

Advanced Financial Reporting (F2) . CIMA Management level . For revision use only

Goodwill on Acquisition

Goodwill = Consideration transferred + NCI at acquisition -
Fair value of net assets acquired

Under the fair value (full goodwill) method

Non-Controlling Interest (NCI)

NCI at acquisition (fair value method) = NCI % x Fair value
of subsidiary at acquisition

NCI at year end = NCI at acquisition + NCI % x

Post-acquisition retained profit

Consolidated Retained Earnings

= Parent's own retained earnings

+ Parent % x Subsidiary post-acquisition retained profit

- Impairment of goodwill (if full goodwill method) x Parent %

*Adjust for unrealised intragroup profit and fair value depreciation
adjustments*

Deferred Tax (IAS 12)

Temporary difference = Carrying amount - Tax base

Deferred tax liability/asset = Temporary difference x Tax
rate

Earnings Per Share

Basic EPS = Profit attributable to ordinary shareholders /
Weighted average ordinary shares

Diluted EPS = Adjusted earnings / (Weighted avg shares +
dilutive potential shares)

Ratio Analysis — Profitability & Efficiency

ROCE = Profit before interest and tax / Capital employed x
100

Asset turnover = Revenue / Capital employed

Gross profit margin = Gross profit / Revenue x 100

Ratio Analysis — Gearing

Gearing ratio = Debt / (Debt + Equity) x 100

Interest cover = PBIT / Interest expense