Internal merger between two subsidiaries

In SAP BusinessObjects Financial consolidation, this financial operation is addressed by the consolidation engine using the following settings:

- Information entered in the scope (Scope Builder)
- Options set in the category scenario (Category Builder)
- Rules that generate consolidated entries (Rules).

To ease a correct understanding of the IFRS requirements when dealing with scope changes in SAP BusinessObjects Financial Consolidation, we have simplified the business case as much as possible.

Purpose

In this article, the internal merger of a subsidiary is explained and presented in two steps:

- what the IFRS text says,
- how the business use case is handled in Financial Consolidation.

Overview

1. Definition
2. Mergers, consolidations and IFRS
3. Internal merge processing in SAP BOFC

Definition

The generic term "merger and acquisition", which is usually defined as a transfer of activity between two separate legal entities involving a transfer of title, actually covers a variety of situations. This can be achieved either by transferring the assets and liabilities of the business or by transferring the titles of the business in which the activity occurs.

The transfer of assets and liabilities of an activity may occur by sale, but most often it is the subject of a merger (fusion creation or merger), with partial contribution of assets or divisions.

Mergers, consolidations and IFRS

There are no specific standards regarding mergers. IFRS 3 "Business Combinations" applies to any form of mergers which are defined as: "a transaction or other event in which an acquirer obtains control of one or more entities and remains in the purchaser of the business acquired. It also states that the acquisition date is "the date on which the acquirer obtains control of the acquired business. » IFRS 3 states that (§ 18) "The acquirer shall measure assets assets acquired and liabilities assumed at their fair value at the acquisition date "on the calculation of goodwill (§ 3 2) it can be calculated by two methods according to the amount of participation is non-controlling interest in the acquire is measured either at fair value or at the proportionate share of the controlling interest in net assets identifiable from the acquired business (§ 17)

Finally, it clarifies, in the chapter on business combinations carried out by steps (§ 42) "In a business combination achieved in stages, the acquirer must reassess its stake earlier in the acquiree at fair value at the acquisition date and account for any profit or loss in profit. »

‘IAS 27 ”Consolidated and Separate Financial Statements applies to the preparation and presentation of consolidated financial statements of a group of entities controlled by a mother company.

Internal merge processing in SAP BOFC

Package data entry
The opening balance data will be automatically reversed to the flow F70 when running a consolidation treatment.

The acquiring company must meet the following equation:

\[ \text{Assets - liabilities} = \text{incidence results recorded on an Expense Account or in Product Account} \]

At the end, no intra-group should exist for an acquired company since it has no legal existence. Therefore, the intra-group transactions previously reported to the acquired company should be reclassified to the acquiring partner on flow F70.

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Consolidation Scope

- The acquiree is outgoing from the scope
- The code of the acquiring company must be entered
- In case of a merger during the period, the date of the package must be entered

**Manual journal entry**

- Reproduce in the **Acquirer** the existing opening manual journal entries in the **Acquiree**.
- Correct, if necessary, the accounting entries passed in the company accounts when merging (e.g. merger surplus recorded in income, to be reclassified as equity in the consolidated accounts).

**Reference**

http://www.sdn.sap.com

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