AS 23 - Accounting for Investments in Associates in Consolidated Financial St.

1. Definition

* **Associate** is an enterprise in which the investor has significant influence & which is neither a subsidiary [AS 21] nor a joint venture [AS 27]
* **Significant influence** - Enterprise having 20% or more of the voting power directly or indirectly in any other enterprise

Calculation of % Holding [Direct + Indirect]

Standalone FS

% share held by own co. in other co. (+) % share held by subsidiary co. in other co.

Consolidated FS

% share held by own co. in other co. (+) [% share held by subsidiary co. in other co. × % share of parent co. in subsidiary co.]

2. Associates Accounting - Equity Method

Equity method is a method of accounting followed by all enterprises having significant influence on their associate except:

- Control is intendend to be temporary
- There is servere long-term restrictions

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3. Calculation of Goodwill / Capital Reserve

	Amount paid for Investment in Associate	XX
(-)	Preacquisition dividend received [% share in associate]	(XX)
	COST of Investment (Carrying amt in SFS)	XX
(-)	Share in value of net assets [% share in associate]	(XX)
	Goodwill / (Capital Reserve)	XX / (XX)

* Net Assets = Paid up Equity share capital + Securities Premium + Accumulated profits + Reserves & Surplus

4. Calculation of Carrying Amount of Investment

	Share in value of net assets	XX
(+)	Goodwill / (Capital reserve)	XX
	COST of Investment (C.A in SFS)	XX

(+/–)	Profit / (loss) during the year [% share in associate]	xx
(–)	Post acquisition dividend received [% share in associate]	(xx)
	Carrying amount of Investment (in CFS)	xx

5. Consolidated Balance Sheet (Extract)

Non Current Investment		
Investment in B Ltd (Associate)		
Share of net Assets	xx	
(+/-) Share of profits / (losses)	xx	
(+/-) Goodwill / (Capital reserve	xx	xxx

6. Consolidated Statement of P&L

Other Income		
a) Share in profits of associate		xx
b) Pre-acquisition dividend received	xx	
(–) transfer to Investment A/c	(xx)	NIL

Note :-

* If additional stake is acquired in an already invested co., then in such case, the goodwill / capital reserve arisen on both the acquisition dates will be shown after netting off.

* If Investment is made for less than 12 months in a year, then share in P/L would be calculated on post acquisition P/L.
[P/L during the year × % share in associate × no. of months invested in a year]