Critical Areas to be addressed in Consolidation: [Solutions]

……. Continued

A. Different reporting date

If the parent Company is having the Subsidiaries in the Outside India and their reporting period is different, say December closure

For E.g.; Company A is Indian Company having Subsidiary B in USA. A will close the book in March and B close in December, there is the period gap of quarter in the figures appearing in the financial statements.

Solution:

As per AS 21 – The financial statements used in the consolidation should be drawn up to the same reporting date. If it is not practicable to draw up the financial statements of one or more subsidiaries to such date and, accordingly, those financial statements are drawn up to different reporting dates, adjustments should be made for the effects of significant transactions or other events that occur between those dates and the date of the parent's financial statements. In any case, the difference between reporting dates should not be more than six months.

IND AS 110

The financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall have the same reporting date. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent company to enable consolidation of the financial information of the subsidiary, unless it is impracticable to do so.

If it is impracticable to do so, the parent shall consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements. In any case, the difference between the date of the subsidiary's financial statements and that of the consolidated financial statements shall be no more than three months, and the length of the reporting periods and any difference between the dates of the financial statements shall be the same from period to period.

in the above scenario, eliminate minimum of the balances in the respective books (parent and subsidiary) and in case the differential balances can be traced, then eliminate the actual amount by adjusting to the Reserve and Surplus balances in Consolidated financial numbers.

B. Accounting Estimates is different

For E.g.; If the Parent Companies is following the Life of the assets different than the subsidiary Companies.

Solution:

In Such cases the Policies should combine for all company policies like life of assets than give the details of life considered in each company in the policies itself and proceed with consolidation with line to line Addition.

There is no need to Compute Depreciation by Considering the Life of Parent.

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