EQUITY & ACQUISITION

- EQUITY : % NI , % DIV , % EXCESS DEPRECIATION
- CONSOLIDATION : Revenue, expense, NI, Assets, liab, % you don't own as minority Int in EQ.

- Both equity & acquisition give same NET income

A takes over B	A's I/S	A's B/S 2	A's EQUITY
≤20% No influence	% of dividend B	Depends	
Significant Influence 20-50% 48 Significant	% NI B ~~% Div B~~ NO 1	2 Investment acc. % NI - % DIV 2 + % excess depr. 37	~~% Div B~~ NO 1 +
A → B Consolidation >50% 5 Effective Control	100% Rev B 100% Exp B 100% NI B -ve minority int. line for % of B's NI that it does not own. 6	- CASH from asset if cash purchase 100% assets 100% liabilities	On FV (100% price) of EQ % MINORITY (NON CONTROLLING) INTEREST NOT OWNED 6 ~~IGNORE EQ of B~~ + stock issued if stock purch. 9

1 Treatment of DIV for EQ method : -ve on investment account. Don't add to I/S or UCI

2 This is the carrying value of inv : reported in Assets → BV - depr

3 Treatment of excess depr : If FV > BV on any depreciable items, then % depr onto I/S. BUT LAND IS NOT DEPREC.

4 Can only use partial goodwill for EQ : b/c remember EQ inv. is a % stake, NOT 100% acq. so you have to take % acq. of goodwill too.

5 Use full goodwill for acquisition : full goodwill b/c you fully own company. NOT partial.

6 Add a minority interest if not owned 100%. : in both I/S & EQ

MINORITY INTEREST (NON CONTROLLING INT.) IS BASED ON IMPLIED 100% PURCHASE PRICE :

% of B not owned × B's total equity

7 What if you just have excess purchase price from PPE not previously valued : Then take off depreciation associated with this PPE (% share). minus

8 Conditions supporting classification of B as an associate for A

- Position of BOD : do they exert significant influence?
- % of ownership : 20% → 50%.
- extent of intercomp transactions : how much of B's sales go to A?

Proportionate consolidation : NOT COMMON

Usually JVs use equity method for both IFRS & USG

9 If you paid for company using stock instead of cash : add that amount in. e.g. if you pay 60% for company who has $8M shares @ $14/share → capital stock = 0.6 × 8M × 14 = $67.2M