



COURSE DATA

Data Subject

Code	35849
Name	Accounting for business combinations
Cycle	Grade
ECTS Credits	6.0
Academic year	2022 - 2023

Study (s)

Degree	Center	Acad. year	Period
1313 - Degree in Business Management and Administration	Faculty of Economics	4	First term
1921 - D.D. in Business Management Administration-Law	Doubles Studies Faculty of Law - Faculty of Economics	5	First term

Subject-matter

Degree	Subject-matter	Character
1313 - Degree in Business Management and Administration	50 - Optatividad Jurídico-empresarial	Optional
1921 - D.D. in Business Management Administration-Law	6 - Year 5 compulsory subjects	Obligatory

Coordination

Name	Department
ARCE GISBERT, MIGUEL	44 - Accountancy
PARDO PEREZ, FRANCISCA	44 - Accountancy

SUMMARY

The subject **ACCOUNTING FOR BUSINESS COMBINATIONS** deals with the study and preparation of accounting information that the groups of companies disclose.



The aim of the subject is to provide the foundations that allow the preparation of the accounting information for the business groups: the consolidated annual accounts. To do so, based on the reference to International Financial Reporting Standards (IFRS) that have inspired the regulatory development of this subject in Spain, we study the technical aspects of the standards for the formulation of consolidated annual accounts in Spain.

By virtue of the aforementioned standards, those companies that exercise control over others are obliged to formulate, in addition to their individual annual accounts, the so-called consolidated accounts by applying specific methods and techniques that have a certain homogeneity in the international sphere.

The content of the program deals with the main aspects of the preparation of the consolidated accounts, which refer to:

- The identification of the different links that can lead to two or more companies establishing common operational and financial policies, acquiring the consideration of a group of companies in the accounting field.
- The study of the fundamental methods of handling the accounting information of each of the types of related companies.
- The development of the phases for the preparation of the consolidated financial statements.
- The study of the treatment received by the financial investments account, representative of the participation in other companies, and their variations (increases or decreases in participation).
- The analysis of the consideration that the results generated by internal operations should receive, whether due to the sale of assets, the rendering of services or financial operations.
- The preparation of the consolidated financial statements when they include indirectly subsidiary, associates or jointly controlled companies.

PREVIOUS KNOWLEDGE

Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

Other requirements

They have not been established.

OUTCOMES



1313 - Degree in Business Management and Administration

- Demonstrate capacity for analysis and synthesis.
- Have organisation and planning skills.
- Be able to make decisions.
- Show commitment to ethics and social responsibility.
- Manage time effectively.
- Be able to prepare and interpret accounting information, both financial, for external users, and internal, for management control and decision making.
- Be able to elaborate, interpret and analyse the financial statements of organisations, and to understand their implications for other business decisions and areas.
- Be able to evaluate the economic and financial consequences of the application of Spanish accounting standards.
- Be able to compare and establish analogies between Spanish and international accounting regulations.
- Know the appropriate accounting methods for the consolidation of financial statements and business combinations.
- Be able to design the accounting policy of a company or business group.

LEARNING OUTCOMES

Provide objective, periodic, verifiable, relevant and timely financial information to the company's managers.

Analyze and apply generally accepted accounting principles (GAAP).

Apply the appropriate valuation criteria to record business transactions that affect the financial position of the company.

Assess the impact on financial statements of changes in accounting policy.

Carry out comparative analyzes between Spanish and International Financial Reporting Standards (IFRS) and apply analogies when Spanish standards do not contemplate an accounting practice.



Application of the acquisition method in business combinations.

Consolidate the financial statements of a group companies.

DESCRIPTION OF CONTENTS

1. CONCEPT OF GROUP OF COMPANIES AND CONSOLIDATION

- 1.1. Business combinations and accounting information.
- 1.2. Regulations for the preparation of the consolidated annual accounts.
- 1.3. Group concept: parent and subsidiary companies.
- 1.4. Other types of companies: multi-group and associate.
- 1.5. The obligation to present consolidated annual accounts and exceptions.

2. THE CONSOLIDATION METHODS

- 2.1. Types of equity participation.
- 2.2. Percentages of participation: nominal, control and equity.
- 2.3. The methods of global and proportional consolidation and the equity method.
- 2.4. The process of accounting consolidation.
- 2.5. Consolidatable group and consolidation perimeter.

3. PHASES OF CONSOLIDATION METHODS

- 3.1. Homogenization phase.
- 3.2. Aggregation phase.
- 3.3. Phase of eliminations.

4. ELIMINATION INVESTMENT-EQUITY

- 4.1. Valuation of the investment: cost of the business combination.
- 4.2. Valuation of the subsidiary equity.
- 4.3. The date of acquisition of control.
- 4.4. The participation of external partners.
- 4.5. The elimination of investment-equity in subsequent years.



5. ELIMINATIONS OF INTRAGROUP ITEMS AND INTERNAL RESULTS

- 5.1. Elimination of intragroup items.
- 5.2. Elimination of internal results.
- 5.3. Internal operations of inventories.
- 5.4. Internal operations of non-current assets.
- 5.5. Elimination of internal dividends.

6. MODIFICATION OF THE INVESTMENT AND/OR OF THE PERCENTAGE OF PARTICIPATION

- 6.1. Additional investment.
- 6.2. Subscription proportional to a capital increase.
- 6.3. Subscription more than proportional to a capital increase.
- 6.3. Sale of titles without loss of control.

7. THE INDIRECT CONTROL

- 7.1. Elimination of investment-equity by stages.
- 7.2. Consolidation of the group and the subgroup when it is subsequently constituted.
- 7.3. Consolidation of the group when a subgroup pre-exists.

8.

- 8.1. The application of the proportional consolidation method.
- 8.2. The multi-group companies.
- 8.3. Characteristics of the proportional consolidation method.
- 8.4. Methodology of the proportional consolidation method.

9. THE EQUITY METHOD

- 9.1. The application of the equity method.
- 9.2. The associated companies.
- 9.3. Characteristics of the equity method
- 9.4. Methodology of the equity method.

**WORKLOAD**

ACTIVITY	Hours	% To be attended
Theory classes	30,00	100
Classroom practices	30,00	100
Study and independent work	90,00	0
TOTAL	150,00	

TEACHING METHODOLOGY

The ACCOUNTING OF BUSINESS COMBINATIONS has an eminently practical content, including the study of cases that will be developed in the classes or will be entrusted to the students as personal work.

The **theoretical classes** have theoretical-practical character, since it combines in them an exposition of the matter to be treated in each session with the exemplification and the resolution of practical cases proposed by the professor, for a better understanding of the theory.

It is very convenient that the topics to be discussed in the theory classes are studied previously, to achieve a better understanding of the subject in its explanation by the teacher. The topics are treated are based on the reference textbook. The teacher will indicate the specific references of the textbook.

The **practical classes** are based on practical assumptions designed to apply the knowledge acquired in the theoretical classes, so that both complement each other. Based on these assumptions, a concrete application of accounting consolidation standards and techniques will be carried out.

The students will have normative material for the resolution of the practical cases in the classes, but not in the exams.

EVALUATION

The **final grade** of the student has two components:

- Final exam, which has a weight of 70%;
- Continuous assessment, which has a weight of 30%.



The **final exam** will be held on the official date and requires a minimum score of 5 points out of 10 to pass it.

The **continuous assessment** includes, after consideration by the faculty, various aspects, such as:

- Individualized assessment activities in the classroom.
- Resolution of problems or practical cases in the classroom and exhibition.
- Another type of active participation in class.

The continuous assessment is considered nonrecoverable.

The final grade of the student is the weight-average between the continuous assessment grade and the final exam grade, only if the student pass the final exam. In case of not passing the final exam, the maximum grade will be 4.5.

REFERENCES

Basic

- Serra, Vicente; Labatut, Gregorio; Arce, Miguel; Cervera, Natividad; Pardo, Francisca (2020): Consolidación contable de grupos empresariales, Ed. Pirámide. 3ª Edición.

Additional

- Código de Comercio:
Real Decreto de 22 de agosto de 1885 por el que se publica el Código de Comercio. (Texto consolidado: 03/06/2021).
- Ley de Sociedades de Capital:
Real Decreto Legislativo 1/2010, de 2 de julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital. (Texto consolidado: 28/04/2021).
- Ley de Auditoría de Cuentas:
Ley 22/2015, de 20 de julio, de Auditoría de Cuentas. (Texto consolidado: 13/04/2021).
- Normas para la Formulación de Cuentas Anuales Consolidadas:
Real Decreto 1159/2010, de 17 de septiembre, por el que se aprueban las Normas para la Formulación de Cuentas Anuales Consolidadas y se modifica el Plan General de Contabilidad aprobado por Real Decreto 1514/2007, de 16 de noviembre y el Plan General de Contabilidad de Pequeñas y Medianas Empresas aprobado por Real Decreto 1515/2007, de 16 de noviembre. (Texto consolidado: 30/01/2021).



- Plan General de Contabilidad:
Real Decreto 1514/2007, de 16 de noviembre, por el que se aprueba el Plan General de Contabilidad.
(Texto consolidado: 30/01/2021).
- Reglamentos de la Unión Europea:
Reglamento (CE) n° 1606/2002 del Parlamento Europeo y del Consejo de 19 de julio de 2002 relativo a la aplicación de Normas Internacionales de Contabilidad
Texto consolidado de las Normas Internacionales de Información Financiera (NIIF) en www.icac.meh.es