

Master List of Adjustments – Ind AS 103 & 110
P – Parent, S – Subsidiary , A – Associate

#	Adjustment	Treatment	Example
A. Purchase Consideration			
1	Contingent Consideration	Included at FV on DOA – probability is built into the FV. Consider even if not probable. • Liability $\Rightarrow$ remeasure at FV through P&L • Equity $\Rightarrow$ not remeasured • Measurement-period change (facts at DOA) $\Rightarrow$ adjust goodwill	Rs. 15 lakh payable if target met; FV on DOA Rs. 9.8 lakh Consideration (liability) = Rs. 9.8 lakh Year-end FV Rs. 12 lakh $\Rightarrow$ loss Rs. 2.2 lakh in P&L
2	Deferred Consideration	Discount to PV on DOA – PV is the consideration Subsequently: effective interest $\Rightarrow$ interest expense in P&L, liability increases	Rs. 90 lakh due after 3 yrs @ 10% $PV = 90 / 1.10^3 = \text{Rs. 67.6 lakh}$ (consideration) Year 1 interest = $67.6 \times 10\% = \text{Rs. 6.8 lakh}$ (P&L)
3	Payments to Selling Shareholders	• As shareholders $\Rightarrow$ purchase consideration • As employees (e.g. forfeited on leaving) $\Rightarrow$ employee benefit expense (post-combination)	Promoter gets Rs. 20 lakh extra only if employed 2 more years Not consideration $\Rightarrow$ expense Rs. 10 lakh p.a. over 2 yrs
4	Replacement Share-based Awards	Pre = FV of original award $\times$ vesting completed $\div$ greater of total or original vesting period $\Rightarrow$ consideration Post = FV of replacement award – Pre $\Rightarrow$ expense (Ind AS 102) Total vesting = completed + remaining under replacement	Original FV Rs. 100; original vesting 4 yrs, 2 done; replacement needs 1 more yr (FV Rs. 110) Total = $2 + 1 = 3$; greater of 3 or 4 = 4 Pre = $100 \times 2/4 = \text{Rs. 50}$ (consideration) Post = $110 - 50 = \text{Rs. 60}$ (expense over 1 yr)
5	Transaction / Acquisition Costs	Legal, due diligence, valuation, advisory fees $\Rightarrow$ expense in P&L Exception: equity issue costs $\Rightarrow$ deduct from equity; debt issue costs $\Rightarrow$ EIR (Ind AS 109)	Advisory fee Rs. 4 lakh + share issue cost Rs. 1 lakh Rs. 4 lakh $\Rightarrow$ P&L; Rs. 1 lakh : adjust in equity No effect on goodwill

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B. Measurement on Date of Acquisition			
6	Previously Held Interest (Step Acquisition)	Remeasure to FV on DOA ; gain/loss in P&L (OCI if FVOCI equity – not recycled) Use this FV in goodwill computation	Earlier 30% stake: carrying Rs. 8 cr, FV Rs. 9 cr Gain Rs. 1 cr (P&L / OCI); Rs. 9 cr in goodwill working
7	NCI Measurement	Choice per acquisition : • Fair value ⇒ full goodwill • Proportionate share of net assets ⇒ partial goodwill Goodwill impairment shared with NCI only under FV method	NCI 35%; FV of net assets Rs. 80 lakh; FV of NCI shares Rs. 31 lakh Proportionate = 35% × 80 = Rs. 28 lakh FV method = Rs. 31 lakh (goodwill higher by Rs. 3 lakh)
8	Intangibles Not in Acquiree's Books	Recognise separately if identifiable (separable / contractual) and FV measurable Includes in-process R&D, brands, customer lists Not recognised: assembled workforce (in goodwill)	Patent worth Rs. 8 cr not in acquiree's books Recognise intangible Rs. 8 cr ; goodwill falls by Rs. 8 cr
9	Contingent Liabilities	Recognise if present obligation + FV reliably measurable – even if not probable Possible obligation only ⇒ not recognised	Lawsuit, low probability of loss; FV Rs. 5 lakh Recognise liability Rs. 5 lakh ; goodwill up by Rs. 5 lakh
10	Indemnification Assets	Recognise on the same basis as the indemnified liability Cannot exceed the liability; consider collectability	Tax dispute recognised Rs. 6 lakh; seller indemnifies fully Indemnification asset Rs. 6 lakh ; net effect on goodwill nil

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11	Reacquired Rights / Pre-existing Relationship	Reacquired right ⇒ intangible at FV; amortise over remaining contractual period (ignore renewals) Contractual settlement ⇒ gain/loss in P&L at lower of: • amount by which contract is unfavourable (off-market element) • settlement penalty Non-contractual (e.g. lawsuit) ⇒ settled at FV Settlement amount excluded from consideration	FV of reacquired franchise 4,50,000; contract amount for balance period 1,50,000; penalty 1,80,000 Intangible = 4,50,000 Loss = lower of (4,50,000 – 1,50,000 = 3,00,000) and 1,80,000 = 1,80,000 ⇒ P&L Reduce consideration by 1,80,000
12	Measurement Period	Adjust provisional amounts for new info on facts existing at DOA Max 12 months; adjust goodwill retrospectively (incl. depreciation, comparatives) After 12 months ⇒ only error correction (Ind AS 8)	Provisional PPE FV Rs. 500 lakh; valuation after 6 months shows Rs. 450 lakh at DOA PPE –50 lakh; goodwill +50 lakh; revise depreciation from DOA
C. Post-Acquisition & Consolidation Adjustments			
13	Bonus – out of Pre-acq Reserves	Reclassification within S's equity; net assets on DOA unchanged No change in goodwill, cost of investment or NCI	Bonus Rs. 50,000 from pre-acq reserves Share capital +50,000; pre-acq reserves –50,000; goodwill unchanged
14	Bonus – out of Post-acq Reserves	Capitalised profits are no longer distributable CFS: parent's share from P&L / free reserves ⇒ capital reserve; NCI share stays in NCI	P 80%; S issues bonus Rs. 1,00,000 from post-acq profits Consolidated RE –80,000; capital reserve +80,000; NCI unchanged

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15	Dividend – out of Pre-acq Profits	Separate FS of parent $\Rightarrow$ credit to P&L (not cost of investment); CFS $\Rightarrow$ intra-group, eliminate Post-acq profit (if not given) = Closing – DOA balance + dividends paid	S pays Rs. 30,000 from pre-acq profits; P 80% $\Rightarrow$ Rs. 24,000 to P's P&L RE: DOA 2,00,000; closing 2,50,000; dividend 30,000 Post-acq profit = 2,50,000 – 2,00,000 + 30,000 = Rs. 80,000
16	Unrealised Profit – Inventory	Eliminate 100% of profit on stock held within group • Downstream (P sold) $\Rightarrow$ parent / consolidated P&L only • Upstream (S sold) $\Rightarrow$ S's profit $\Rightarrow$ shared by P and NCI	Sales Rs. 30,000 (cost 25,000); 40% unsold URP = 5,000 $\times$ 40% = Rs. 2,000 $\Rightarrow$ reduce closing stock & profit
17	Unrealised Profit – Fixed Assets	Eliminate gain on transfer; restate asset to group carrying amount Write back excess depreciation on the profit element	BV Rs. 80,000 sold for Rs. 1,00,000; remaining life 5 yrs Eliminate gain 20,000; write back depreciation 4,000 p.a. Net reduction in asset after Year 1 = Rs. 16,000
18	Depreciation on FV Adjustment	FV up on DOA $\Rightarrow$ extra depreciation $\Rightarrow$ lower post-acq profit (and vice versa) Adjust S's post-acq profit (shared with NCI) and asset in CBS	PPE FV up Rs. 20,000; life 10 yrs $\Rightarrow$ extra depreciation Rs. 2,000 p.a. After 2 yrs: PPE in CBS = +20,000 – 4,000 = +16,000
19	Intercompany Balances	Eliminate. If balances don't match, check: • Cash / goods in transit $\Rightarrow$ record in receiver's books first • Bills discounted $\Rightarrow$ see next row • Intra-group debentures bought from market $\Rightarrow$ difference = gain/loss in CFS	P receivable 50,000; S payable 40,000 (cash 10,000 in transit) Add cash in transit 10,000; eliminate 50,000 both sides S's debentures (face 1,00,000) bought by P for 90,000 Eliminate; gain Rs. 10,000 in consolidated P&L

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20	Bills Discounted	Discounted portion is owed to the bank (outsider) ⇒ not eliminated Eliminate only the portion still held in the group	Bills 2,00,000 drawn by P on S; P discounts 1,50,000 Eliminate 50,000; show bills payable 1,50,000 in CBS
21	Impairment of Goodwill	Test annually + on indicators; loss in P&L ; never reversed Allocate to goodwill first, then pro-rata to other CGU assets • Proportionate NCI ⇒ gross up goodwill; recognise parent's share only • FV method ⇒ shared by parent and NCI	Goodwill Rs. 1.29 cr, impairment Rs. 25.8 lakh ⇒ Dr P&L / Cr Goodwill 25.8 lakh Gross-up: goodwill 80 (80%, proportionate) ⇒ notional 100 CGU 500 + 100 = 600 vs recoverable 550 ⇒ loss 50; recognise 80% = 40
D. Additional Ind AS 103 Adjustments			
22	Deferred Tax on FV Adjustments	FV uplift on DOA vs tax base ⇒ temporary difference ⇒ DTL / DTA in net assets DTL reduces net assets ⇒ increases goodwill No DTL on initial recognition of goodwill itself DTL unwinds as extra depreciation on the FV uplift is charged	PPE FV higher by Rs. 100 lakh; tax rate 25% DTL = 100 × 25% = Rs. 25 lakh ; net increase in net assets = Rs. 75 lakh Goodwill falls by 75 (not 100). Extra depreciation 10 ⇒ DTL reverses 2.5
23	Common Control Combinations Ind AS 103 Appendix C	Pooling of interests : assets & liabilities at carrying amounts – no FV, no new goodwill or intangibles Only adjustment: harmonise accounting policies Reserves of transferor retained in the same form Consideration vs transferor's share capital ⇒ difference to capital reserve (shown separately)	Transferor share capital Rs. 1,000; consideration = shares of face value Rs. 800 Capital reserve = 1,000 – 800 = Rs. 200 ; transferor's reserves carried as they are

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24	Goodwill Already in S's Books Ind AS 103.B31	Not an identifiable asset ⇒ excluded from FV of net assets Fresh goodwill computed only at group level	S's BS shows goodwill Rs. 50 lakh ⇒ exclude; net assets lower by 50, group goodwill higher by 50
25	Restructuring Provisions	Recognise only if acquiree had a present obligation at DOA Acquirer's planned restructuring ⇒ not a liability at DOA ⇒ post-combination expense	Acquirer plans to close S's plant (cost Rs. 30 lakh) after takeover Not in net assets on DOA; expense when obligation arises
26	Exceptions to Fair Value Measurement Ind AS 103.22–31A	- Employee benefits ⇒ Ind AS 19 - Income taxes ⇒ Ind AS 12 - Share-based payments ⇒ Ind AS 102 (market-based measure) - Assets held for sale ⇒ FV less costs to sell (Ind AS 105) - Leases (acquiree is lessee) ⇒ lease liability at PV of remaining payments; ROU adjusted for off-market terms - Indemnification assets, reacquired rights – see items 10, 11	Asset held for sale: FV Rs. 200, cost to sell Rs. 10 ⇒ record Rs. 190 Acquiree lease: remaining payments PV Rs. 120; terms favourable by Rs. 5 ⇒ lease liability 120, ROU 125
E. Additional Adjustments			
27	Mid-year Acquisition – Consolidated P&L	Include S's income & expenses only from DOA Time-apportion unless seasonality / actual figures given	Acquired 1 Oct; S's profit for the year Rs. 120 lakh; NCI 20% Included = $120 \times 6/12$ = Rs. 60 lakh ; NCI share = Rs. 12 lakh
28	Preference Shares of S held by Outsiders (In India redeemable)	NCI Portion - To be shown as financial liability (Some ICAI suggested answers show this as part of NCI under equity_ - If Irredeemable + discretionary dividend ⇒ equity ⇒ NCI Parent's Portion – Off set against investment and balance amount to Retained Earnings	S's 10% redeemable preference shares Rs. 10 lakh held by outsiders CBS: borrowings Rs. 10 lakh ; dividend Rs. 1 lakh = finance cost; NCI unaffected

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29	Change in Stake – Control Retained	Equity transaction – no P&L, goodwill unchanged Adjust NCI for the change in relative interest; difference to other equity	Buy: P 80% $\Rightarrow$ 90% for Rs. 150; NCI (20%) carrying Rs. 280 Dr NCI 140, Dr Other equity 10, Cr Bank 150 Sell: P 80% $\Rightarrow$ 70% for Rs. 200; S's net assets Rs. 1,500 Dr Bank 200, Cr NCI 150, Cr Other equity 50
30	Foreign Subsidiary	Assets & liabilities $\Rightarrow$ closing rate ; income & expenses $\Rightarrow$ actual / average rate Goodwill and FV adjustments are assets of the foreign operation $\Rightarrow$ closing rate Difference $\Rightarrow$ FCTR in OCI ; NCI share allocated to NCI; recycled on disposal	Goodwill \$10 at DOA rate 80 = Rs. 800; closing rate 83 Goodwill in CBS = Rs. 830 ; Rs. 30 to FCTR (OCI)
31	Intra-group Interest, Rent, Fees	Eliminate income in one entity against expense in the other – no effect on consolidated profit NCI share is on S's profit after the charge – do not add it back (unlike URP)	S pays P management fee Rs. 10 lakh; NCI 20% Eliminate revenue 10 (P) and expense 10 (S); NCI = 20% $\times$ S's profit after fee
32	URP with an Associate (vs Subsidiary) Ind AS 28.28	Eliminate only the investor's share of URP – upstream and downstream If P sold to A, Reduce Profit and Investment If A sold to P, Reduce Profit and Inventory Subsidiary $\Rightarrow$ eliminate 100% ; associate $\Rightarrow$ eliminate % held	P (30% in A) sells goods to A at profit Rs. 100; all unsold Eliminate 30% $\times$ 100 = Rs. 30 from share of profit and investment If A were a subsidiary $\Rightarrow$ eliminate Rs. 100