

# *Consolidation - Manual*

---

## Table of contents

<b>1</b>	<b>Introduction</b>	<b>2</b>
<b>2</b>	<b>Opening of a group</b>	<b>3</b>
2.1	Edit group entry	3
2.2	Subgroups	5
2.3	foreign currency	6
2.4	Rate adjustments	7
2.5	payment unit	8
2.6	Group as annual accounts	8
2.7	Group as View	8
<b>3</b>	<b>Consolidation entries</b>	<b>9</b>
3.1	System of consolidation postings	9
3.1.1	Notes on Consolidation Entries	10
3.2	Consolidation Postings Balance sheet	11
3.2.1	Trade receivables	13
3.2.2	Stocks	14
3.2.3	Financial assets	15
3.2.4	Participations - automatic consolidation	15
3.2.5	Participations - fully consolidation "Purchase "	16
3.2.6	Participations - Proportionate consolidation	18
3.2.7	Shareholdings Equity Method	19
3.2.8	Tangible assets	21
3.3	Consolidation bookings Income statement	22
3.3.1	Intra-group sales	22
3.3.2	Group financial expenses	23
3.3.3	Profit-loss portion of minority interests	24
<b>4</b>	<b>Reports</b>	<b>25</b>
4.1	Dill down at the account level	25
4.2	Consolidation Report	26
4.3	Segment reporting	27
4.3.1	Shareholders' equity	28
4.3.2	Consolidated Financial Statements	29
4.3.3	Explanations per account balance / IC	30
4.3.4	M- Values - cash flow statement	30

## 1 Introduction

With the module Consolidated Financial Statements, you prepare your consolidated financial statements in a manner that is audit-proof and traceable in accordance with national and international accounting standards. You support numerous assistants through the entire consolidation process.

Processes can be automated to a large extent, which promotes productivity and quality and thus brings you a direct time, quality and cost advantage.

- You manage your investments in a transparent and targeted manner: the prefabricated structures in the module can be quickly and flexibly adapted to your needs.
- Individual financial statements are automatically consolidated into complete and consistent financial statements, income statements, cash flow statements and equity statements.
- You enter your final data - manually or automatically - via our flexible import interface. At the account level, you can define consolidation entries and recurring postings and consolidation operations (such as the full, quota, or equity consolidation consolidation variants) in the import interface, which are automatically proposed again at the next data import.
- In a clear overview, you can see at a glance how the Group and individual subsidiaries have developed compared to the previous year.

The historical and current exchange rates are stored in the database. They assign the appropriate currency to the company and the group and consolidate the software and report currency gains / losses accordingly. If you want to represent a group in USD instead of in euros, change the currency in the group from Euro to USD and your future financial statements and analyzes will be presented in USD.

The degree of participation can be deposited in the group; Minority interests are automatically calculated and reported in the result or equity.

The module Consolidated Financial Statements will be activated with appropriate training.

Target Group Module Consolidated Financial Statements: Controllers, trustees and auditors who prepare consolidated financial statements.

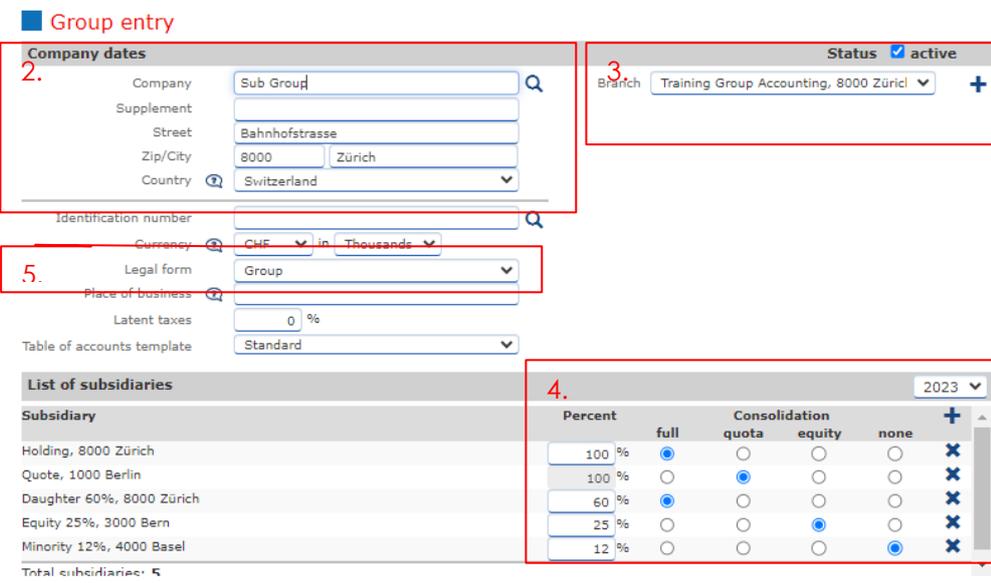
## 2 Opening of a group

If you have activated the module Group, you can press the button **1**. New Group in the main screen.



### 2.1 Edit group entry

Enter the **(2)** address, country, currency and year of foundation. For the foundation year, it is recommended to establish the foundation year of the group. In addition, change the branch as needed **3**.



Select the year **(4)** and with **+** you can enter any number of companies (legal entities - AG, GmbH), which must be included in the consolidated financial statements this year.

**Choice of legal form 5**, you can choose two legal forms:

1. **Group**: Standard setting for classic consolidated accounting.
2. **Group as annual accounts**: Combining accounting records into one annual financial statement
3. **Group – View**: Combining company groups with the inclusion of consolidation groups

By default, the software proposes the type of consolidation according to the degree of participation.

1. full consolidation; You own  $\geq 50\%$  of a company. (Unless you have control over the business, you can change the value to equity or no consolidation as needed)
2. As an option to fully consolidate, the joint venture is available in accordance with Swiss GAAP FER. Here, the balance sheet and income statement are recognized in accordance with the quota (minority interests are not reported).
3. Equity consolidation; They own 20 to 49% of the company. The company is listed in the group, but there is no consolidation but an assessment of the investment. (Status changes can be made manually to full or no consolidation)
4. no consolidation, which means that you own  $\leq 20\%$  of the company or that no consolidation takes place (for example, a company is for sale).

The software calculates according to the booked companies the industry shares and the sales market. These calculations are important for the business-economic evaluations.

For a company that is assigned to a group, the column "1" appears in the customer's entry. "Group list" Here you can see how many percent the company is assigned to a group. A company can also be assigned to several groups.

### Customer entry

Company dates		<input checked="" type="checkbox"/> Active
Company	Muster AG	Branch Testumgebung AG, 8307 Effretikon +
Supplement		
Street	Bernstrasse 50	
Zip/City	8000 Zürich	
Legal form	Ltd. company	
Identification number		
Country	Switzerland	
Place of business	Zürich	
Currency	CHF in 1:1	
Founded in	1980 Latent taxes 20 %	
Table of accounts template	SME detail	replace

Industries	
Industry 1	28 Machinery manufacturing Weight 60 %
Industry 2	32 Production of other goods Weight 30 %
Industry 3	49 Transport Weight 5 %

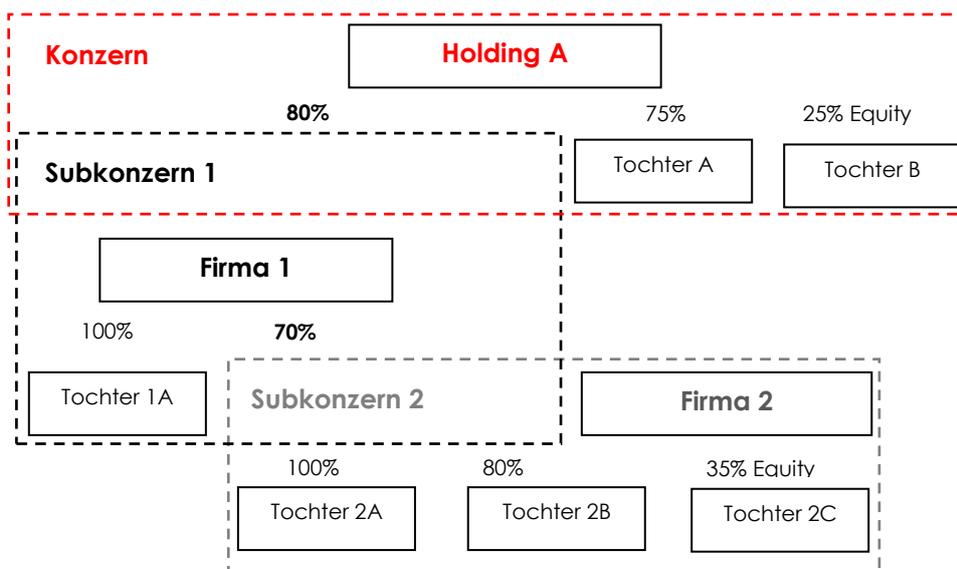
Market area	
Country 1	Switzerland Volumes 20 %
Country 2	Germany Volumes 30 %
Country 3	Europe Volumes 30 %
Country 4	USA, North America Volumes 10 %

Group list 2017	
Group	Participation Consolidation
Musterkonzern, 8307 Effretikon	80% full

## 2.2 Subgroups

We speak of a subgroup if the ownership structure changes vertically or if we want to consolidate a subgroup of companies separately. With the subgroup, we can correctly calculate and report minority share of capital and minority profit share.

In this case you create two or more groups (consolidation groups). You can consolidate any number of companies or subgroups in a consolidation group.



List of subsidiaries	Subsidiary	Consolidation
<b>Konzern</b> Currency USD	Holding A; USD <b>Subkonzern 1; CHF</b> Tochter A; USD Tochter B; GBP	100% purchase 80% purchase 75% purchase 25% Equity
<b>Subkonzern 1</b> Currency CHF	Firma 1; CHF <b>Subkonzern 2; EUR</b> Tochter 1A; CHF	100% purchase 70% purchase 100% purchase
<b>Subkonzern 2</b> Currency EUR	Firma 2; EUR Tochter 2A; EUR Tochter 2B; GBP Tochter 2C; CHF	100% purchase 100% purchase 80% purchase 35% Equity

**Please note:**

1. Before you consolidate the group, the subgroups must be consolidated vertically from bottom to top
2. You enter consolidation postings within the respective consolidation group. If you want to enter a consolidation posting from Tochter 1A to Tochter 2A, enter this from Tochter 1A to Subkonzern 2
3. Select currencies for each consolidation group and company

## 2.3 foreign currency

The currency can be freely chosen by the subsidiary as well as by the group. The consolidation takes place in accordance with the rules of Swiss GAAP FER. Source conversion rates:

<http://www.ictax.admin.ch/2011/de/index.html>

1. All balance sheet items are translated at the exchange rate prevailing at the balance sheet date. The individual items of the income statement are translated into the Group currency at the average exchange rate of the reporting period.
2. The translation of the balance sheet items results exclusively in translation differences that are not included in profit or loss and are offset against equity (see statement of changes in equity).
3. When translating the income statement, the resulting translation difference between the result in the income statement and the balance sheet is recognized in equity (see statement of equity).

For the consolidated financial statements, all subsidiaries intended for full consolidation are translated into the group currency: the Group currency is freely selectable (currency differences are dynamically offset in equity). These differences are also charged to the minorities as a percentage.

Rate to CHF	Euro	Previous Y 1.47	Actual Y 1.27	Delta -0.20	minority
Total assets	865'000	1'271'550	1'098'550	-173'000	
debt	317'000	465'990	402'590	-63'400	
equity	548'000	805'560	695'960	-109'600	-21'920
Total liabilities	865'000	1'271'550	1'098'550	-173'000	

Currency differences amount to -109,600 in the Group, with 20% or -21,920 attributable to minority interests. This is shown in detail in the equity cap.

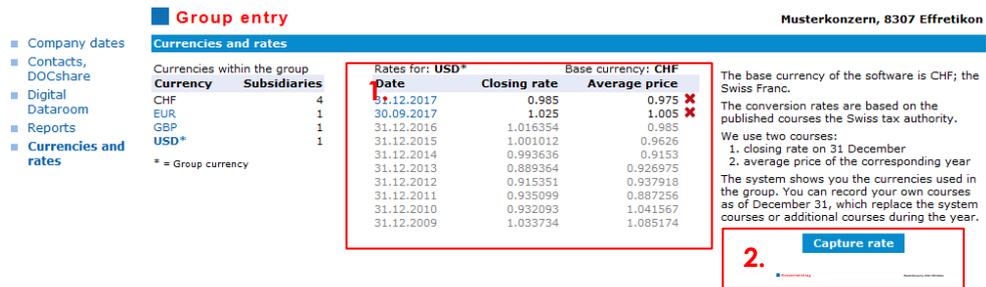
If you want historical prices in equity, enter the "C value" in equity. This allows you to correct the conversion effects in equity as required.

## 2.4 Rate adjustments

The base currency of the software is CHF; the Swiss franc. The conversion rates are based on the published rates of the Swiss Financial Authority. We use two courses:

1st closing rate as of 31 December

2nd middle rate of the corresponding year



**Group entry** Musterkonzern, 8307 Effretikon

**Currencies and rates**

Currencies within the group

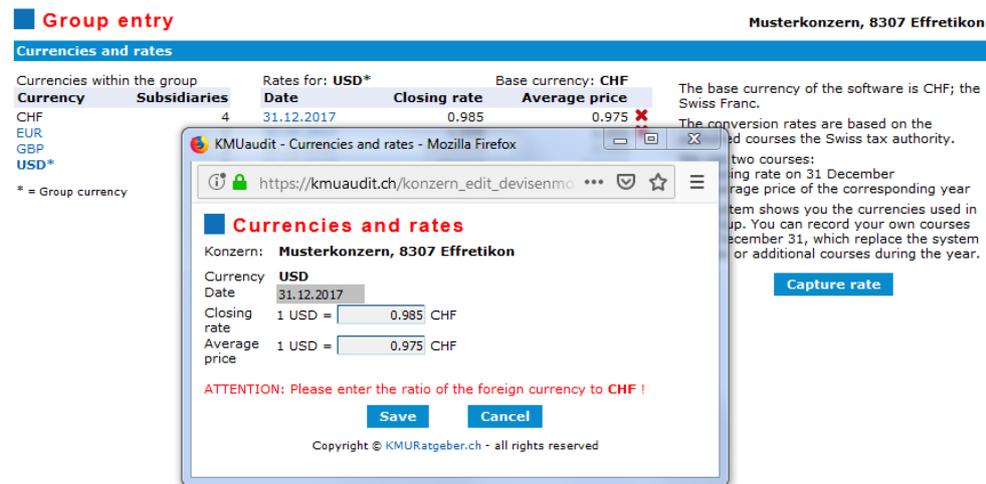
Currency	Subsidiaries	Date	Closing rate	Average price
CHF	4	31.12.2017	0.985	0.975
EUR	1	30.09.2017	1.025	1.005
GBP	1	31.12.2016	1.016354	0.985
USD*	1	31.12.2015	1.001012	0.9626
		31.12.2014	0.993636	0.9153
		31.12.2013	0.889364	0.926975
		31.12.2012	0.915351	0.937918
		31.12.2011	0.935099	0.887256
		31.12.2010	0.932093	1.041567
		31.12.2009	1.033734	1.085174

\* = Group currency

The base currency of the software is CHF; the Swiss Franc.  
The conversion rates are based on the published courses the Swiss tax authority.  
We use two courses:  
1. closing rate on 31 December  
2. average price of the corresponding year  
The system shows you the currencies used in the group. You can record your own courses as of December 31, which replace the system courses or additional courses during the year.

**2. Capture rate**

Click on the currency "USD" and the system will show you the used currencies 1. in the group. You can enter your own courses as of December 31, which replace the system courses or additional courses during the year. 2. Click Record Course.



**Group entry** Musterkonzern, 8307 Effretikon

**Currencies and rates**

Currencies within the group

Currency	Subsidiaries	Date	Closing rate	Average price
CHF	4	31.12.2017	0.985	0.975
EUR				
GBP				
USD*				

\* = Group currency

The base currency of the software is CHF; the Swiss Franc.  
The conversion rates are based on the published courses the Swiss tax authority.  
We use two courses:  
1. closing rate on 31 December  
2. average price of the corresponding year  
The system shows you the currencies used in the group. You can record your own courses as of December 31, which replace the system courses or additional courses during the year.

**Capture rate**

**Currencies and rates**

Konzern: **Musterkonzern, 8307 Effretikon**

Currency: **USD**

Date: **31.12.2017**

Closing rate: 1 USD =  CHF

Average price: 1 USD =  CHF

**ATTENTION: Please enter the ratio of the foreign currency to CHF !**

Copyright © KMURatgeber.ch - all rights reserved

You can change existing courses or record any number of new year-long courses. The system lists the manual adjustments.

**Please always enter the ratio of the foreign currency to the CHF. The base currency software is the CHF "Schweizer Franken". This is particularly important if the group currency is not the Swiss franc.**

## 2.5 payment unit

With the currency you have the possibility to choose the units. The following units are available:

- 1 to 1
- 1 to 1'000
- 1 to 1'000'000

With smaller units you can get a better overview. You also gain space in the reports.

## 2.6 Group as annual accounts

This is how you create a summary of different accounting records to form an annual financial statement, where you can make the standard consolidation entries.

Under "Audit closing" you can enter an appendix and profit appropriation and the report comes as an annual financial statement and not as a group financial statement.

## 2.7 Group as View

With the legal form "Group as View" you create individual groups of companies/groups. This evaluation is also required in the event of a regrouping or expansion of Swiss GAAP FER, IFRS or other stakeholders so that the previous year's comparison is guaranteed (consistency and transparency). The effects of a regrouping must be explained in the appendix in Swiss GAAP FER and IFRS.

In biscau you open a group with the legal form "Group as View". This legal form is only used for evaluation:

- Any number of companies/groups can be included (Procedure as for a group)
- Evaluations as for a group (Takes into account all recorded consolidation entries)
- No consolidation entries are possible for the legal form "Group as View"

With the legal form "Group as View" any number of views can be created so that the requirements of Swiss GAAP FER, IFRS or the stakeholder can be met.

### 3 Consolidation entries

The software only allows consolidation bookings between companies of a group that have the status "Consolidation full"!

**Balance sheet:** You enter the consolidation entry at the company, which has a credit (debit) from a counterparty. The counterparty is selected in the booking mask (Have).

**Income statement:** You enter the consolidation entry at the company, which makes a turnover with a counterparty (has). You select the counterparty in the booking mask (debit).

#### 3.1 System of consolidation postings

Enter the group bookings with the participating group companies. Press **1**. Balance/IS

Under **K** = Adjustment postings enter the hidden reserves, which lead from the trade balance I to the trade balance II. HB II forms the basis for the consolidated financial statements (bookings are included in the consolidated financial statements).

Below **M** = the separate values in the cash flow statement. These values are not included in the consolidated financial statements.

In the relevant group companies, you enter the **2 C** = Consolidation postings in the corresponding year.

**Enter financial statement** Muster AG, 8000 Zürich Currency: CHF

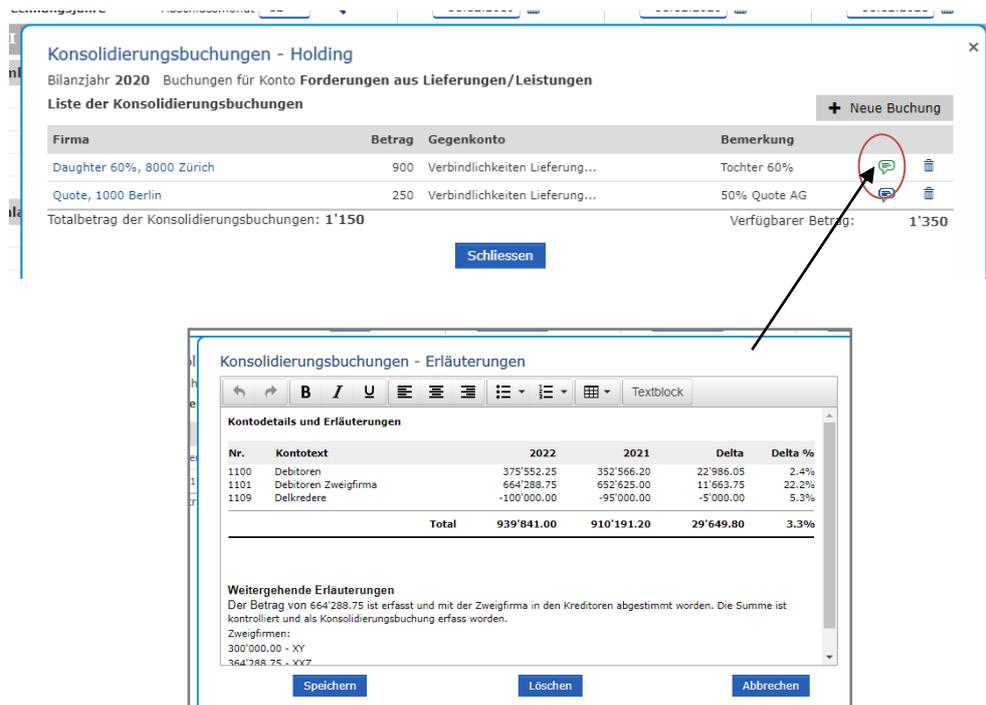
Closing month: 12 Calculation years: 31.12.2016 ✖ 31.12.2017 ✖ 31.12.2018 ✖

BALANCE SHEET		Purge sub-accounts	Budget assistant			Check the inputs			
Current assets	Cash & banks	+	459'902	K	2	293'846	K	386'475	K
	Trade receivables	+	638'372	K	C	650'932	K	651'257	K
	Other current receivables	+	67'066	K	C	83'893	K	83'935	K
	Inventories, unbilled services	+	375'000	K	C	350'000	K	350'175	K
	Prepaid expenses	+	275'000	K	C	280'000	K	280'140	K
Fixed assets	Financial assets	+	0	M	C	0	K	0	K M
	Tangible assets	+	1'175'000	K	M	1'140'000	K	1'140'570	K M
	Intangible assets	+	100'000	K	M	115'000	K	115'058	K M
<b>Total assets</b>			<b>3'527'840</b>			<b>3'088'671</b>		<b>3'507'610</b>	

## 3.1.1 Notes on Consolidation Entries

With a consolidated financial statement, you make a lot of reflections and enter the corresponding consolidation entries. Third parties or you in the next year later want to know why you recorded a value and how you controlled it.

Therefore, you can enter explanations per consolidation entry as required. If the balloon is green, you have entered an explanation of the consolidation entry.



The screenshot shows two windows from a financial software interface. The top window, titled "Konsolidierungsbuchungen - Holding", displays a list of consolidation entries for the year 2020. The bottom window, titled "Konsolidierungsbuchungen - Erläuterungen", shows a detailed view of the explanation for a specific entry.

Firma	Betrag	Gegenkonto	Bemerkung
Daughter 60%, 8000 Zürich	900	Verbindlichkeiten Lieferung...	Tochter 60%
Quote, 1000 Berlin	250	Verbindlichkeiten Lieferung...	50% Quote AG
Totalbetrag der Konsolidierungsbuchungen: 1'150			Verfügbarer Betrag: 1'350

Nr.	Kontotext	2022	2021	Delta	Delta %
1100	Debitoren	375'552.25	352'566.20	22'986.05	2.4%
1101	Debitoren Zweigfirma	664'288.75	652'625.00	11'663.75	22.2%
1109	Delkredere	-100'000.00	-95'000.00	-5'000.00	5.3%
<b>Total</b>		<b>939'841.00</b>	<b>910'191.20</b>	<b>29'649.80</b>	<b>3.3%</b>

**Weitergehende Erläuterungen**  
 Der Betrag von 664'288.75 ist erfasst und mit der Zweigfirma in den Kreditoren abgestimmt worden. Die Summe ist kontrolliert und als Konsolidierungsbuchung erfasst worden.  
 Zweigfirmen:  
 300'000.00 - XY  
 364'288.75 - XXZ

You enter a consolidation entry and then your explanation. These explanations are shown in the consolidation posting as well as in the "**Consolidation Report**" report.

Explanatory notes are essential information that promote the understanding of consolidated financial statements and improve their quality.

## 3.2 Consolidation Postings Balance sheet

Consolidation postings are always posted to the assets of a subsidiary in the balance sheet. For the offsetting entry, another subsidiary and the account of the offsetting entry are selected. Depending on the selected area, only possible offsetting entries are available. This simplifies the recording of consolidation entries and increases the quality of the entries made.

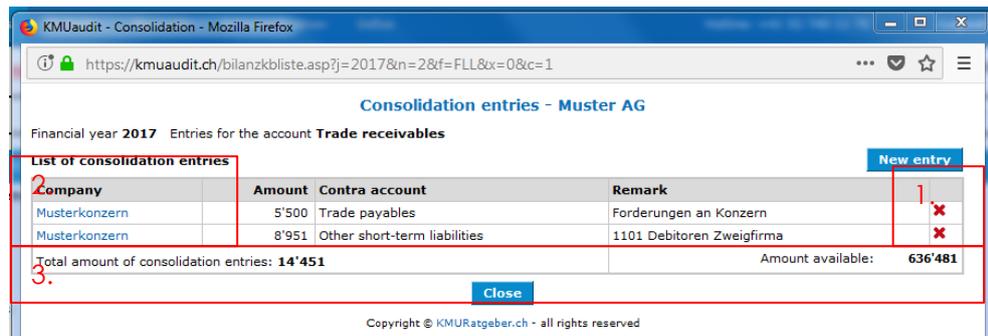
The software allows you to perform complex consolidations easily. Optionally, if you wish, you can also post interim profits from inventories or internally produced assets correctly in the Group.

In addition, the software calculates the goodwill or badwill of an investment held. The following pages describe the individual functions.

<b>account</b>	<b>consolidation entries</b>	<b>Explanations</b>
Trade receivables	<ul style="list-style-type: none"> <li>▪ Trade payable</li> <li>▪ Other short term liabilities</li> <li>▪ Deferred income liabilities</li> </ul>	chapter 3.2.1
Other current receivables	<ul style="list-style-type: none"> <li>▪ Trade payable</li> <li>▪ Other short term liabilities</li> <li>▪ Deferred income liabilities</li> </ul>	chapter 3.2.1
Prepaid expenses	<ul style="list-style-type: none"> <li>▪ Trade payable</li> <li>▪ Other short term liabilities</li> <li>▪ Deferred income liabilities</li> </ul>	chapter 3.2.1
Inventories, unbilled services	<ul style="list-style-type: none"> <li>▪ Cost of Sales</li> <li>▪ Retained earnings/losses</li> </ul>	chapter 3.2.2
Financial assets	<ul style="list-style-type: none"> <li>▪ Long-term liabilities</li> <li>▪ Share capital full Consolidation               <ul style="list-style-type: none"> <li>- automatic</li> <li>- Purchase</li> </ul> </li> <li>▪ Participation proportional consolidation</li> <li>▪ Equity investment method</li> </ul>	chapter 3.2.3 chapter 3.2.4 chapter 3.2.5 chapter 3.2.6
Tangible assets	<ul style="list-style-type: none"> <li>▪ Intra-group deliveries</li> </ul>	chapter 3.2.8

## Summary of Consolidation Postings at the Account Level

1. Delete a booking
2. Press on a booking to change it
3. Total of the consolidation entries left and right the total of the available amount



Consolidation entries - Muster AG  
Financial year 2017 Entries for the account Trade receivables

List of consolidation entries				New entry
Company	Amount	Contra account	Remark	
Musterkonzern	5'500	Trade payables	Forderungen an Konzern	1 ✖
Musterkonzern	8'951	Other short-term liabilities	1101 Debitoren Zweigfirma	✖
Total amount of consolidation entries: 14'451			Amount available:	636'481

Close

Copyright © KMURatgeber.ch - all rights reserved

## Entry mask of the individual booking:

1. Choice of counterparty possible "company" in the group select
2. Enter booking text
3. Select possible "offset account"
4. Enter the amount, the maximum amount appears on the right



Consolidation entry - Muster AG  
Financial year 2017 Entry for the account Trade receivables

Company: 1. Musterkonzern

Text: 2. Forderungen an Konzern

Contra account: 3. Trade payables

Amount: 4. 5'500

Maximum amount: 641'981

Save Cancel

Copyright © KMURatgeber.ch - all rights reserved

## The software points to the following possible errors:

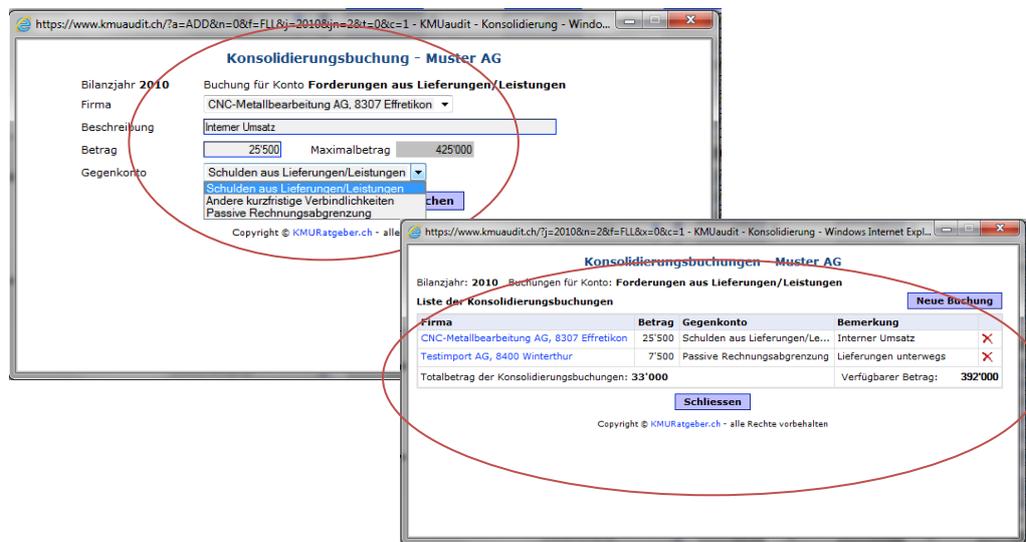
- Amount not recorded
- Booking text is missing
- Maximum amount exceeded
- Maximum possible participation ...

### 3.2.1 Trade receivables

First, select the company in the group to which the offsetting entry is addressed. Then you can enter a posting text with the amount. On the booking mask you can see the maximum amount still available.

You can select 3 counter accounts to a company in the group:

1. Trade payables
2. Other current liabilities
3. Deferred income



After saving, the list of consolidation entries appears with the remaining amount available.

You can generate further consolidation postings as required until you have reached the maximum amount.

The same functionality is available for Other Receivables and Accrued Payments.

### 3.2.2 Stocks

Intercompany profits can be eliminated for intragroup deliveries included in inventories.

It should be noted here that inventories may increase or decrease in the current year. In case of an increase, the elimination of the interim profit of the previous year is to be booked with a positive value and a decrease with a negative value.

booking text	Debit	Credit
Elimination of interim profit in the previous year	Retained earnings	Stocks
Elimination Interim profit current year (With a negative value, inventories have decreased in the current year)	cost of goods	Stocks



### 3.2.3 Financial assets

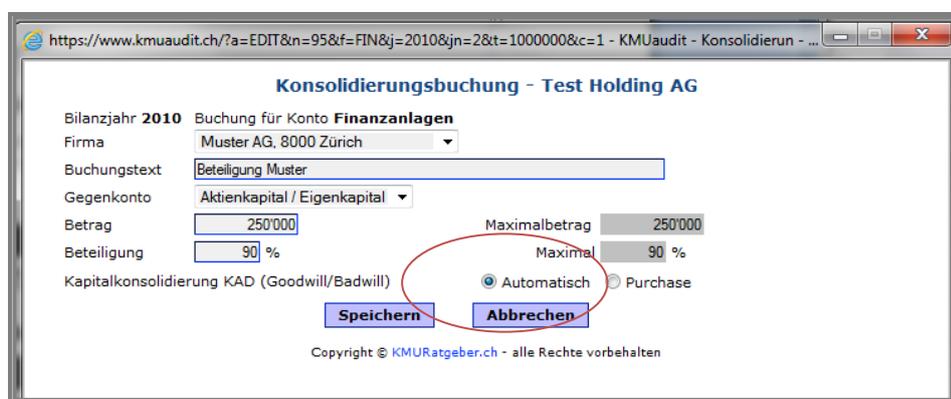
#### Long-term loans (no equity)

Loans can be made within the companies. You can book different variants loan, mortgage or bond.

booking text	Debit	Credit
Loan, Mortgage, Obligation ...	Long-term liabilities	Investments

### 3.2.4 Participations - automatic consolidation

#### Equity investments – (automatic calculation)



	booking text	Debit	Credit
	Participation at current book value	Equity positions (system)	investments
System-booking	If goodwill Activated participation is higher than the percentage total equity.	Goodwill Position Immat. fixed assets	Investment
	Unless badwill Capitalized participation is lower than the percentage total equity.	Investments	badwill Position in equity

In the balance sheet under equity, the individual items are shown consolidated. In the equity statement, the bookings are listed individually for each investment and the effects on the positions in equity are visible in detail and comprehensible. The existing minority interests are automatically calculated by the software and reported in equity and in the income statement.

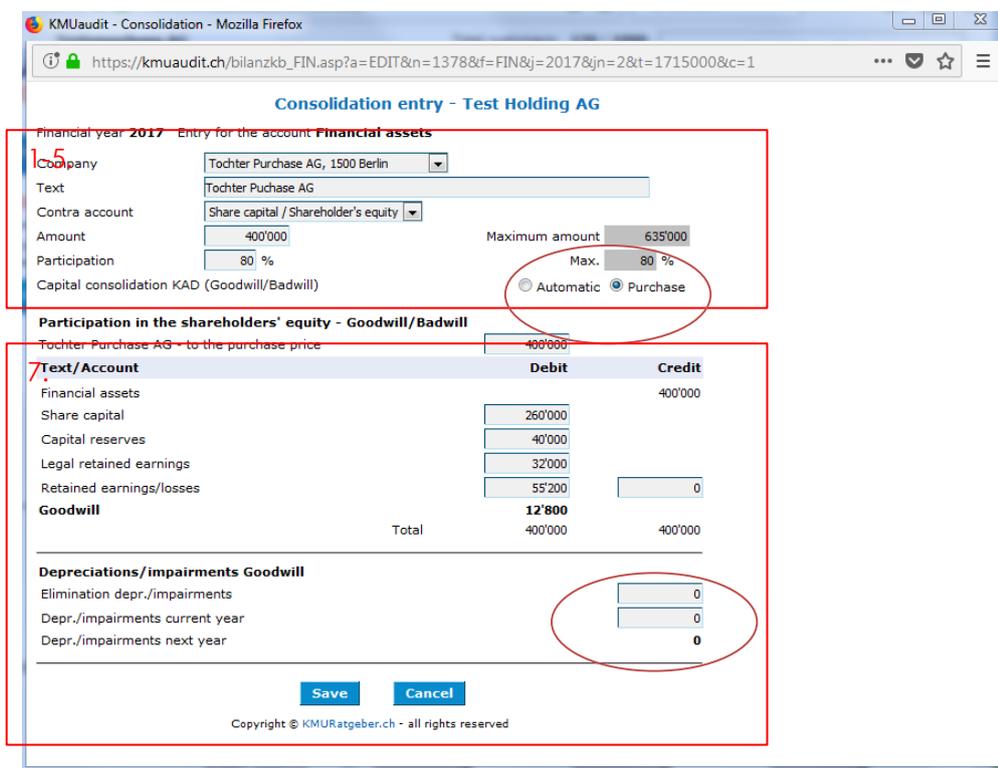
Any write-downs of too high an investment (impairment test) are posted to the parent and not to the consolidated financial statements. Large impairments can be recognized as M values in the consolidated income statement so that they are reported separately in the Group's MRO.

## 3.2.5 Participations - fully consolidation "Purchase "

Under the purchase method, the values are recognized at the time of acquisition (shares per share of equity). These market values form the cost basis for further accounting.

A difference between the purchase price and the net assets is called goodwill, capitalized and, depending on the accounting standard, e.g. Swiss GAAP FER is amortized over several years or subjected annually to an impairment test in accordance with IFRS and US GAAP.

If the recoverability of the goodwill no longer exists, a corresponding write-down must be made. A badwill is to be dissolved upon acquisition. You enter the postings in the software under the item Depreciation Impairment.



**Consolidation entry - Test Holding AG**

Financial year 2017 - Entry for the account **Financial assets**

1.5 Company: Tochter Purchase AG, 1500 Berlin

Text: Tochter Purchase AG

Contra account: Share capital / Shareholder's equity

Amount: 400'000 Maximum amount: 635'000

Participation: 80 % Max. 80 %

Capital consolidation KAD (Goodwill/Badwill):  Automatic  Purchase

**Participation in the shareholders' equity - Goodwill/Badwill**

Tochter Purchase AG - to the purchase price: 400'000

Text/Account	Debit	Credit
Financial assets		400'000
Share capital	260'000	
Capital reserves	40'000	
Legal retained earnings	32'000	
Retained earnings/losses	55'200	0
<b>Goodwill</b>	<b>12'800</b>	
Total	400'000	400'000

**Depreciations/impairments Goodwill**

Elimination depr./impairments: 0

Depr./impairments current year: 0

Depr./impairments next year: 0

Buttons: Save, Cancel

Copyright © KMURatgeber.ch - all rights reserved

Once entered, the values are taken over by the software during purchase consolidation. The previous year's figures can be overwritten. This will be necessary if there is a change in the investment in the current year or if an adjustment has been made in the individual financial statements.

1. Company in which you hold an investment
2. Booking text, "Participation name of the company"
3. Choice of counterparty "Share capital / equity "
4. Amount
5. shareholding
6. Choice Purchase (Default Automatic)
7. The cost of the assets are now recognized in proportion or the existing values from the previous year are taken over. All you have to do is to adjust / record possible changes in the investment or an impairment in the current year

## booking example:

1. Share capital / financial investments	260'000
2. Capital reserves / financial assets	40'000
3. Legal reserves / financial assets	32'000
4. Profit / loss carryforward / financial assets	55'200
5. Goodwill / financial assets	12'800
6. Profit / loss carried forward / goodwill	2'800
7. Impairment Intangible assets / Goodwill	0

## Special cases:

### ■ Changes in participations

Shareholdings can change continuously. If adjustments are necessary in the consolidated financial statements, they can be made under the following items:

1. Amount (current carrying amount of the investment at the parent company)
2. Purchase price (result of all purchases/sales of this investment)
3. Adjustments to share capital, Reseres from capital contributions, Legal retained earnings (result of all purchases/sales of this investment)
3. Results carried forward (goodwill/badwill adjustments)
4. Depreciation and amortization for previous years (goodwill adjustments)

### ■ Goodwill amortization in the individual financial statements

The parent company amortizes the investment in the individual financial statements (the amount in financial assets is lower than the purchase price). To ensure that the original goodwill remains visible and that there is no double charge in the consolidated financial statements, two adjustments must be made:

- Results carried forward XXX credit amount
- Depreciation and amortization for previous years XXX amount (to avoid double charge in the consolidated financial statements) Income statement)

### ■ Depreciation of a participation

The parent company is depreciating a subsidiary (the amount in financial assets is lower than the initial capital). To avoid negative goodwill, an adjustment must be made:

- Results carried forward XXX Credit Amount

**The individual entries can be seen in the Statement of Equity report.**

### 3.2.6 Participations - Proportionate consolidation

The proportionate consolidation can be applied to a joint venture. These are joint organizations where the management is shared by several partners. If a joint venture is legally independent, it must be consolidated in accordance with IFRS or US GAAP using the equity method. Pursuant to SWISS GAAP FER, proportional consolidation of legally independent joint ventures is permitted.

During consolidation, the aggregate balance is recognized pro rata (balance sheet and income statement). As the joint venture has already been recognized pro rata, the degree of participation is set at 100%. This eliminates the need for minority identification.

#### Equity investments – (automatic calculation)



The screenshot shows a web browser window titled 'KMUaudit - Consolidation - Mozilla Firefox'. The URL is 'https://kmuaudit.ch/bilanzkb\_FIN.asp?a=EDIT&n=1375&f=FIN&j=2017&jn=2&t=1715000&c=1'. The page content is titled 'Consolidation entry - Test Holding AG'. It shows a form for 'Financial year 2017' with the entry for the account 'Financial assets'. The form fields are: Company (Quotenkonsolidierung JV, 10050 London), Text (Joint Venture), Contra account (Share capital / Shareholder's equity), and Amount (250'000). A 'Maximum amount' field shows 485'000. There are 'Save' and 'Cancel' buttons at the bottom. Copyright © KMURatgeber.ch - all rights reserved.

booking text	Debit	Credit
Participation at current book value	share capital	investments

As in full consolidation, consolidation entries can be recognized.

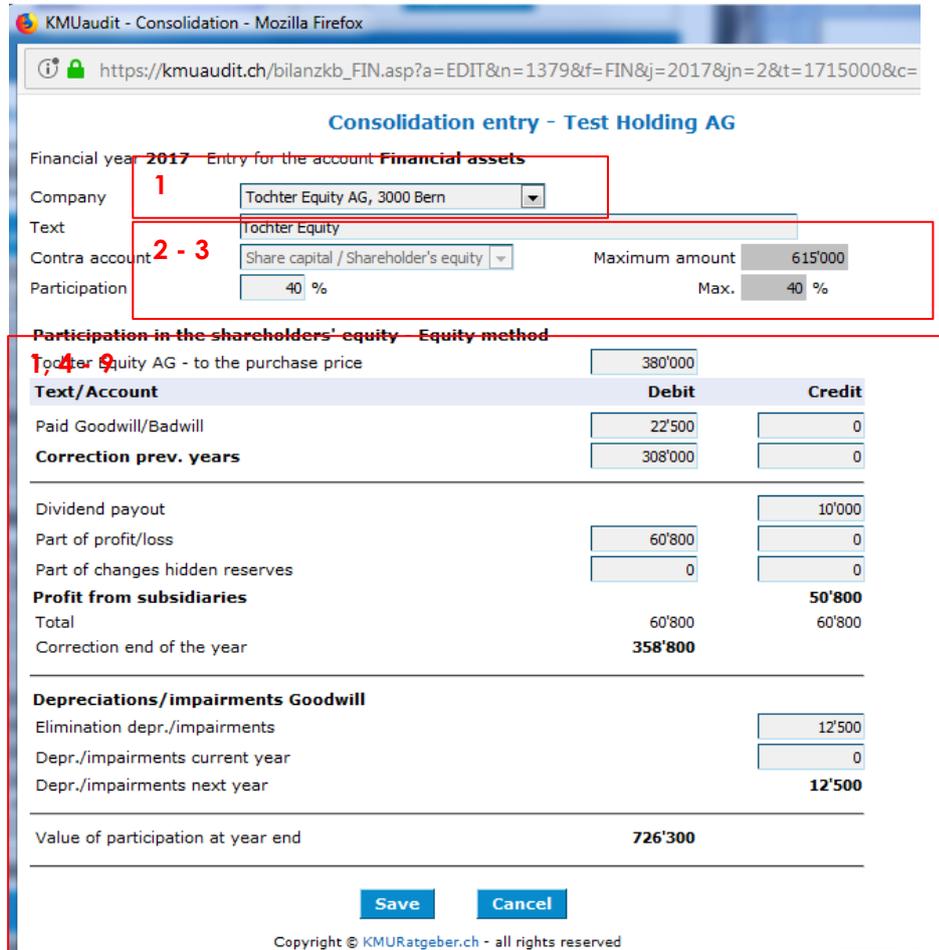
It is important that only the proportionate amount (in relation to the participation) is eliminated. This should be taken into account, especially when eliminating interim profits.

- In the case of a delivery between group companies and the jointly controlled entity, any interim profits of the recipient must be eliminated in proportion to the shareholding, irrespective of whether, from the point of view of the joint venture, it is an upstream supply (away from the joint venture) or a downstream one. Delivery (to the joint venture too).
- Deliveries between the jointly controlled company and the other partners are to be regarded as deliveries between third parties from the Group's point of view, which is why there are no interim profits.

## 3.2.7 Shareholdings Equity Method

The equity method is applied to holdings of 20 to 50%. This is not a consolidation but an assessment of minority participation.

The equity method can also be applied to majority interests that are for sale or that are not fully consolidated for other reasons.



**Consolidation entry - Test Holding AG**

Financial year: 2017 Entry for the account: **Financial assets**

Company: 1 Tochter Equity AG, 3000 Bern

Text: Tochter Equity

Contra account: 2 - 3 Share capital / Shareholder's equity Maximum amount: 615'000

Participation: 40 % Max.: 40 %

**Participation in the shareholders' equity - Equity method**

Text/Account	Debit	Credit
Tochter Equity AG - to the purchase price	380'000	
Paid Goodwill/Badwill	22'500	0
<b>Correction prev. years</b>	308'000	0
Dividend payout		10'000
Part of profit/loss	60'800	0
Part of changes hidden reserves	0	0
<b>Profit from subsidiaries</b>		<b>50'800</b>
Total	60'800	60'800
Correction end of the year	<b>358'800</b>	
<b>Depreciations/impairments Goodwill</b>		
Elimination depr./impairments		12'500
Depr./impairments current year		0
Depr./impairments next year		<b>12'500</b>
Value of participation at year end	<b>726'300</b>	

Buttons: Save, Cancel

Copyright © KMURatgeber.ch - all rights reserved

The company enters the consolidation entry as an equity method, if this company is designated as such consolidation type. The equity method is based on the previous year's figures (goodwill / badwill and corrections from the previous year).

1. Choice of the company, whereby equity companies are highlighted in gray and in the election directly the previous year's values are proposed
2. Booking text, "Participation name of the company "
3. Participation level, right appears the maximum possible degree of participation
4. Optional (Paid goodwill / badwill at the time of purchase)
5. Correction of previous years (the valuation difference is recorded in the consolidated balance sheet of the previous year - system proposal = previous year's figures)

6. Dividend distribution of the investment
7. Profit / loss portion of the investment
8. Optional proportional change of the silent reserves
9. If goodwill or badwill has been recognized, it can be amortized as required (previous years and current year)

**Buchungsbeispiel:**

1. Profit / loss carryforward / financial assets	10'000
2. Loss from investments / financial assets	39'000
3. Profit / loss carryforward / financial assets	12'500
4. Depreciation / Imp. Financial assets / financial investments	0

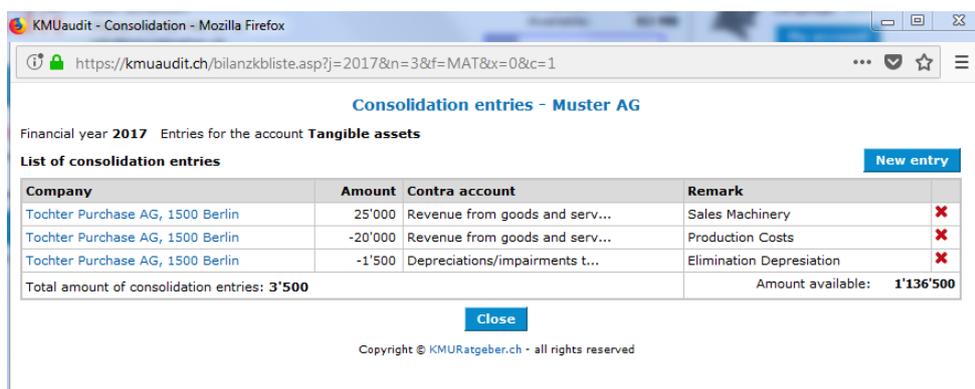
At the end of the year, the investment has a carrying amount of 288,500 in the consolidated financial statements (350'000 - 10'000 - 39'000 - 12'500). This value is printed on the booking mask on the last line.

### 3.2.8 Tangible assets

Intragroup deliveries, which are included in property, plant and equipment, the interim profits as well as the resulting depreciation can be eliminated.

It should be noted here that in the current year the gross profit / loss of the deliveries made is eliminated, as well as the depreciations that are too high or too low. In subsequent years, the proportionate gross profit and depreciation against the retained earnings are recorded.

1 year	<b>booking text</b>	<b>Debit</b>	<b>Credit</b>
	Elimination of gross profit current year	sales	Property, plant and equipment
	<b>alternative</b>	Total sales elimination	sales
2. Year	Posting (minus value) at production costs	Property, plant and equipment	capitalized own work
	Correction of write-offs that are too high - Value too high depreciation + Value too low depreciation	depreciation	Property, plant and equipment
	Elimination of interim profit in the previous year (Gross profit - the sum of the depreciation of previous years)	Retained earnings	Property, plant and equipment
	Correction of write-offs that are too high - Minus value too high depreciation + Value too low depreciation	depreciation	Property, plant and equipment



KMUaudit - Consolidation - Mozilla Firefox

https://kmuaudit.ch/bilanzkbliste.asp?j=2017&n=3&f=MAT&x=0&c=1

**Consolidation entries - Muster AG**

Financial year 2017 Entries for the account **Tangible assets**

List of consolidation entries New entry

Company	Amount	Contra account	Remark	
Tochter Purchase AG, 1500 Berlin	25'000	Revenue from goods and serv...	Sales Machinery	✘
Tochter Purchase AG, 1500 Berlin	-20'000	Revenue from goods and serv...	Production Costs	✘
Tochter Purchase AG, 1500 Berlin	-1'500	Depreciations/impairments t...	Elimination Depresiation	✘
Total amount of consolidation entries: 3'500			Amount available:	1'136'500

Close

Copyright © KMURatgeber.ch - all rights reserved

### 3.3 Consolidation bookings Income statement

Turnover of the companies within the group is eliminated. It refers to:

- Services or deliveries of goods
- paid dividends within the Group
- Financing income within the Group

#### 3.3.1 Intra-group sales



Firma	Betrag	Gegenkonto	Bemerkung
Tochter Puchase AG, 8000 Zürich	165'000	Personalaufwand	Lieferung an Purchase
Tochter Puchase AG, 8000 Zürich	15'000	DL-, Material- und Warenauf...	Lieferungen an Purchase
Tochter Puchase AG, 8000 Zürich	25'000	Übriger Betriebsaufwand	Miete Purchase
Totalbetrag der Konsolidierungsbuchungen: 205'000			Verfügbare Betrag: 5'295'000

booking text	Debit	Credit
Deliveries within the Group	Revenue	Cost of sales
Sales for services	Revenue	Personnel costs
Sales of rents	Revenue	Other expenses
dividend payment	Revenue	Retained earnings
Advance booking of dividend payment in the following year	Revenue	Active accruals and deferrals
Profit / loss portion from participation	Investments	Profit share minority
Activated in-house services	Property, plant and equipment	Activated in-house services

System-book

System-book

### 3.3.2 Group financial expenses

Intra-group interest received or dividends that are not recognized through sales can be derecognised from the financial result.



booking text	Debit	Credit
Interest received from a group company	financial income	financial expenses
Dividends received from a Group company (posting not via sales)	financial income	financial expenses

### 3.3.3 Profit-loss portion of minority interests

If the Group does not own 100% of the investment and this shareholding is fully consolidated, minority interests must be reported on a pro rata basis.

These shares of profit or loss are automatically calculated and reported by the software according to the minority interest.

#### 3 Consolidated income statement

**Musterkonzern**  
Im Ifang 16  
8307 Effretikon

Financial year: **2016**

Date: 15.08.2018  
Currency: CHF in 1:1

Financial year 2016	Sum	Debit	Credit	Group
<b>Company earnings</b>				
Revenue from goods and services	10'332'885	623'526		9'709'359
Profit/loss from subsidiaries			50'800	50'800
<b>Company expenses</b>				
Costs of sales	3'696'612		288'501	3'408'111
Personnel costs	3'973'706		22'750	3'950'956
Other company expenses	1'564'476			1'564'476
Financial result	-113'319			-113'319
Depr./impairments financial assets				
Depr./impairments tangible assets	362'487			362'487
Depr./impairments intangible assets	18'500			18'500
<b>Operating profit/loss</b>	<b>830'423</b>	<b>623'526</b>	<b>362'051</b>	<b>568'948</b>
<b>Other revenues</b>				
External revenues				
Extraordinary revenues				
<b>Other expenses</b>				
External expenses				
Extraordinary expenses	41'175			41'175
Profit attributable to minority		21'407		21'407
Taxes	108'035			108'035
<b>Net profit</b>	<b>681'213</b>	<b>644'933</b>	<b>362'051</b>	<b>398'331</b>

## 4 Reports

### 4.1 Drill down at the account level

In the Consolidation Report you can follow the consolidation in detail via drill down functions. By clicking on the appropriate numbers and then on the appropriate company:

#### 1. Drill Down im Konsolidierungsbericht; **Flüssige Mittel 1'018'308**

Bilanzjahr 2016	Summe	Soll	Haben	Konzern
<b>Umlaufvermögen</b>				
Flüssige Mittel	1'018'308			1'018'308
Forderungen Lieferung/Leistungen	1'226'882		60'750	1'166'132
Übrige kurzfristige Forderungen	170'403		35'428	134'975
Vorräte, nicht fakt. Leistungen	805'736	2'725	7'631	800'830
Aktive Rechnungsabgrenzung	356'460			356'460
<b>Total Umlaufvermögen</b>	<b>3'577'789</b>	<b>2'725</b>	<b>103'809</b>	<b>3'476'705</b>

#### 2. Konsolidierte Firmen (5 Firmen, mit Umrechnungskurs)

<b>Flüssige Mittel</b>					
Quotenkonsolidierung JV	GBP	1:1000	37	1.255857	46'000
Test Holding AG			225'000		225'000
Muster AG			459'902		459'902
Tochter Purchase AG	EUR		130'000	1.072	139'360
XBRL MH AG			148'046		148'046
<b>Total Flüssige Mittel</b>					<b>1'018'308</b>

#### 3. Kontodetail der Firma, **Muster AG 459'902.25**

<b>Flüssige Mittel</b>					
Quotenkonsolidierung JV	GBP	1:1000	37	1.255857	46'000
Test Holding AG			225'000		225'000
Muster AG			459'902		459'902
<b>Flüssige Mittel</b>					
Konto		2015	2016	Delta	Delta %
1021	Bank	69'580.16	55'651.15	-13'929.01	-20.0%
1023	Postfinance	217'974.25	404'251.10	186'276.85	85.5%
<b>Total</b>		<b>287'554.41</b>	<b>459'902.25</b>	<b>172'347.84</b>	<b>59.9%</b>
Tochter Purchase AG	EUR		130'000	1.072	139'360
XBRL MH AG			148'046		148'046
<b>Total Flüssige Mittel</b>					<b>1'018'308</b>

## 4.2 Consolidation Report

	<h1>Consolidation report</h1> <p>31.12.2016</p>
	<p><b>Musterkonzern</b> Im Ifang 16 8307 Effretikon</p>
	
<p><b>Testumgebung AG</b> Im Ifang 16 8307 Effretikon</p> <p>Publication of the: 15.08.2018</p>	<p>Table of contents</p> <ul style="list-style-type: none"><li>1 Group overview<ul style="list-style-type: none"><li>1.1 Subsidiaries within the group</li><li>1.2 Currencies and rates</li><li>1.3 Company rating KMUaudit</li></ul></li><li>2 Consolidated balance sheet</li><li>3 Consolidated income statement</li><li>4 Consolidation entries<ul style="list-style-type: none"><li>4.1 Receivables</li><li>4.2 Inventories, unbilled services</li><li>4.3 Financial assets</li><li>4.4 Revenue from goods and services</li><li>4.5 Financial result</li></ul></li><li>5 Elimination: Shareholders' equity</li><li>6 Consolidated equity statement</li><li>7 Segment reporting<ul style="list-style-type: none"><li>7.1 Industries in the group</li><li>7.2 Market areas in the group</li></ul></li><li>8 Data basis<ul style="list-style-type: none"><li>8.1 Basis of balance sheet</li><li>8.2 Basis of income statement</li></ul></li></ul>

### 4.3 Segment reporting

Segment reporting is automatically generated according to the industries and regions covered by the Group. The segment reports are prepared before consolidation entries and without minority disclosure.

#### By branches:

28 Machinery manufacturing 65.97%					
	2015		2016		Delta
<b>Company earnings</b>					
Revenue from goods and services	6'459'620	100.0%	6'325'380	100.0%	-134'240
<b>Company expenses</b>					
Costs of sales	-2'144'356	-33.2%	-2'129'472	-33.7%	-14'884
<b>Gross profit I</b>	<b>4'315'264</b>	<b>66.8%</b>	<b>4'195'908</b>	<b>66.3%</b>	<b>-119'356</b>
Personnel costs	-2'635'316	-40.8%	-2'655'648	-42.0%	20'332
<b>Gross profit II</b>	<b>1'679'948</b>	<b>26.0%</b>	<b>1'540'260</b>	<b>24.4%</b>	<b>-139'688</b>
Other company expenses	-999'011	-15.5%	-1'003'290	-15.9%	4'279
<b>EBITDA</b>	<b>680'937</b>	<b>10.5%</b>	<b>536'970</b>	<b>8.5%</b>	<b>-143'967</b>
Depr./impairments tangible assets	-132'619	-2.1%	-236'455	-3.7%	103'836
Depr./impairments intangible assets	-15'000	-0.2%	-18'500	-0.3%	3'500
<b>EBIT</b>	<b>533'318</b>	<b>8.3%</b>	<b>282'015</b>	<b>4.5%</b>	<b>-251'303</b>
Financial result	-25'571	-0.4%	-42'669	-0.7%	17'098
<b>Operating profit/loss</b>	<b>507'747</b>	<b>7.9%</b>	<b>239'346</b>	<b>3.8%</b>	<b>-268'401</b>
<b>Other revenues</b>					
<b>Other expenses</b>					
Extraordinary expenses			-41'175	-0.7%	41'175
Taxes	-96'961	-1.5%	-65'533	-1.0%	-31'428
<b>Net profit</b>	<b>410'786</b>	<b>6.4%</b>	<b>132'638</b>	<b>2.1%</b>	<b>-278'148</b>

#### By regions:

Europe 44.30%					
	2015		2016		Delta
<b>Company earnings</b>					
Revenue from goods and services	4'307'172	100.0%	4'220'675	100.0%	-86'497
<b>Company expenses</b>					
Costs of sales	-1'502'440	-34.9%	-1'502'162	-35.6%	-278
<b>Gross profit I</b>	<b>2'804'732</b>	<b>65.1%</b>	<b>2'718'513</b>	<b>64.4%</b>	<b>-86'219</b>
Personnel costs	-1'675'396	-38.9%	-1'685'900	-39.9%	10'504
<b>Gross profit II</b>	<b>1'129'336</b>	<b>26.2%</b>	<b>1'032'613</b>	<b>24.5%</b>	<b>-96'723</b>
Other company expenses	-646'787	-15.0%	-626'519	-14.8%	-20'268
<b>EBITDA</b>	<b>482'549</b>	<b>11.2%</b>	<b>406'094</b>	<b>9.6%</b>	<b>-76'455</b>
Depr./impairments tangible assets	-133'939	-3.1%	-183'158	-4.3%	49'219
Depr./impairments intangible assets	-12'000	-0.3%	-14'800	-0.4%	2'800
<b>EBIT</b>	<b>336'610</b>	<b>7.8%</b>	<b>208'136</b>	<b>4.9%</b>	<b>-128'474</b>
Financial result	-14'244	-0.3%	-23'329	-0.6%	9'085
<b>Operating profit/loss</b>	<b>322'366</b>	<b>7.5%</b>	<b>184'807</b>	<b>4.4%</b>	<b>-137'559</b>
<b>Other revenues</b>					
<b>Other expenses</b>					
Extraordinary expenses			-32'940	-0.8%	32'940
Taxes	-60'908	-1.4%	-44'464	-1.1%	-16'444
<b>Net profit</b>	<b>261'458</b>	<b>6.1%</b>	<b>107'403</b>	<b>2.5%</b>	<b>-154'055</b>

## 4.3.1 Shareholders' equity

## Consolidated equity statement

Musterkonzern Financial year: 2016 Date: 15.08.2018  
 Im Ifang 16 Currency: CHF in 1:1  
 8307 Effretikon

## Shareholders' equity at year end

Subsidiary	Shareh. equity	Capital reserves	Legal reserves	Currency differ.	Roundings	Profit reserves	Annual profit/loss	Correct. TB I to TB II	Total Shareh. equity	Cap. int. attrib. to minority	Shareh. equity Group
Quotenkonsolidierung JV	126'000	63'000				40'000	40'000		269'000		269'000
Test Holding AG	1'000'000	450'000	100'000			145'000	380'500		2'075'500		2'075'500
Muster AG	300'000	500'000	120'000			269'500	315'187	520'000	2'024'687		2'024'687
Tochter Purchase AG	428'800	53'600	85'760			65'928	-78'792		555'296		555'296
XBRL MH AG	100'000		20'000			150'840	23'647	14'400	308'887		308'887
<b>SE before consolidation</b>	<b>1'954'800</b>	<b>1'066'600</b>	<b>325'760</b>			<b>671'268</b>	<b>680'542</b>	<b>534'400</b>	<b>5'233'370</b>		<b>5'233'370</b>
Consolidation entries											
<b>Quotenkonsolidierung JV, 10050 London</b>											
Currency differences				-25'000		25'000					
<b>Test Holding AG, 8307 Effretikon</b>											
Dividende XBRL						45'000	-45'000				
Tochter XBRL	-75'000		-15'000						-90'000		-90'000
Joint Venture Quote	-250'000								-250'000		-250'000
Abs. Goodwill Tochter Equity AG						-12'500			-12'500		-12'500
Equity-Beteiligung Tochter Equity AG						257'200	50'800		308'000		308'000
Tochter Purchase	-260'000	-40'000	-32'000						-387'200		-387'200
Tochter Muster AG	-540'000					240'000			-300'000		-300'000
Abs. Badwill Muster AG						50'000			50'000		50'000
Dividende Muster AG						270'000	-270'000				
<b>Muster AG, 8000 Zürich</b>											
Minority Muster AG	-30'000	-50'000	-12'000			-26'950	-31'519		-150'469	150'469	
<b>Tochter Purchase AG, 1500 Berlin</b>											
Elimination Vorjahr						-7'081			-7'081		-7'081
Verminderung Muster AG							2'725		2'725		2'725
Minority Tochter Purchase AG	-85'760	-10'720	-17'152	-2'819	14'097	-13'186	16'024		-113'613	113'613	
Currency differences							-14'097				
<b>XBRL MH AG, 8001 Zürich</b>											
Minority XBRL MH AG	-25'000		-5'000			-37'710	-5'912		-73'622	73'622	
Conversion differences											
Roundings					-550		671				-550
<b>Total Consolidation</b>	<b>-1'265'760</b>	<b>-100'720</b>	<b>-81'152</b>	<b>-13'722</b>	<b>-550</b>	<b>719'805</b>	<b>-282'211</b>		<b>-1'024'310</b>	<b>337'704</b>	<b>-686'606</b>

## Goodwill / Badwill

Musterkonzern Financial year: 2016 Date: 15.08.2018  
 Im Ifang 16 Currency: CHF in 1:1  
 8307 Effretikon

## Shareholders' equity

Subsidiary	Share	Shareh. equity	Capital reserves	Legal reserves	Profit reserves	Correction value TB I to TB II	Capital interest	Financial assets	Goodwill	Badwill
<b>Test Holding AG, 8307 Effretikon</b>										
XBRL MH AG	75%	75'000		15'000			90'000	175'000	85'000	
Tochter Purchase AG	80%	260'000	40'000	32'000	55'200		387'200	400'000	12'800	
Muster AG	90%	540'000			-240'000		300'000	250'000		-50'000
<b>Total</b>		<b>875'000</b>	<b>40'000</b>	<b>47'000</b>	<b>-184'800</b>		<b>777'200</b>	<b>825'000</b>	<b>97'800</b>	<b>-50'000</b>

## 4.3.2 Consolidated Financial Statements

# Consolidated financial statements

31.12.2016

**Musterkonzern**  
Im Ifang 16  
8307 Effretikon



**Testumgebung AG**  
Im Ifang 16  
8307 Effretikon

Publication of the:  
15.08.2018

### Table of contents

- 1 Group overview
  - 1.1 Subsidiaries within the group
  - 1.2 Currencies and rates
  - 1.3 Company rating KMUaudit
- 2 Consolidates balance sheet
- 3 Consolidates income statement
- 4 Consolidates cash flow statement
- 5 Consolidated equity statement
- 6 Segment reporting
  - 6.1 Industries in the group
  - 6.2 Market areas in the group
- 7 Annex

### 4.3.3 Explanations per account balance / IC

Under Balance / IC you can enter further explanations for each main account and optionally integrate them into the consolidated financial statements **1**. Particularly interesting for:

- Warehouse
- Holdings
- Asset history ...

### 4.3.4 M- Values - cash flow statement

Under Balance / ER you can enter M values **1**. for the cash flow statement. These are special values such as:

- Significant investments / divestments
- Significant holdings
- Major Financing ...

You can deactivate the amount as effective for liquidity. **2**. This is interesting for:

- Accounting for leasing transactions
- Financing in the group
- In-house developments ...