

# Advanced Group Accounting Workshop

## A Five-Day Programme



## Aims and Objectives

The aim of this course is that the delegates recap the basics of group accounting, refreshing their existing knowledge of consolidation for the balance sheet, income statement (or profit and loss account) and the cash flow statement.

After a recap of group accounting basics the workshop will move on and look at more complicated group situations and examine how to account for mergers, joint ventures, goodwill, partial acquisitions and disposals. The course can incorporate a high level of complexity in the examples, for example complex group structures which will really stretch the delegates.

The course will also cover some specific areas of accounting, for example financial instruments, property, plant and equipment, leases and revenue recognition. Some previous experience of group accounting is assumed, although the first day of the course will start from first principles of group accounting and so delegates fluent in financial statements should be able to pick up any basic knowledge they require on this day. All delegates are assumed to be familiar with the basic concepts of double entry.

By the end of this course, participants will be able to:

- Consolidate a balance sheet, income statement (or profit and loss account)
- Account for a subsidiary acquired mid-way through the year
- Account for the disposal of a subsidiary
- Account for a merger under IFRS
- Account for joint ventures and associates
- Reflect complex groups accurately in the consolidated financial statements
- Account for financial instruments
- Understand the disclosure requirements for financial instruments
- Account for fixed assets and leases
- Account for revenue recognition

## Methodology

The course will involve instruction in the rules of the accounting standards with a focus on actively involving participants in discussion and practical application of standards.

The course will run on a workshop basis with each workshop including

- Short instructor-led sessions
- Slide presentations
- Practical exercises

# Day One

## Session 1

### Re-cap of Group Accounts

- Principles involved in the single entity concept
- Different levels of investment (subsidiaries, associates, trade investments)
- Exceptions and exclusions
- Special Purpose entities
- Joint Ventures

## Session 2

### Consolidated Balance Sheet

- Mechanics
- Net assets of the subsidiary
- Goodwill
- Minority Interest
- Group Reserves

## Session 3

### Adjustments to the Consolidated Balance Sheet

- Intercompany transactions
- Dividends from group companies
- Fixed asset transfers

## Session 4

### Business Combinations

- Identifying the acquirer
- Measuring the cost of the business combination
- Identification of the acquired assets, liabilities and contingent liabilities
- Calculation of the goodwill
- Adjustments to goodwill

## Session 5

### Consolidated Income Statement and Adjustments

- Mechanics
- Intercompany transactions
- Dividends from group companies
- Fixed Asset transfers

## Day Two

### Session 1

#### Consolidated Cash Flow Statement and Adjustments

- Mechanics
- Minority interest
- Associates
- Mid-year acquisitions

### Session 2

#### Disposal of Subsidiaries

- Treatment of disposal in the parent company
- Full disposals in the group accounts
- Partial disposals
- Disposal of an associated company

### Session 3

#### Case Study

- A practical case study to consolidate a set of accounts with disposals and associated group companies

### Session 4

#### Joint Ventures

- Jointly controlled assets
- Jointly controlled operations
- Jointly controlled entities
- Future proposals

### Session 5

#### Reverse Acquisitions

- How and why reverse acquisitions happen
- Accounting treatment
- Practical example

## Day Three

### Session 1

#### Step by Step Acquisitions

- IFRS 3 rules on step by step acquisitions
- Effect on goodwill
- Practical example of how to account for an acquisition in several stages

### Session 2

#### Complex Groups

- Vertical groups
- Mixed groups
- A practical example of how to account for these

### Session 3

#### Case Study

- A practical case study to consolidate a set of accounts more complex issues

### Session 4

#### Merger Accounting and Demergers

- Accounting principles and rules on accounting for mergers

## Day Four

### Session 1

#### IAS 39 – Recognition and Measurement

- Background to the standards
- Scope of the standard and exclusions
- Definitions (including derivatives)
- Classification criteria (including derivatives)
- Measurement

### Session 2

#### IAS 39 – Hedge Accounting

- Hedge Criteria
- Fair Value Hedges
- Cash Flow Hedges
- Net Investment Hedges

### Session 3

#### IAS 39 – Recognition and De-recognition

- Recognition
- De-recognition
- Embedded Derivatives

### Session 4

#### IAS 32 Presentation and Disclosure

- Presentation as debt or equity
- Differences to current Indian accounting practice in this area
- Treatment of interest and dividends

### Session 5

#### IFRS 7 Disclosures

- A summary of the requirements of IFRS 7

## Day Five

### Session 1

#### Revenue Recognition

- Sale of goods
- Services
- Interest, royalties and dividends
- Specific revenue recognition issues relating to VALE's business lines

### Session 2

#### Non-Current Assets

- Property, plant and equipment
- Measurement of the cost of an asset
- Borrowing costs
- Dismantling costs
- Site preparation and restoration
- Components approach
- Depreciation
- Residual Value

### Session 3

#### Leases

- Classification of lease contracts
- Accounting for lease contracts
- Determining whether an arrangement contains a lease

### Session 4

#### Employee Benefits and Share-Based Payments

- Defined benefit plans
- Defined contribution plans
- Other employee benefits
- Equity-settled share-based payments
- Cash settled share based payment

### Session 5

#### Case Study

- A practical case study to encompass all the items covered on days 4 and 5 of the course and to confirm that the delegates have learned the material

## Course Summary and Evaluation