date fair value [3.18] (may include items the sub can't book — internally generated intangibles, contingent liabilities)
4. **Measure consideration transferred** at FV [3.37] = cash + FV of assets given + FV of shares issued + FV of liabilities to former owners
5. **Recognise goodwill OR gain on bargain purchase**

In the parent's own books the acquisition is recorded at cost:

PARENT'S BOOKS (COST)
Dr Investment in Subsidiary (cost)
Cr Cash / Share capital / Liability

GOODWILL FORMULA [3.32]

GOODWILL =
Consideration transferred (parent)
+ Amount of any NCI
+ FV of previously held interest (step acq)
- FVINA (fair value of identifiable net assets)

Goodwill (positive) ⇒ asset, **not amortised**, impairment-only [AASB 136] & **irreversible**. **GOBP** (negative) ⇒ rare: first *reassess* that all A, L & the consideration are correctly identified & measured, then recognise the residual excess as **income (gain) in P&L** in the acquisition period [3.34-36].

Trap: FVINA is measured *net of the 30% deferred tax* on the FVAs — forgetting it overstates FVINA & understates goodwill. 100% acq ⇒ NCI = 0, so goodwill = consideration - FVINA. In a **step acquisition** the previously held interest is re-measured to FV at the date control is obtained, with the gain/loss to P&L.

2b · Acquisition Analysis

WORKED · 100%

Bowen Ltd buys **100% of Larsen Ltd** on 1 Jul 20X4 for \$900 cash. Larsen's equity at acquisition: Share capital \$500, Retained earnings \$250, General reserve \$50.

One asset off FV: land carried at \$200, FV \$300 (+\$100).
FVA ON LAND (NET OF TAX)
Uplift \$100 → BCVR \$70 + DTL \$30 (100×30%)

FVINA AT ACQUISITION
= 400 + 250 + 50 + 70 (after-tax FVA)
= **770**

GOODWILL
= Consideration 900 - FVINA 770
= **130**

Check direction: if Bowen had paid only \$700, residual = 700 - 770 = -70 ⇒ reassess, then a **\$70 gain on bargain purchase** to P&L (not “negative goodwill”).

#1 mistake: computing FVINA from *book equity* (omit the after-tax FVA), or using the FVA gross (\$100) instead of ×(1-t) (\$70); also forgetting to add NCI in the formula when the sub is partly owned.

3 · The Worksheet

C3 · AASB 10, B86

Two core tasks: (1) **aggregate** line-by-line A, L, equity, income, expenses & cash flows of parent + subs; (2) **adjust** — offset investment vs pre-acq equity (book goodwill) & eliminate intra-group items in full.

TWO GOVERNING PRINCIPLES

- **#1** — consolidation entries live **only in the worksheet**; they never touch the parent's or sub's general ledger.
- **#2** — the worksheet is a **temporary record**; entries are *not* carried forward — re-process every period until disposal. Any entry that hit a *prior period's* profit is redirected to **Opening Retained Earnings (ORE)**.

ORDER OF ADJUSTMENTS

Step 1 Acquisition analysis
Step 2a FVA (BCVR) + tax effect
Step 2b Pre-acquisition elimination (+ goodwill)
Step 2c Intra-group eliminations (+ tax)
Step 3 NCI memorandum

FVAs (2a) go BEFORE pre-acq (2b) — they form part of pre-acq equity & affect goodwill, so the BCVR must exist before it's eliminated.

Layout: Account | Parent | Subsidiary | Adj Dr | Adj Cr | Group. Group = Parent + Sub + Dr - Cr. Process every P&L line first, then every SoFP line; cross-reference each adjustment.

Goodwill — subsequent measurement debate: AASB once amortised goodwill (≤20 yrs); now **impairment-only** [136]. Impairment gives better matching but is judgemental/manipulable; amortisation is simple but arbitrary — an examinable critical-evaluation point.

3b · Pre-Acq Elimination

BOOKS GOODWILL

Eliminates the sub's **acquisition-date equity** against the investment & recognises goodwill.

100% OWNED, WITH GOODWILL
Dr Share capital (@ DOA)
Dr Retained earnings (@ DOA)
Dr General reserve (@ DOA)
Dr BCVR (FVA reserve)
Dr Goodwill
Cr Investment in Subsidiary (@ cost)

Bowen/Larsen: Dr Cap 400 / RE 250 / Gen res 50 / BCVR 70 / Goodwill 130 → **Cr Investment 900**. (Debits 400+250+50+70+130 = 900 = credit.✓)

IF GOBP INSTEAD
Dr Cap / RE / Reserves (@ DOA)
Cr Gain on bargain purchase (yr 1)
OR Cr Opening RE (Later years)
Cr Investment in Subsidiary

Traps: uses equity *frozen at DOA*, not current; debit-balance equity (accumulated losses) is *credited*; the goodwill entry is repeated **unchanged every year** while the sub is held. Only GOBP shifts its credit from “Gain” (yr 1) to “Opening RE” (later), because the gain hit a prior period's profit.

GOODWILL IMPAIRMENT

Yr of impairment:
Dr Impairment loss Cr Accum impairment-GW
Later years (cumulative):
Dr Opening RE (prior) + Dr Impairment (current)
Cr Accum impairment-GW (cumulative)

Impairment is not reversible — reinstate prior impairment via ORE each period.

PARTLY-OWNED SUB

If the sub is only partly owned, the pre-acq elimination removes **only the parent's % share** of pre-acq equity (the parent's interest); the rest stays as NCI (side 2). Goodwill recognised here is the *parent's* goodwill (partial method) or parent + NCI goodwill (full method). The BCVR is still posted at 100% — NCI takes its share of it in the memorandum.

Read the worksheet: after posting BCVR + pre-acq, the Investment account nets to **zero** in the Group column & goodwill appears as a consolidated asset. If Investment ≠ 0, the credit was the wrong amount or you eliminated current (not DOA) equity. The pre-acq entry's debits (equity + goodwill) must equal the investment credit — a built-in check.

SIA → *The single most-marked slip: eliminating **current sub equity**. Always freeze the capital, reserves & retained earnings at acquisition date — the post-acq movement belongs to the group, not the pre-acq entry.*

4 · FVA / BCVR + Tax

C4 · AASB 3/112

At DOA the sub's books may not show FV (cost model); NRV rule; can't book internal intangibles [138.63]; contingent liabilities). FVAs capture **pre-acq FV** changes, go to the **BCVR** (equity reserve), & **reduce goodwill \$-for-\$**, net of tax.

TAX EFFECT [AASB 112.19]

FVA changes the **carrying amount** but not the **tax base** ⇒ temporary difference ⇒ deferred tax @ 30%.

	DTL (CA-TB)	DTA (CA-TB)
Asset	uplift ⇒ DTL	write-down ⇒ DTA
Liability	—	recognised ⇒ DTA

Three sources of FVAs the group books that the sub couldn't: cost-model assets below FV; **internally generated intangibles** [138.63] identifiable by the group [3.B31]; **contingent liabilities** failing the sub's recognition test [3.23].

LAND (NON-DEPRECIABLE)

DOA & EVERY YEAR HELD
Dr Land 100
Cr BCVR 70
Cr Deferred Tax Liability 30

If the land is later **sold externally**, replace the FVA with adjustments to the on-sale gain (the group's gain is lower than the sub recorded):

Dr Gain on disposal 100
Cr BCVR 70 Cr Income tax expense 30
Years after sale: Dr Opening RE 70 / Cr BCVR 70

Trap: AASB 3 keeps recognising the FVA even after sale — it just **shifts to ORE**; the pre-acq elimination is unaffected.

INVENTORY FVA

If the FVA asset is **inventory** (FV > cost at DOA) and it is *sold during the year*, the uplift is realised through cost of sales rather than held as a reserve:

Dr BCVR Cr COGS (uplift on inventory sold)
Dr Income tax exp Cr BCVR (tax reverses to ITE, not DTL)

Once fully sold, later years carry only an ORE/BCVR clean-up. **Realisation route differs by asset:** land = on external sale; inventory = when sold; plant = via depreciation; intangible = via amortisation.

Intangibles: the group recognises one only if identifiable [138.12] (separable OR contractual/legal). Brands & customer relationships are contentious — opportunistic allocation to goodwill (which isn't amortised) vs depreciable FVINA is an examinable critique.

SIA → *Every FVA + DTL recognition entry is re-recorded in full **every consolidation year** (the books don't carry it) — only the realisation leg (dep'n / COGS / on-sale) grows & splits into ORE.*

4b · Depreciable Asset

PLANT · FVA DEP 'N

Marlowe Ltd sub: plant cost \$500, accum dep \$200 (CA \$300), FV \$400 at DOA, 5 yrs left.

DOA — RESTATE THEN UPLIFT
Dr Accum dep 200 Cr Plant 200 (to gross)

Dr Plant 100 (FV increment 400-300)
Cr BCVR 70 Cr DTL 30

EACH YEAR — REALISE VIA DEP'N

Dr Depreciation exp 20 (100÷5)
Cr Accum depreciation 20
Dr DTL 6 (20×30%) Cr Income tax exp 6
YEAR 3 (2 PRIOR YRS IN ORE)
Dr Depreciation exp 20 (current)
Cr Opening RE 40 (prior 2 yrs)
Cr Accum depreciation 60
Dr DTL 18 Cr Income tax exp 6 Cr Opening RE 12

The FVA + DTL recognition entry stays the SAME every year; the depreciation realisation grows cumulatively & splits current(P&L)/prior(ORE). The DTL unwinds as the asset depreciates.

4c · Contingent Liability

AASB 3.23

Group recognises a contingent liability that is a *present obligation* with reliably measurable FV — even if outflow is *not probable* (narrower than AASB 137). Liability ⇒ DTA.

Dr BCVR 1,000 Cr Provision for damages 1,000
Dr Deferred Tax Asset 300 Cr BCVR 300

Measurement period [3.45-50]: within **12 months** of DOA, new info about facts existing at DOA is applied *retrospectively* (adjusts FVA & goodwill). After 12 months ⇒ goodwill & pre-acq entry unchanged; the difference is a current-period gain/loss.

Worked: the \$1,000 provision settles for \$1,150. If *within* 12 months & the facts existed at DOA ⇒ restate FVA & goodwill by \$150. If *after* 12 months ⇒ goodwill unchanged; the extra \$150 is a **current-period loss**.

Side-1 Belt

MEMOIRISE

Control = power + variable returns + link
Goodwill = Consid + NCI + prior int - FVINA
FVINA = equity@DOA ± FVA×(1-0.30)
BCVR = FVA×(1-t) · DTL/DTA = FVA×t
Pre-acq: Dr equity@DOA + Goodwill / Cr Invnt
FVA dep'n = increment ÷ remaining life
FVA dep'n tax reversal = dep'n × 0.30
GOBP = FVINA - Consideration (if positive)
Order: AA → BCVR+tax → pre-acq → intra → NCI
Prior-period effect → Opening RE

5 · Intra-Group C5 · AASB 10.B86(C)

CFS show only **external** transactions. Eliminate intra-group items **in full, regardless of %** (full amount even for partly-owned subs; only the *unrealised-profit* portion later affects NCI). **Downstream** = parent → sub; **upstream** = sub → parent.

3 GOLDEN RULES

- Eliminate the transaction** (its revenue & expense / the balance)
 - Eliminate unrealised profit** held inside an asset's carrying amount
 - Recognise the tax timing difference** on (2) @ 30% Profit is *unrealised* until the asset is sold **externally** (inventory/land) or **consumed via depreciation** (PPE). The unrealised-profit elimination creates a temporary difference ⇒ a **DTA** (group asset carrying amount < its tax base).
- The 5 types:** (1) inventory, (2) NCA — land & PPE, (3) dividends, (4) loans & interest, (5) fees. Only (1)&(2) carry unrealised profit; (3)-(5) have no profit, tax or NCI effect.

NO-PROFIT TRANSACTIONS

DIVIDENDS (PAID IN YEAR)

Dr Dividend revenue Cr Dividend paid
Declared, unpaid — also:
Dr Dividend payable Cr Dividend receivable

SERVICE / MANAGEMENT FEE

Dr Fee revenue Cr Fee expense

LOAN & INTEREST

Dr Loan payable Cr Loan receivable
Dr Interest revenue Cr Interest expense

Also eliminate any accrued interest payable/receivable

Trap: these have **no profit effect ⇒ no tax & no NCI effect**. A dividend fully settled in a later year ⇒ no entry (it re-nets to zero).

WORKED · DIVIDEND

Larsen declares \$80 dividend, still payable at year-end; Bowen owns 75%. Eliminate the full intra-group portion: Dr Dividend revenue 60 / Cr Dividend declared 60; Dr Dividend payable 60 / Cr Dividend receivable 60. The **other \$20 is NCI's share** — it reduces the NCI balance, not eliminated.

PERIODIC VS PERPETUAL

For inventory, under **perpetual** the unrealised-profit credit is to *Inventory*, debit *COGS*; under **periodic** it runs through the *Closing inventory (P&L)* line. **The profit eliminated is identical** — only the account names change.

SIA → *Golden Rule 1 (eliminate the gross sale) has no profit effect; only Rule 2 (unrealised profit) moves profit & triggers Rule 3 (tax @ 30%). Keep the two legs separate or you'll double-count the elimination.*

5b · Inventory & NCA

UNREALISED PROFIT

INVENTORY (CLOSING) + TAX

Dr Sales revenue Cr COGS (full intra-group sales)
Dr COGS Cr Inventory (unrealised profit on hand)
Dr Deferred Tax Asset Cr Income tax exp (UPP×30%)

OPENING INVENTORY (NEXT YR — REALISED)

Dr Opening RE (prior profit, after tax)
Dr Income tax exp (tax portion) Cr COGS (realised this period)

Worked: Larsen sells inventory to Bowen for \$200 (cost \$150 ⇒ \$50 profit); ¼ still on hand at year-end. UPP = 50×¼ = **\$12.5**. Eliminate sales \$200/COGS; then Dr COGS 12.5 / Cr Inventory 12.5; Dr DTA 3.75 / Cr ITE 3.75.

Trap: only the unrealised profit (markup × units *still on hand*) hits the asset; the full sales/COGS elimination has no profit effect. UPP in inventory ⇒ **DTA** (group inventory carrying amount < tax base). Opening-inventory profit is realised this year ⇒ redirect to ORE.

LAND (NON-DEPRECIABLE)

Year of sale:
Dr Gain on sale 300 Cr Land 300
Dr DTA 90 Cr Income tax exp 90
Held later: Dr Opening RE 300 / Cr Land 300; Dr DTA 90 / Cr Opening RE 90

DEPRECIABLE PPE

Gain elimination + tax, **plus a depreciation correction** — the buyer over-depreciates the inflated transfer price, so reverse the excess each year:

Dr Gain on sale Cr Asset (to original CA) + Dr DTA/Cr ITE
Dr Accum dep Cr Depreciation exp (excess each yr)
Dr Income tax exp Cr DTA (unwind as gain realises)

WORKED · DEPRECIABLE PPE

Bowen sells machinery to Larsen for \$260 (CA to group \$200 ⇒ gain \$60); 4 yrs left. Year 1: Dr Gain 60 / Cr Machinery 60; Dr DTA 18 / Cr ITE 18. Excess dep'n = 60÷4 = **\$15/yr** ⇒ Dr Accum dep 15 / Cr Depreciation exp 15; Dr ITE 4.5 / Cr DTA 4.5. By year 4 the deferred gain is fully realised through use.

Trap: for PPE the gain realises by *use* — adjust both accum dep & dep expense each year; prior years go to ORE. If sold externally before fully depreciated, recognise any remaining unrealised gain then.

SIA → *Land realises only on external sale; depreciable PPE realises progressively via depreciation. Miss the depreciation-correction leg and the inflated transfer price stays buried in the group's expense.*

6 · NCI

C6 · AASB 10/3

Entity concept [AASB 10 App A]: NCI = equity of the group **not** attributable, directly or indirectly, to the parent ⇒ **part of group equity** (not a liability, not excluded). Group still reports 100% of net assets; equity splits into Parent Interest + NCI. P&L shows profit attributable to NCI [101.81B]; SoFP shows NCI in equity [101.54(a)]; PI = consolidated total — NCI.

FULL VS PARTIAL GOODWILL [3.19]

Choice **per business combination**:

GOODWILL = CONSID + NCI - FVINA
Partial: NCI = NCI% × FVINA
Full: NCI = FV of the NCI shares

Full method ⇒ NCI carries its goodwill ⇒ total goodwill higher; impairment then hits NCI differently. The full-method NCI fair value may embed a control premium, so it is *not* simply NCI% × the parent's price per share.

THE 3-STEP NCI MEMORANDUM

An **allocation** (not separate journals), by equity component, on the sub's equity adjusted for after-tax FVAs & after removing unrealised profits:

- At DOA** = NCI% × (capital + reserves + RE + BCVR), all @ DOA
- DOA** → **start of current year** = NCI% × change in sub equity to the beginning of the year
- Current year** = NCI% × current profit (& OCI), adjusted for current UPP & FVA dep'n

NCI in SoFP = Step1 + Step2 + Step3 - NCI share of sub dividends. NCI share of profit (income statement) = the Step-3 profit piece.

WORKED · LARSEN 25% NCI

Equity@DOA 700 + BCVR 70 = 770
Step1 = 25% × 770 = **192.5**
Step2 = 25% × ΔRE (DOA-start yr) say 120 = 30
Step3 = 25% × current profit 160 (post-adjust) = 40
Less NCI div = 25% × 80 = (20)
NCI in SoFP = 192.5 + 30 + 40 - 20 = **242.5**

Full vs partial here: under the *full* method add NCI's share of goodwill into Step 1; goodwill impairment is then split between PI & NCI (AASB 136 IE 7B). Under *partial*, impairment of the parent's goodwill hits PI only — a key reason the two methods give different NCI & group profit.

Preference shares held outside the group & classified as equity form part of NCI; the parent's profit share is adjusted for cumulative preference dividends [10.B95]. **AASB 12** requires per-subsidary NCI disclosures where the NCI is material.

SIA → *Build NCI as a three-row memorandum, by equity component, on the adjusted sub equity (after-tax FVAs in, upstream UPP out) — never apply NCI% to a raw, un-adjusted profit, and remember to deduct NCI's share of sub dividends.*

6b · NCI & Intra-Group

UPSTREAM ONLY

- NCI is adjusted **only for the unrealised-profit elimination**, never the gross transaction
- Allocate UPP to NCI **only on UPSTREAM** sales (sub is seller) — the sub's own profit. **Downstream** (parent seller) reduces parent profit only ⇒ no NCI adjustment
- No NCI adjustment for fees / interest / rent (consumed within the group)
- Sub dividends: parent's share eliminated intra-group; NCI's share reduces the NCI balance
- Negative NCI** — losses allocated proportionately even if NCI goes negative [10.B94]

Trap (very common): students adjust NCI for the *full* intra-group sale, or for *downstream* UPP. Rule: NCI shares UPP **only on upstream** (and the sub's own) transactions.

7 · Consolidated Cash Flow

C7 · AASB 107

Cash = on hand + demand deposits; **equivalents** = short-term (≤3 mo), liquid, insignificant risk. Three classes [107.10]: Operating, Investing, Financing. Direct or indirect [18]; if direct, AU still needs a profit → CFO reconciliation [1054.16].

GROUP ISSUE: ACQUIRING A SUB MID-YEAR

CASH TO ACQUIRE A SUB (INVESTING)

= Cash consideration - cash & equivalents acquired **WITH** the sub (net outflow if cash paid > cash acquired)

When reconstructing notional consolidated ledgers (AR, inventory, payables, PPE, tax), add the sub's **opening balances** as an "acquisition effect" so they aren't mistaken for operating flows.

RECEIPTS (E.G. AR)

= Opening AR + Acquisition effect - Closing AR + Sales (- bad debts)

Trap: failing to strip the acquired sub's opening working capital distorts CFO. The "cash used to acquire subsidiary" line is identical under direct & indirect methods.

INDIRECT: PROFIT → CFO

- Add back non-cash expenses (depreciation, impairment, bad debts); deduct non-cash income
- Remove investing/financing items (e.g. gain on sale of PPE)
- Accruals: ↑ non-cash current asset ⇒ deduct; ↑ current liability ⇒ add (and vice versa)

Disclose: components of cash [45]; material *non-cash* financing/investing [43]; and aggregate details of subs acquired — purchase price, cash portion, cash acquired, other A&L by class [39-40].

SIA → *Build each working-capital movement off a reconstructed T-account with the acquisition effect as a separate opening line — that's how you keep the sub's brought-in balances out of operating cash.*

8 · Segments

C8 · AASB 8

Core principle [8.1]: disclose info enabling users to evaluate the nature & financial effects of the business activities & the economic environments. **Management**

approach: report as seen by the *CODM* — may differ from consolidated GAAP. An **operating segment** [8.5]: (i) business activities, (ii) results regularly reviewed by the CODM, (iii) discrete financial info (corporate overhead is not a segment). May aggregate [8.12] if similar economics AND similar in all five (products, process, customer, distribution, regulation).

REPORTABLE — THE 10% TESTS [8.13]

Reportable if it meets **any one**:

- Revenue** ≥ 10% of combined revenue (external + intersegment)
- Result** ≥ 10% of the **greater (absolute)** of combined profits or combined losses
- Assets** ≥ 10% of combined segment assets

75% COVERAGE [8.15]

Reportable segments together ≥ 75% of entity EXTERNAL revenue — add more if short; rest = "all other".

Reconcile [8.28] total reportable revenue, result, assets & liabilities to group totals — segments ≠ group because not all are reportable, corporate is excluded, intersegment items are eliminated, and measurement bases may differ on the management basis.

Trap: the result-test denominator is the **higher**

absolute of total profits OR total losses (not the net); segment numbers are on the management basis ⇒ reconcile.

WORKED · RESULT TEST

Profit-makers total +500; loss-makers total -180. Denominator = greater absolute = **500** ⇒ threshold = 50. A segment with a -60 result is reportable ([60] ≥ 50), even though its loss is small relative to the net group profit of 320.

DISCLOSE [8.23-24]

- Segment profit/loss; assets & liabilities (if reported to CODM)
- Revenue split: external vs intersegment
- Depreciation/amortisation; material non-cash items
- Interest revenue/expense; tax; additions to non-current assets
- Equity-accounted share of profit & investment carrying amount

Entity-wide [3.2-34]: revenue by product/service; geographic revenue & non-current assets by country (excluding financial instruments, DTAs, post-employment & insurance assets); & reliance on **major customers** (any single customer ≥10% of revenue), disclosed even by a single-segment entity.

SIA → *Three independent 10% screens (revenue - result - assets) — meeting any one makes a segment reportable. Then top up to the 75% external-revenue coverage if you fall short; the residual sits in "all other segments".*

9 · Equity Method

C9 · AASB 128

Significant influence = participate in policy, not control; presumed ≥20%. "One-line consolidation": initial at **cost** (FVA & goodwill subsumed in cost).

CA = COST + OI% × POST-ACQ Δ - OI% × DIV
Share profit: Dr Invt Cr Share of profit
Dividend: Dr Dividend rev Cr Invt
FVA dep'n / UPP: Dr Share of profit Cr Invt (×OI% × (1-t))
OCI: Dr Invt Cr Revaluation surplus
Tax: Dr Tax exp Cr DTL (CA>TB)

Losses only to a zero CA [128.39]. **UPP:** eliminate OI% on BOTH directions [128.28]; on consolidation re-record prior movements via ORE. **Goodwill not separately impaired** — test the whole investment [128.42].

10 · JO vs JV

C10 · AASB 11

Joint control = relevant-activity decisions need unanimous consent of the parties sharing control.

JOINT OPERATION	JOINT VENTURE
rights to assets, obligations for liabilities	rights to net assets
line-by-line (A,L,I,E)	equity method (128)

Classification = rights/structure, **not the %**: a 50% interest can be either, yielding very different leverage & EPS.

11 · Foreign Currency

C11-12 · AASB 121

Three currencies: **functional, foreign, presentation**. Functional = currency driving sales price & costs [9]; **prioritise para 9** when indicators conflict.

FX TRANSACTION — 3 STEPS

Txn date: spot rate (Dr Receivable/Cr Sales)
Bal date: monetary @ closing - FX gain/Loss to P&L
Settlement: final FX diff to P&L; Dr Cash/Cr Recv

Only MONETARY items re-translate at closing rate (cash, receivables, payables, loans); non-monetary (PPE, inventory, prepayments) stay at historic.

FCTR: current-rate method — A&L @ closing, I&E @ average, equity @ historic; differences → **OCI**, **accumulate in FCTR** (recycled on disposal). *Temporal* ⇒ differences to P&L.

12 · Exam Day

DON'T DROP MARKS

- Order: AA → BCVR+tax → pre-acq → intra → NCI; prior effects → **Opening RE**
- NCI: upstream UPP only; never the gross transaction
- Segments: result denominator = higher absolute of profits/losses
- FX: only monetary items re-translate; FCTR → OCI, temporal → P&L
- By hand: **label the journals first, then plug**