

What is a Non-Controlling Interest (NCI)?

Worksheet

NCI is the equity in a subsidiary (and share of its profit) not attributable to the parent; it is presented within equity in the consolidated statement of financial position, separately from the parent's own equity.

$$\text{NCI} = (1 - p) \times E$$

Questions

1. What is NCI?

- A) A liability of the group
- B) Equity in a subsidiary not owned by the parent
- C) An investment in an associate
- D) The group's total goodwill

2. A parent owns 80% of a subsidiary whose net assets have a fair value of \$500,000. What is NCI under the proportionate method?

- A) \$100,000
- B) \$400,000
- C) \$500,000
- D) \$80,000

3. Where is NCI presented in the consolidated financial statements?

- A) As a liability
- B) Within equity, separate from the parent's equity
- C) As an asset
- D) It is not presented

4. Under the full goodwill method, NCI includes:

- A) Only its share of net assets
- B) Its share of net assets plus goodwill attributable to NCI
- C) Only goodwill
- D) Neither net assets nor goodwill

5. A subsidiary's net identifiable assets have a fair value of \$1,000,000. The parent owns 75%, so NCI is 25%. What is NCI under the proportionate method?

6. The parent owns 90% of a subsidiary whose net assets have a fair value of \$2,400,000. What is NCI (10%)?

7. A subsidiary reports profit of \$300,000 for the year; NCI is 30%. What is NCI's share of the profit?

8. Define: What is NCI?

9. Define: Where is NCI presented?

10. Define: What are the two methods for measuring NCI at acquisition?

Answer Key

1. B) Equity in a subsidiary not owned by the parent - NCI represents the subsidiary's equity attributable to shareholders other than the parent.
2. A) $\$100,000 - 500,000 \times 20\% = \$100,000$.
3. B) Within equity, separate from the parent's equity - NCI is an equity item, shown separately from the parent's equity.
4. B) Its share of net assets plus goodwill attributable to NCI - The full goodwill method attributes a share of goodwill to NCI in addition to net assets.
5. $\text{NCI} = \text{FV}(\text{net assets}) \times \text{NCI}\%$
 $\text{NCI} = 1,000,000 \times 25\% = \$250,000$
6. $\text{NCI} = 2,400,000 \times 10\% = \$240,000$
7. $\text{NCI's share of profit} = \text{Profit for the year} \times \text{NCI's share}\%$
 $= 300,000 \times 30\% = \$90,000$
8. The equity in a subsidiary not owned by the parent.
9. Within equity in the consolidated statement of financial position, separate from the parent's equity.
10. The full goodwill method and the proportionate (partial goodwill) share method.

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