



Introduction to Full Consolidation

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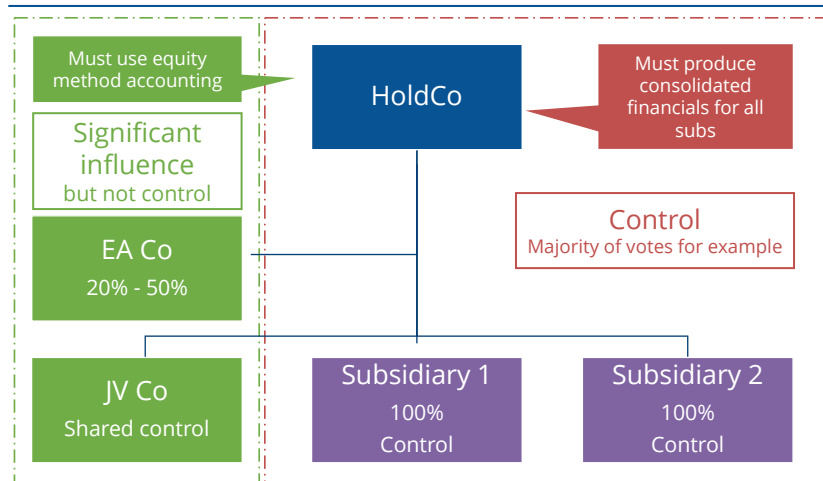
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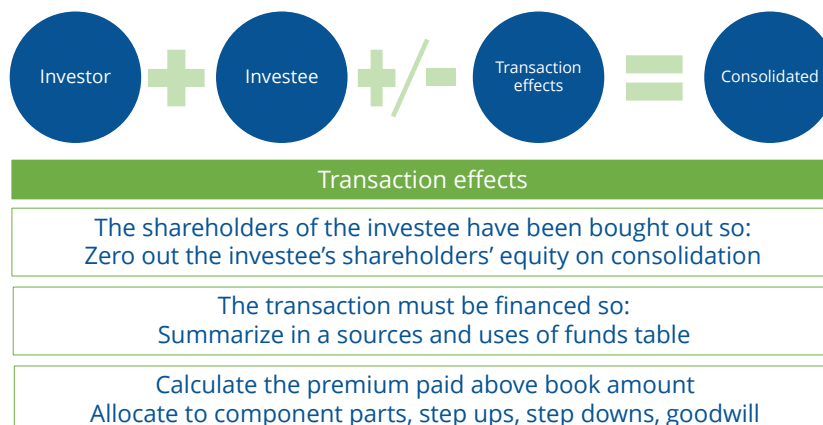
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M&A Accounting Overview



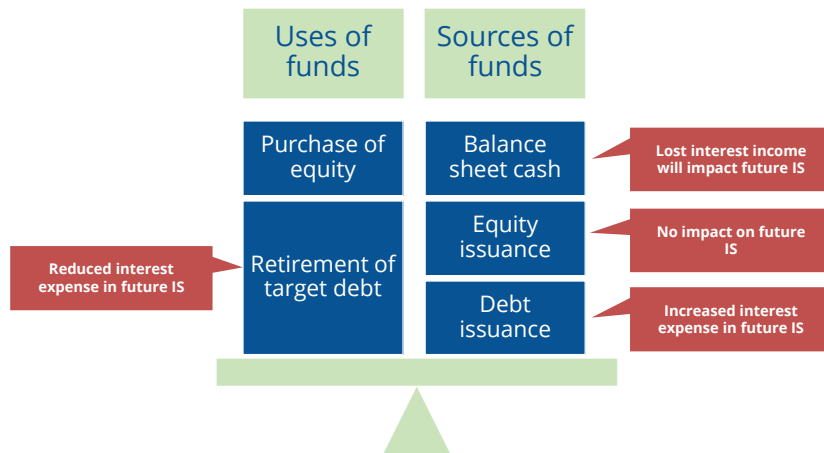
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Balance Sheet Consolidation



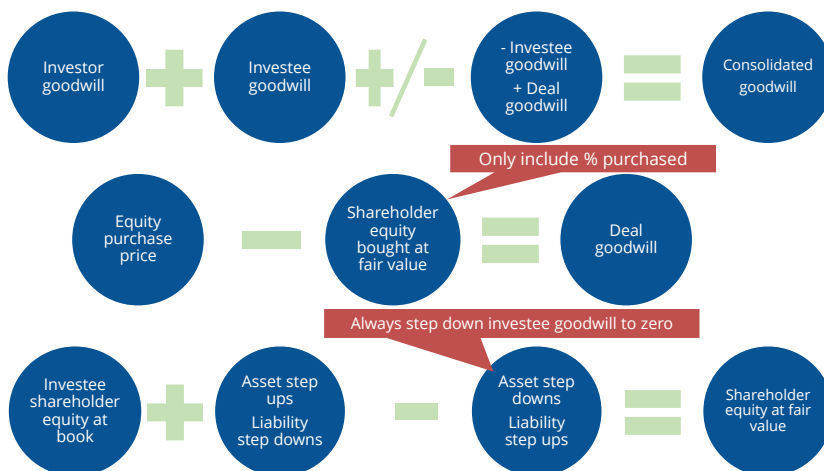
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Sources and Uses of Funds



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Goodwill Calculation



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Income Statement Consolidation



Transaction effects

Only consolidate from the deal date:
"Stub" for deal year – only include post acquisition portion

Extra interest expense on deal debt and lost interest expense on retired debt
Lost interest income on balance sheet cash used

Revenue and / or cost synergies

Extra depreciation / amortization on PP&E / Intangibles step ups

Tax impact of the above

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Goodwill Calculation When NCI Occurs

When calculating goodwill, and NCI is created, companies have the choice of two methods for valuing NCI

Method 1 (IFRS choice only):
NCI % of identifiable
net assets

Method 2 (US GAAP must and IFRS choice):
Fair value of NCI

Co A buys 80.0% of Co B for 500.0. Co B's identifiable net assets is 400.0.
The fair value of NCI is 90.0.

Goodwill Calculation: Method 1

Purchase price	500.0
Net assets 400.0 x 80.0%	(320.0)
Deal goodwill	180.0
NCI value (400.0 x 20.0%)	80.0

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Goodwill Calculation When NCI Occurs

When calculating goodwill, and NCI is created, companies have the choice of two methods for valuing NCI

Method 2 (US GAAP must and IFRS choice):
Fair value of NCI

Co A buys 80.0% of Co B for 500.0. Co B's identifiable net assets is 400.0.
The fair value of NCI is 90.0.

Goodwill Calculation: Method 2		Goodwill Calculation: Method 2 cont'd	
Purchase price	500.0	Fair value of NCI	90.0
Net assets 400.0 x 80.0%	(320.0)	Net assets 400.0 x 20.0%	(80.0)
Goodwill on acquirer stake	180.0	Goodwill on NCI stake	10.0
		Deal goodwill 180.0 + 10.0	190.0

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