Swiss GAAP FER 30

‘Consolidated Financial Statements’

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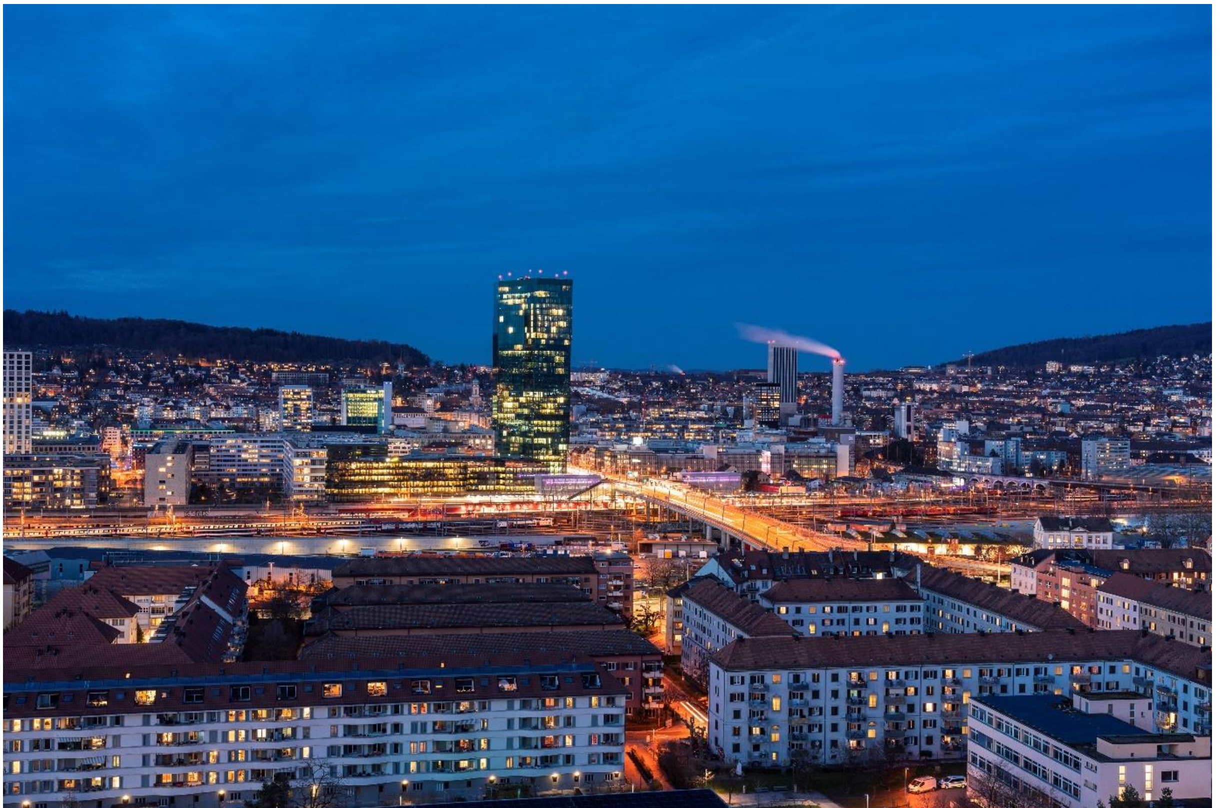
Introduction

The Swiss GAAP FER standards focus on small and medium-sized entities and groups with a national reach[1], they are however also applied by larger groups with international operations. The increased use of Swiss GAAP FER, in particular by groups with a global reach, together with the accounting challenges arising from ever increasing complexity in business transactions and financial instruments, has led to more questions on how to apply the standards in practice – for example when preparing consolidated financial statements. The revised version of Swiss GAAP FER 30 Consolidated Financial Statements came into effect on 1 January 2024.

This brochure provides answers to questions that, in our experience, arise frequently when preparing consolidated financial statements in accordance with Swiss GAAP FER. A special focus lies on accounting topics for which the guidance was changed, or new requirements were introduced in the revised standard.

Entities must carefully assess whether the guidance provided in this publication is applicable to their specific facts and circumstances. This brochure does not reflect all provisions included in Swiss GAAP FER. It is rather a collection of questions that arose or are likely to arise in practice and approaches how to solve those questions that are, in our view, in-line with the principles outlined in Swiss GAAP FER. For significant transactions or items, we recommend consulting the official Swiss GAAP FER standards as well as seeking professional advice. PwC does not accept any liability for damages arising in connection with the use of this brochure.



[1] Swiss GAAP FER – Accounting and Reporting Recommendations, Introduction 3.1.

Scope

1. FER 30 includes guidance on consolidated financial statements. It includes recommendations on the scope of consolidation, the consolidation method that should be applied including the treatment of goodwill and negative goodwill, effects from foreign currencies that occur in consolidating entities, the measurement principles that must be applied as well as the resulting income tax effects. Moreover, it includes guidance on step acquisitions and step disposals. Those are transactions where a reporting entity acquires additional ownership interest or disposes parts of existing ownership interest in an investee.
2. The revisions to FER 30 became effective on 1 January 2024. The revised standard needs to be applied fully retrospectively in line with Framework 30. Certain transitional reliefs apply (refer to section 'Transitional reliefs' below).
   [Framework 30]

Consolidated financial statements

Scope of consolidation

3. Consolidated financial statements are the financial statements of a group of entities that form together the reporting entity. They comprise the financial statements of the parent entity, its subsidiaries, joint ventures[2] and associates.
[FER 30/1]

4. A **subsidiary** is an entity that is controlled by its parent entity. The standard does not define 'control'. In our view, 'control' refers to the ability to direct financial and operating policy decisions.
[FER 30/49]

5. A **joint venture** is defined in FER 30 to be a contractual agreement in which two or more parties accomplish an economic activity under a joint lead. Neither party has the possibility to control the joint venture.
[FER 30/53]

6. An **associate** is an entity over which the reporting entity has significant influence. Significant influence is the possibility to participate in financial and operating policy decisions, but not to control or jointly control an entity.
[FER 30/55]

7. Subsidiaries can be excluded from the consolidated financial statements if they are immaterial in aggregate. In our view, this is equally applicable to associates or joint ventures that are immaterial in aggregate.
[FER 30/52]

FAQ 7.1 – How to start consolidating a subsidiary that was excluded from the scope of consolidation due to immateriality?

Control, joint control, and significant influence

8. When assessing control, joint control, or significant influence, the economic substance of the underlying set-up should be considered, not just the legal structure.
[Framework 6]

9. **Control** is presumed if a parent holds directly or indirectly more than half of the voting rights of a subsidiary. The voting rights held by a reporting entity is not always conclusive when assessing whether it has control. A reporting entity may control a subsidiary even if it holds less than half of its voting rights (e.g. through shareholder agreements, a majority in the supervisory board/management body or option rights) or it may hold more than half of the voting rights and does nonetheless not control the subsidiary. In our view, to assess 'control', an entity must assess how strategic decisions are taken on level of the investment. A reporting entity controls an investee only when it has the ability to unilaterally direct strategic decisions.
[FER 30/50, FER 30/51]

10. A special purpose entity (SPE) is defined by FER 30 as 'an entity that is not controlled legally, but whose economic contribution directly benefits the group' (e.g. outsourced research

[2] Swiss GAAP FER uses the term 'joint ventures' for all types of joint arrangements, which is why we also adopted this terminology throughout this publication.

activities, foundations for share-based remuneration etc.). In other words, a special purpose entity exists if the investment is structured in such a way that the investor controls the special purpose entity. Therefore, the special purpose entity meets the definition of a subsidiary and must be consolidated.
[FER 30/48]

FAQ 10.1 – Are share plan trusts consolidated?

11. **Joint control** is established through an enforceable contractual agreement based on which no party alone may control the operation. The purpose of the agreement is not only to establish joint control but also to set out the terms and conditions under which the joint venture operates. Common terms in such agreements are:
    - The purpose, activity and duration of the joint venture
    - How the members of the board of directors or equivalent governing body are appointed
    - A description of the decision-making process outlining the rights and obligations of the various parties
    - The capital or other contributions required of the parties
    - How the parties share assets, liabilities, revenues and expenses or profits or losses from the joint venture

    In practice such terms are either defined in a separate legal document between the joint venturers or in the joint venture's articles of incorporation.
    [FER 30/53]

12. **Significant influence** is presumed if the share of the voting rights is at least 20 percent, unless it can be demonstrated that this is not the case. If the share of the voting rights is less than 20 percent, it can be assumed that there is no significant influence, unless it can be demonstrated that the investor can exercise significant influence over the investee.
    [FER 30/55]

FAQ 12.1 – How can an entity demonstrate significant influence when it holds less than 20 percent of voting rights?

FAQ 12.2 – Example: no significant influence despite 20 percent ownership interest

FAQ 12.3 – How can the acquisition date be determined?

13. Potential voting rights should be considered when assessing control, joint control, or significant influence. Potential voting rights exist where a reporting entity holds share warrants, share call options, debt or equity instruments that are convertible into ordinary shares, or other similar instruments that have the potential (if exercised or converted) to give the entity additional voting power or reduce another investor's relative voting power over the financial and operating policies of the investee.

FAQ 13.1 – How do potential voting rights impact the assessment of the existence of significant influence or control?

14. It should be disclosed in the notes to the consolidated financial statements if control is assumed to be in place despite the reporting entity holding less than half of the voting rights or if it is concluded that no control exists even if a parent holds more than half of the voting rights. The same applies if significant influence is assumed despite a share of voting rights of less than 20 percent or significant influence is assumed to not be in place despite of a share of voting rights of more than 20 percent and less than 50 percent. Such disclosures include details on the indicators other than the amount of voting rights held, that have been considered in the assessment. Note that the SIX Exchange Regulation (SER) recommends such disclosures in their circular No. 2 – Financial Reporting (Version 2023, paragraph 148).

General requirements

Financial information to be included in the consolidated financial statements

15. Financial statements included in the consolidated financial statements (parent entity, subsidiaries, and joint ventures if they apply the partial consolidation method) shall be prepared based on uniform accounting policies that comply with Swiss GAAP FER. To achieve this, the financial statements of individual entities are adjusted accordingly, even if the resulting consolidated figures are different from the stand-alone financial statements that are approved by the owners of the respective entities.
[FER 30/6, FER 30/60]

16. If the equity method is applied, financial statements prepared in accordance with Swiss GAAP FER form the basis for the inclusion of the associate or joint venture in the investor's consolidated financial statements. It shall be noted that those values need to include the carry-forward effect of fair value adjustments from the initial acquisition of the associate or joint venture (refer to section 'Acquisitions of and accounting for associates and joint ventures'). If the investee does not prepare financial statements in accordance with Swiss GAAP FER, at least the financial statement line items considered material from a group perspective must comply with group accounting directives that conform with Swiss GAAP FER.
[FER 30/56]

17. The balance sheet date of the financial statements of consolidated entities may not be more than three months apart from the parent's balance sheet date. These requirements are equally applicable to the financial information that is used as a basis for applying the equity method of accounting for associates and joint ventures.
[FER 30/6, FER 30/60]

FAQ 17.1 – What is the impact on the financial statements if the investee's year-end is 3 months or less apart from the year-end of the investor?

FAQ 17.2 – What is the impact on the financial statements if the investee's year-end is more than 3 months apart from the year-end of the investor?

Measurement methods

18. Subsidiaries, including special purpose entities (refer to paragraph 10), are fully consolidated. When fully consolidating entities, all related assets and liabilities as well as expenses and income are included in the consolidated financial statements – including the share related to minority interests.
    [FER 30/2, FER 30/48, FER 30/62]

19. For joint ventures, FER 30 offers an accounting policy choice to either account for them using the equity method, or the proportional consolidation method. The chosen accounting policy needs to be applied consistently.
    [FER 30/3, FER 30/13]

20. Associates are initially recognised at cost and subsequently measured using the equity method. The equity method is described in further detail in the section ‘Acquisitions of and accounting for associates and joint ventures’.
    [FER 30/4, FER 30/12, FER 30/13]]

21. Equity interests in entities with a proportion of voting rights of less than 20 percent do, in principle, not belong to the scope of consolidation. If the reporting entity is not able to exert significant influence through other means (refer to FAQ 12.1 and 13.1) they are recognised at acquisition cost less impairment, if any, or at their fair value.
    [FER 30/5]

22. Financial statements in foreign currencies must be translated into the consolidated financial statements’ presentation currency for purposes of the consolidation. To do so, the so-called ‘current rate method’ (Stichtagskursmethode) is applied.
    [FER 30/24]

23. When applying the current rate method, assets and liabilities are translated using the exchange rate as at the balance sheet date. Items included in equity are translated based on the relevant historical exchange rates. Items included in the consolidated income statement and the consolidated cash flow statement are translated at the average exchange rate for the period or at the spot exchange rate at the date of the transaction. Oftentimes using the average exchange rate results in a true and fair depiction of the individual transactions in in the reporting period. However, in instances when there were significant fluctuations in exchange rates during the period, using an average rate for the translation of a particular transaction might not accurately reflect the financial effect expressed in the reporting currency. In such cases, the spot rate of the transaction date results in more meaningful financial reporting. The resulting net translation difference (gain or loss) is recognised in equity.
    [FER 30/79, FER 30/80, FER 30/81]

24. Foreign currency effects on long-term intragroup loans with equity character are recognised directly in equity.
    [FER 30/26]

Elimination of intercompany balances

25. Due to transactions between consolidated entities (for example a sale of goods from a subsidiary to its parent), assets such as inventory may contain profits not yet realised from a group perspective. Therefore, intercompany assets and liabilities, income and expenses as well as intercompany profits are eliminated. Swiss GAAP FER especially mentions the following items that must be eliminated:
    - Receivables and payables between consolidated entities
    - Investments and corresponding equity
    - Intercompany expenses and income, such as those from sales of goods and services, interest, or royalties
    - Dividends

    [FER 30/7, FER 30/8, FER 30/61, FER 30/63]

26. In our view, the principle of eliminating intercompany transactions and balances is equally applicable to the values that are recorded when applying the equity method (initial recognition as well as subsequent measurement). To achieve this, unrealised intercompany profits or losses resulting from transactions between the reporting entity and its associate or joint venture need to be eliminated to the extent of the reporting entity's ownership interest in the investee. [FER 30/7, FER 30/8, FER 30/63]

27. Similarly, the formation of an associate or joint venture through contribution of assets from the investor into a newly created entity could result in a fair value uplift on the contributed assets which, if not eliminated, could lead to the recognition of unrealised intercompany profits in the consolidated financial statements. Consequently, we are of the opinion that such profits also need to be eliminated to the extent of the investor's ownership interest in order to comply with the principles outlined in FER 30/7 and FER 30/8.

FAQ 27.1 – Example: intercompany profit elimination from contribution of assets upon formation of a joint venture or associate

28. Eliminating intercompany profit on some items/transactions is particularly challenging if transactions occur frequently and involve a large quantity of items that generate a wide range of profit margins (e.g. inventory). If for example a parent entity sells products to a subsidiary with profit margin levels between 20 to 300 percent, the group needs robust processes to monitor inventory and the related intercompany profit levels, such that they can determine which of those items are in the subsidiary's inventory at the end of the reporting period. It is allowed to apply approximative techniques when determining intercompany profits on those inventories. In our view, those techniques must however ensure the resulting figures are free from deception and manipulation and materially reflect the economic facts as required by Framework 6. [FER 30/64]

FAQ 28.1 – Example: intercompany profit elimination using an approximative technique when fully consolidating a subsidiary

FAQ 28.2 – Example: intercompany profit elimination using an approximative technique when applying the equity method

Accounting policy choices

29. All accounting policy choices described in FER 30 must be applied consistently. This is of particular importance when an entity determines an accounting policy choice on how to account for goodwill (refer to paragraph 39).
[FER 30/13, FER 30/68]

30. Accounting policy choices include:
    - Joint ventures: proportional consolidation or equity method [FER 30/3]
    - Financial assets (equity interests with less than significant influence): recognised at acquisition cost less any impairment or at their fair value [FER 30/5]
    - Goodwill and negative goodwill: 1) account for goodwill as an intangible asset and amortise it and, respectively, recognise negative goodwill as a liability and release it to the income statement; 2) offset goodwill within equity [FER 30/17-19]. The choice applies consistently to all types of consolidation (i.e., for subsidiaries, joint ventures and associates) [FER 30/58]
    - Entities capitalising goodwill as an asset may decide not to identify intangible assets that have not been recognised previously and are relevant to the decision to obtain control [FER 30/18]
    - Recognition of contingent liabilities in an acquisition: refer to FAQ 37.2
    - Step acquisitions from financial asset to associate: revaluation or cost approach, refer to paragraphs 71 and 72
    - Repayment of intragroup loans with equity character: reclassification of currency translation adjustments (CTA) to the income statement on a pro rata basis or to be left in equity (i.e. postpone the recycling until a disposal occurs) [FER 30/83].

Acquisitions and disposals of subsidiaries

31. The scope of consolidation of a group may often change over time through acquisitions and/or divestments of subsidiaries, joint arrangements or associates. Such transactions may be conducted by directly gaining control over a subsidiary where no previous ownership existed, or step-wise (refer to section 'Step acquisitions and disposals'), or by directly gaining significant influence or joint control (refer to section 'Acquisitions of and accounting for associates and joint ventures'). Further, stakes may be acquired from/ sold to minority shareholders (refer to section 'Transactions with minority shareholders').

Identifying an acquisition and the acquirer

32. FER 30 does not specify which transactions should be considered an 'acquisition'. In our view, entities should therefore apply the principle of reflecting the economic substance independently of the legal form of a transaction as set out in Framework 6. If, from an economic point of view, the transaction is rather a purchase of assets than an acquisition of operations, the guidance in FER 30/14 ff. should not be applied.

FAQ 32.1 – Should the guidance in FER 30/14 ff. be applied to an acquisition of a real estate company?

FAQ 32.2 – Should the guidance in FER 30/14 ff. be applied to an acquisition of a Biotech startup?

FAQ 32.3 – Example: legal restructuring

33. There is no specific guidance in FER on how to determine who should be deemed to be the acquirer from an accounting perspective. In our view, entities should therefore apply the principle of reflecting the economic substance independently of the legal form of a transaction as set out in Framework 6. The entity that legally obtains control over an acquiree is often the accounting acquirer. However, in practice, different indicators must often be assessed to determine the acquirer. For example, but not limited to:
    - Relative voting rights after the transaction
    - Existence of large minority interest in the surviving entity whilst no party has control or joint control over the surviving entity
    - The composition of the surviving entity's governing body
    - The composition of senior management at the surviving entity
    - The terms of the exchange of equity interests

FAQ 33.1 – Example: listing through merger with listed shell company

Measuring the purchase price

34. The purchase price is the total of the consideration transferred for the net assets acquired. Consideration may include assets transferred, liabilities incurred, and equity interests issued by the acquirer to the former owners of the acquiree. The purchase price also includes items contingent on future events if it is probable that respective cash outflows will occur (so called contingent consideration or 'earn-outs') and deferred consideration elements. Any compensation for future employment of the seller is excluded from the purchase price and recorded as expense as incurred.
[FER 30/23, FER 30/75]

35. A liability relating to contingent consideration is remeasured at each balance sheet date. Any contingent consideration previously not yet recorded is recognised as remeasurement once the related outflow of resources becomes probable. Such remeasurements are recognised as an adjustment to goodwill/negative goodwill regardless of whether the goodwill/negative goodwill is recognised in the balance sheet or offset within equity.
[FER 30/23]

36. Purchase price related disclosures are addressed in paragraph 106.

FAQ 36.1 – How are the elements of the purchase price measured?

FAQ 36.2 – How are shares issued by the acquirer to the former owners of the acquiree measured?

FAQ 36.3 – What is the difference between a put option to acquire minorities and contingent consideration?

FAQ 36.4 – How are put options to acquire minority interests accounted for?

Measuring assets acquired and liabilities assumed

37. Assets acquired and liabilities assumed are recognised as of the date when control is obtained and measured at their acquisition date fair values (often referred to as 'purchase price allocation – PPA'). Intangible assets which have not been recognised previously by the acquiree and are relevant for the decision to obtain control must be identified and recognised. Entities that have taken the policy choice to account for goodwill as an intangible asset and amortise it (refer to paragraph 39) may decide to not identify such intangible assets.
[FER 6/2, FER 30/9, FER 30/14, FER 30/18]

FAQ 37.1 – How is the 'acquisition date fair value' determined?

FAQ 37.2 – How are contingent liabilities assumed treated?

FAQ 37.3 – Loan transfer in course of an acquisition

FAQ 37.4 – What is meant with “intangible assets relevant to the decision to obtain control”?

FAQ 37.5 – Are measurement period adjustments allowed under Swiss GAAP FER?

38. Recognition at fair value is only required for assets and liabilities whose fair values deviate significantly from the value that would have resulted had Swiss GAAP FER always been applied. If there is no significant deviation, preparers can also recognise the assets and liabilities at the respective value that would have resulted if Swiss GAAP FER had always been applied.
[FER 30/57]

FAQ 38.1 – What is considered significantly different in the context of FER 30/57?

Accounting for goodwill and negative goodwill

39. Goodwill is the positive difference between the acquisition cost and the fair value of the net assets acquired. Goodwill should be recognised in the balance sheet as an intangible asset. Alternatively, goodwill may be offset within equity. Offsetting goodwill within equity is only allowed at the acquisition date. The policy choice shall be applied consistently for all types of acquisitions and thus may not be made on an ‘acquisition by acquisition’ basis.
[FER 30/13, 30/15, FER 30/19, FER 30/20, FER 30/68]

FAQ 39.1 – Is goodwill accounted for applying the full goodwill method or the partial goodwill method?

FAQ 39.2 – Do the acquirer’s policy choices impact the amount of ‘intangible assets relevant for the decision to obtain control’ recognised in the balance sheet?

40. If goodwill is recognised in the balance sheet, it is amortised on a pro rata basis (usually linear) over its useful life. The estimated useful life may not exceed 20 years. If the useful life cannot be determined, amortisation shall take place over 5 years.
[FER 30/16]

FAQ 40.1 – In which line item should the amortisation/impairment of goodwill be presented if the income statement is presented by function of expense?

FAQ 40.2 – Which factors should be taken into account when determining the useful life of goodwill?

FAQ 40.3 – Under what circumstances can the useful life of goodwill not be determined reliably?

41. A negative difference between the acquisition cost and the fair value of the acquired net assets is a 'negative goodwill' (in FER 30 referred to as 'badwill'). Negative goodwill is recorded as a liability. Alternatively, negative goodwill may be offset within equity. Offsetting is however only allowed at the acquisition date. If negative goodwill is recorded as a liability, it should be separately disclosed either in the balance sheet or in the notes to the financial statements.
[FER 30/15, FER 30/20]

42. If the choice has been made to offset goodwill against equity (refer to paragraph 39), negative goodwill must also be offset against equity. On the other hand, if goodwill is recognised as an asset, negative goodwill must be accounted for as a liability and recognised in the income statement within a maximum of 5 years.
[FER 30/17, FER 30/19]

Full disposals of subsidiaries

43. Upon disposal of a subsidiary, the profit or loss from the disposal is to be determined considering goodwill or negative goodwill. If goodwill or negative goodwill have been directly offset within equity, the original acquisition costs at the acquisition date are fully charged to the income statement (often referred to as 'goodwill recycling'). The aim of this is to achieve the same effect as for entities which recognised goodwill as an asset and amortised it (partially or fully) or recognised negative goodwill as a liability and released it (partially or fully) to the income statement.
[FER 30/20]

44. The loss of control of a subsidiary whose financial statements are in a foreign currency requires the reclassification of all accumulated foreign currency differences (also known as 'currency translation adjustments' or 'CTA') previously recognised in equity to the income statement.
[FER 30/25]

45. The closure or liquidation of a part of the business is equivalent to a disposal.
[FER 30/69]

46. Foreign currency effects on long-term intragroup loans with equity character are recognised in equity. The accumulated foreign currency differences are reclassified to the income statement upon loss of control or loss of significant influence. In our view, the guidance of partial disposals and on transactions with minority shareholders applies in analogy. If such loan is repaid, the accumulated foreign currency differences can either be reclassified to the income statement on a pro rata basis or be left in equity. The portion retained in equity is reclassified to the income statement following the guidance when the accumulated foreign currency differences are recycled.
[FER 30/26, FER 30/82, FER 30/83]

FAQ 46.1 – Example: disposal of subsidiary

Transactions with minority shareholders

47. Increases and decreases of ownership interests whilst maintaining control are commonly referred to as transactions with minority shareholders.

48. When additional stakes are acquired from minority shareholders, the carrying amount of minority interests is reduced proportionally. The difference between the consideration transferred and the respective reduction of minority interests is recorded as goodwill / negative goodwill.
[FER 30/21, FER 30/72]

FAQ 48.1 – Example: acquisition of minority interests

49. If equity interests are disposed of, goodwill/negative goodwill is derecognised on a pro rata basis. FER 30 does not explicitly mention how the carrying amount of minority interests should be treated when ownership rights are disposed to minorities but based on the guidance on acquisitions of minority interest (refer to paragraph 48 above), we would expect the carrying amount of minority interests to be increased proportionally as well. The resulting gain/loss is recognised in the income statement.
[FER 30/22, FER 30/74]

FAQ 49.1 – How is the sale of minority interest whilst maintaining control accounted for?

50. If ownership rights are sold to minorities, any accumulated foreign currency differences are proportionally allocated to minority interests (with no effect on the income statement).
[FER 30/25]

Acquisitions of and accounting for associates and joint ventures

Initial recognition

51. Associates are initially recognised at cost and subsequently measured using the equity method. For joint ventures, FER 30 offers an accounting policy choice to either account for them using the equity method, or the proportional consolidation method. The chosen accounting policy needs to be applied consistently.
[FER 30/4, FER 30/5, FER 30/13]

52. In Switzerland, joint ventures are usually formed through contributions from the joint venturers into a separate legal vehicle. However, as per the definition of a joint venture in FER 30/53, it would also be possible to form a joint venture with another party without creating a separate legal vehicle, solely through the existence of a contractual agreement between the joint venturers. In such cases, the contractual agreement would need to clearly state the assets and liabilities contributed into the joint venture and the respective joint venturers' share in the income and expenses generated from the joint venture. If a joint venture is not structured in a separate legal vehicle, preparers should carefully assess which method (proportional consolidation or equity method) provides the readers with the most meaningful information when accounting for the joint venture.
[FER 30/53]

53. When significant influence or joint control is obtained, the assets and liabilities of the associate or joint venture must be measured in accordance with FER 30/14 (purchase method). In doing so, the investee's assets and liabilities need to be, to the extent of the investor's ownership interest, recognised at their acquisition date fair values (subject to the practical expedient described in paragraph 55). This is sometimes referred to as notional purchase price allocation (notional PPA).
[FER 30/57, FER 30/14]

54. Intangible assets which have not been previously recognised in the acquiree's financial statements and were relevant to the investor's decision to acquire the corresponding interest in the associate or joint venture are also to be identified and recognised at the acquisition date fair value (subject to the exception described in paragraph 37).
[FER 30/57, FER 30/14]

FAQ 54.1 – Example: acquisition of significant influence (goodwill recognised as asset)

FAQ 54.2 – Example: acquisition of significant influence (goodwill offset within equity)

FAQ 54.3 – Example: formation of joint venture

FAQ 54.4 – How is acquisition cost determined if no cash is transferred as consideration?

55. As for acquisitions of subsidiaries, upon acquiring significant influence, recognition at fair value is only required for assets and liabilities whose fair values deviate significantly from the value that would have resulted had Swiss GAAP FER always been applied. If there is no significant deviation, preparers can also recognise the assets and liabilities at the respective value that would have resulted if Swiss GAAP FER had always been applied.
[FER 30/57]

56. Goodwill of associates needs to be treated in the same way as that of entities which are fully or proportionally consolidated. In other words, the preparer's accounting policy choice for the treatment of goodwill and negative goodwill needs to be applied consistently for goodwill arising from the acquisition of subsidiaries, joint ventures and associates.
[FER 30/58, FER 30/68]

57. The acquisition method, recognition of goodwill and negative goodwill and related accounting policy choices are described in more detail in the section 'Acquisitions and disposals of subsidiaries'.

Subsequent measurement

58. Financial statements prepared in accordance with Swiss GAAP FER form the basis for the inclusion of the associate or joint venture in the investor's consolidated financial statements. Please refer to paragraph 15 for more information.

Proportional consolidation method

59. When applying the proportional consolidation measurement, all positions of the balance sheet and the income statement of the joint venture are recognised to the extent of the investor's ownership interest in the joint venture. While not explicitly mentioned in the standard, to be consistent throughout the primary financial statements, the same logic should also be applied in the statement of cash flows.
[FER 30/54]

FAQ 59.1 – Example: subsequent measurement applying the partial consolidation method

Equity method

60. The equity method is sometimes also referred to as a one-line consolidation, where the assets and liabilities of the associate or joint venture are recognised, to the extent of the investor's ownership interest, in a single line in the investor's consolidated financial statements.

61. Equity and net result of the associate or joint venture are to be recognised in proportion with the investor's ownership interest when using the equity method. The result is to be disclosed separately in the income statement.
[FER 30/12]

62. Swiss GAAP FER does not further define the term nor describe what is meant by 'equity method'. In practice, preparers have adopted the equity method as per IAS 28 'Investments in Associates and Joint Ventures' of IFRS® Accounting Standards, further described below.

63. Under the equity method, the investment in an associate or joint venture is initially recognised at cost applying the purchase method (whereby the notional PPA determines the amount of goodwill to be recognised) as described in paragraph 53. Subsequently, the carrying amount of the investment is increased or decreased to recognise the investor's share of ownership interest in the profit or loss of the investee also considering the effects from the notional PPA. Moreover, the amortisation of goodwill/ release of negative goodwill (presented in the income statement line item of the equity method) reduces/increases the carrying amount of the investment if the entity has the accounting policy to capitalise goodwill respectively negative goodwill. Dividends received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount of the investment are also necessary for changes in the investee's equity (e.g. resulting from CTA). Those adjustments are recognised in the investor's statement of changes in equity.
[FER 30/12, FER 30/58]

FAQ 63.1 – Example: application of the equity method

FAQ 63.2 – Example: recognising the investor's share in the changes of the investee's equity

FAQ 63.3 – How to account for a symmetrical increase in the associate's equity?

FAQ 63.4 – How to account for a non-symmetrical increase in the investee's equity?

Step acquisitions and step disposals

Introduction

64. Control or significant influence over an investee can be obtained either through a single acquisition of ownership interests, as illustrated in the previous sections of this publication, or through acquisitions in stages. Equity interests acquired in stages are hereafter referred to as 'step acquisitions'. FER 30 requires that goodwill shall be determined separately for each step. [FER 30/21]

65. Likewise, ownership interests can also be disposed in stages, hereafter referred to as 'step disposals'. FER 30 requires that the gain or loss needs to be calculated for each divested tranche separately.
[FER 30/22]

66. Accounting for step acquisitions and step disposals can be quite challenging in practice and requires entities to keep record of (negative) goodwill that was acquired in prior stages (i.e. even prior to obtaining control). This section explains the accounting treatment required for step acquisitions and step disposals that either lead to gaining or losing significant influence or control. Acquisition of additional ownership interest in a subsidiary or sale of a minority stake of ownership interests in a subsidiary are transactions with minority shareholders and are described in the section 'Transactions with minority shareholders' (refer to paragraph 47).

Step acquisitions

67. Step acquisitions are transactions where an investor acquires additional ownership interest in an existing investee. Step acquisitions can lead to obtaining significant influence, joint control or control over an investee, or to a mere increase in stake without changing the nature of the investment (e.g. increasing the stake in a previously recognised associate). Various forms of step acquisitions are possible as illustrated in paragraph 69 below.

68. Most aspects of accounting are the same for step acquisitions and for acquisitions without any previously held interest (refer to paragraph 32 and onwards for these general considerations). The additional aspect to consider is the treatment of the previously held interest. Goodwill and its useful life is determined for each separate acquisition step.
[FER 30/21, FER 30/73]

69. The below table depicts possible scenarios when dealing with step acquisitions:

Initial stake	Increase	New stake	Accounting treatment
10% Financial asset	15 %	25% Associate	• Recognition of associate applying notional purchase price allocation (paragraphs 53 & 71) • Derecognition of financial asset (paragraph 71) FAQ 72.1 & FAQ 72.2
25% Associate	10%	35% Associate	• Recognition of additional ownership interest without remeasurement of previously held interest (paragraph 73) FAQ 73.1
35% Associate	15% + contractual agreement	50% Joint venture	• Recognition of additional ownership interest without remeasurement of previously held interest (paragraph 74) FAQ 74.1
25% Associate	50%	75% Subsidiary	• Recognition of net assets at acquisition date fair values (paragraph 37) • Remeasurement of previously held interest recognised in equity (paragraph 75) • Recognition of goodwill and minority interest FAQ 75.1
10% Financial asset	50%	60% Subsidiary	• Recognition of net assets at acquisition date fair values (paragraph 37) • Remeasurement of previously held interest recognised in equity (paragraph 70) • Recognition of goodwill and minority interest FAQ 70.1
60% Subsidiary	15%	75% Subsidiary	• Transaction with minority shareholders (paragraph 48) FAQ 48.1

70. A step acquisition that results in obtaining control over an investee that was previously recognised as a financial asset (equity instruments in another entity) are accounted for applying FER 30/21 which requires that the net assets of the acquiree are to be measured at their acquisition date fair value with any resulting revaluation differences on previously held interest being recognised through equity. FER 30/70 states that no goodwill originates from the acquisition of a financial asset, and as such, the entire carrying amount of financial asset is assumed to relate solely to the acquisition of a proportionate share in the net assets of the investee.
[FER 30/21, FER 30/70]

FAQ 70.1 – Example: step acquisition from financial asset to subsidiary

71. If a step acquisition leads to obtaining significant influence or joint control over an investee that was previously recognised as an investment in securities (equity instruments in another entity), FER 30 mandates that the investor shall recognise their share in the net assets of the investee at fair value in line with the prescriptions of FER 30/14 and FER 30/18. It is however unclear how the previously held interest (investment in securities) needs to be treated. In light of lack of explicit guidance, we are of the view that the following two approaches could lead to a sensible

outcome, depending on the individual facts and circumstances.
[FER 30/14, FER 30/18, FER 30/57]

72. **Remeasurement of the previously held interest through equity:** This logic applies the requirements in FER 30/21 for step acquisitions in which an investor obtains control over an investee in analogy. We deem this as an acceptable approach on the basis that FER 30/57 requires application of 30/14 and 30/18 in analogy and therefore it is reasonable to assume that applying the remeasurement of previously held interest in analogy would also be deemed acceptable. This concept is illustrated in FAQ 72.1 below.

    Cost accumulation approach: Following this approach, the previously held interest (financial asset) is not remeasured as part of obtaining control. Rather, the carrying amount of the investment in securities immediately prior to obtaining significant influence forms part of the acquisition cost of obtaining significant influence over the investee. This concept is illustrated in FAQ 72.2 below.

    In our view, the remeasurement of previously held interest through equity in analogy to FER 30/21 is the preferred approach as it is grounded on principles outlined in FER 30, despite being only explicitly required in instances where control over an investee is obtained. Moreover, the cost accumulation approach could lead to odd outcomes, primarily in circumstances when the fair value of the net assets in the associate differs significantly between the acquisition date of the first and second tranche of obtaining significant influence, as illustrated in FAQ 72.2. We therefore believe the cost accumulation approach should only be used in circumstances when it still accurately reflects the economic substance of the transaction.

FAQ 72.1 – Example: step acquisition from financial asset to associate applying the remeasurement approach

FAQ 72.2 – Example: step acquisition from financial asset to associate applying the cost accumulation approach

73. If additional ownership interest is acquired in a previously held associate without gaining control (e.g. increase in stake from 25 to 35 percent), goodwill is determined as the difference between the acquisition cost and the additional stake in the net assets of the associate. In doing so, the net assets of the associate are not remeasured to fair value.
[FER 30/21, FER 30/71]

FAQ 73.1 – Example: acquisition of additional stake in an associate

74. While rather rare in practice, it could also be that a step acquisition leads to the formation of a joint venture, for example if the stake in an existing associate is increased and a contractual agreement or the investee's governance structure is as such that the investee's activity can only be steered jointly. The accounting for such transactions depends upon the preparer's accounting policy choice of how to account for joint ventures (see paragraph 51) as illustrated below.

FAQ 74.1 – Example: step acquisition of an associate to joint venture

75. If additional ownership interest is acquired in a previously held associate that leads to the investor gaining control (e.g. increase in stake from 25 to 75 percent), the goodwill portion relating to the 50 percent increase is determined as the difference between the acquisition cost and the additional stake in the fair value of the identifiable net assets of the investee at acquisition date. Moreover, the previously held net assets (through investment in associate) need to be revalued to their proportionate acquisition date fair value and any previously recognised goodwill relating to the original 25 percent investment (within the line investment in associate) is transferred into the line goodwill on the balance sheet (if goodwill is capitalised). The revaluation of previously held net assets to their fair value needs to be recognised through equity.
[FER 30/21]

FAQ 75.1 – Example: step acquisition from associate to subsidiary

Step disposals

76. Step disposals are transactions where an investor disposes of part of their original ownership interest in an investee. Step disposals can lead to loss of control over an investee, loss of significant influence or to a mere decrease in stake without changing the nature of the investment (e.g. reduction of stake in an associate). Disposals of ownership interest in a subsidiary while retaining control are covered in the section 'Transactions with minority shareholders' (refer to paragraph 49).

77. The below table depicts possible scenarios when dealing with step disposals:

Initial stake	Decrease	New stake	Accounting treatment
75% Subsidiary	15%	60% Subsidiary	• Transaction with minority shareholders (paragraph 49) FAQ 49.1
60% Subsidiary	20%	40% Associate	• Calculate gain or loss from disposal of ownership interest with recycling of: - Pro rata (negative) goodwill (paragraph 79) - Entire amount of CTA (paragraphs 81 & 82) • Recognise associate/joint venture at pro rata net assets and (negative) goodwill (paragraph 84) FAQ 84.1
60% Subsidiary	20% + contractual agreement	40% Joint venture	
60% Subsidiary	50%	10% Financial asset	• Calculate gain or loss from disposal of ownership interest with recycling of: - Pro rata (negative) goodwill (paragraph 79) - Entire amount of CTA (paragraphs 81 & 82) • Recognise financial asset at pro rata net assets and (negative) goodwill (paragraph 84) FAQ 84.2
40% Associate or joint venture	5%	35% Associate or joint venture	• Calculate gain or loss from disposal of ownership interest with recycling of: - Pro rata (negative) goodwill (paragraph 79) - Pro rata amount of CTA (paragraph 83)
35% Associate or joint venture	25%	10% Financial asset	• Calculate gain or loss from disposal of ownership interest with recycling of: - Pro rata (negative) goodwill (paragraph 79) - Entire amount of CTA (paragraphs 81& 82) • Recognise financial asset at pro rata net assets and (negative) goodwill (paragraph 84) FAQ 81.1

78. For each disposal of ownership interest, regardless of relative or absolute size, FER 30/22 requires that a profit or loss needs to be calculated for the portion disposed of and recognised in the income statement.
[FER 30/22]

79. In calculating the disposal gain or loss, the pro rata goodwill or negative goodwill being disposed of needs to be determined for each disposal of an equity interest. This step is often referred to as 'goodwill recycling'. This principle is applied analogously to positive and negative goodwill recognised in the balance sheet or offset against equity. The pro rata goodwill or negative goodwill is calculated in proportion to the equity interest disposed of.
[FER 30/74]

80. When goodwill relates to tranches as a result of step acquisitions, an entity needs to determine which part of goodwill is being recycled. FER 30/74 only specifies that an entity shall calculate the goodwill recycling in proportion to the equity interest disposed of, but does not specify how to apply this to a situation in which an entity has more than one tranche of goodwill. In our view, entities have a policy choice that shall be applied consistently. Entities might use a weighted average method, FIFO (first in first out) or LIFO (last in first out) as illustrated in FAQ 80.1. The choice has not only an impact on the gain or loss on disposal but also on the initial measurement of any interest retained (i.e., where an entity retains a financial asset or an associate when disposing a controlling interest in a subsidiary).

We believe that the weighted average method provides the most reasonable depiction of the economic substance in many cases. This method has been used in the following examples.
[FER 30/22, FER 30/74]

FAQ 80.1 – How is the goodwill to be recycled determined?

81. The loss of control or significant influence over an investee whose financial statements are in a foreign currency requires the reclassification to the income statement of the entire amount of accumulated foreign currency differences recognised in equity.
[FER 30/25]

FAQ 81.1 – Example: step disposal leading to loss of significant influence

82. Likewise, in case control or significant influence over an investee is lost, the corresponding accumulated foreign currency differences recognised in equity arising from loans with equity character are to be reclassified to the income statement.
[FER 30/82]

83. In case of a disposal of a portion of an investment with significant influence whilst retaining significant influence (e.g., reduction from 40 to 30 percent ownership) accumulated foreign currency differences are reclassified to the income statement on a pro rata basis.
[FER 30/25]

84. If the stepwise disposal of ownership interest results in the creation of an associate or a financial asset (loss of control or loss of significant influence), the remaining ownership interest is measured on the basis of the pro rata net assets taking into account the pro rata goodwill or negative goodwill.
[FER 30/22]

FAQ 84.1 – Example: step disposal – sale of subsidiary resulting in recognition of an associate (loss of control)

FAQ 84.2 – Example: step disposal – sale of subsidiary resulting in recognition of a financial asset (loss of control)

Taxes in consolidated financial statements

85. Accounting for current and deferred income taxes is generally outlined by FER 11 'Income taxes'. In addition to those recommendations, FER 30 includes guidance on the treatment of income taxes that are specifically relevant for consolidated financial statements. The following section is limited to the guidance included in FER 30 – the requirements in FER 11 are however equally applicable to consolidated financial statements.

86. Based on the guidelines in FER 11, FER 30 specifies that deferred taxes must generally be recognised for all temporary differences between 'fiscally relevant values' (the measurement basis the respective tax authority applies) and the carrying amount included in the consolidated financial statements.
[FER 30/30, 30/31]

87. FER 30/30 mentions the following additional items/transactions that might give rise to temporary differences in consolidated financial statements:
    - fair value uplifts for assets and liabilities acquired (in course of a 'purchase price allocation', refer to section 'Acquisitions and disposals of subsidiaries', paragraph 37)
    - consolidation measures impacting the income statement (e.g. elimination of inter-company profits)
    - retention of profits in subsidiaries, joint arrangements, or associates (refer to paragraph 89)

88. No deferred tax liabilities are recognised on the initial recognition of goodwill.
[FER 30/31]

89. When determining deferred taxes in connection with subsidiaries, joint arrangements, or associates that contain undistributed profits that are planned to be distributed, any related non-recoverable withholding taxes and income taxes that will be incurred by the parent entity must be considered.
[FER 30/32]

90. Deferred taxes must generally be determined applying the expected effective tax rate relevant for the specific tax subject. FER 30 also allows applying an average group rate or an average expected group rate to measure deferred taxes. Such group rate must be applied consistently. Also, the standard requires this average rate to be 'adequate'. In our view, an average rate would be appropriate/adequate if the resulting deferred tax assets/liabilities are reliable and reflect the economic facts (Framework 6).
[FER 30/33]

Presentation and disclosures

91. Presentation and disclosure requirements of other FER recommendations also apply to consolidated financial statements due to the modular approach of Swiss GAAP FER. FER 30 includes additional requirements relating to presentation in the primary financial statements as well as to disclosures in the notes to the consolidated financial statements. Those requirements are listed in this section. Preparers of financial statements should however be aware that, depending on the nature and extent of their transactions, additional disclosures might be required to adequately inform the readers of the financial statements of the material events and transactions that occurred in the periods presented[3].
[FER 6/2, FER 6/3]

General disclosures

92. The valuation bases generally applied in the consolidated financial statements, such as valuation at historical cost (cost of acquisition or production) or at fair value must be disclosed. If necessary, the valuation principles for individual items shall be disclosed.
[FER 30/86]

93. Changes owing to foreign currency differences or changes in the scope of consolidation are to be separately disclosed in the statements of changes (e.g. statements of changes in assets or provisions). For change in scope of consolidation, refer to FAQ 37.1 regarding the disclosure of acquired property, plant and equipment and other assets.
[FER 30/41]

94. The valuation method of interests in entities with a proportion of voting rights of less than 20 percent is to be disclosed in the notes.
[FER 30/44]

95. Where there is no segment reporting pursuant to FER 31 or FER 40, the details of the income statement in the notes contain a breakdown of the net sales from goods and services according to geographic markets and business areas. Such breakdown of net sales from goods and services by segments is only necessary when business areas differ significantly. Geographical markets may comprise more than one country.
[FER 30/46, FER 30/87]

Minority interests

96. Minority interests' share of the profit or loss is separately disclosed in the income statement (e.g. '…of which attributable to minority shareholders'). This line item should not be shown as expense or income item as stated by SER in their circular No. 2 – Financial Reporting (Version 2023, paragraph 143). Interests in equity held by minorities must also be disclosed separately. In our view, this is applicable for the balance sheet as well as for the statement of changes in equity. The presentation requirements regarding the cash flow statement are addressed in paragraphs 108 and 110 below.
[FER 30/10, FER 30/11]

[3] We recommend using a disclosure checklist to ensure completeness of required disclosures. Such checklists are available on www.pwc.ch.

Goodwill/negative goodwill and foreign currency differences

97. Goodwill recognised as an asset and negative goodwill recognised as a liability is presented separately either in the balance sheet or in the notes. In our view, the disclosure requirements of FER 10 'Intangible assets' apply.
[FER 30/15, FER 30/42]

98. The goodwill or negative goodwill offset within equity and the accumulated foreign currency differences are to be shown as separate components (column) in the statement of changes in equity.
[FER 30/37]

99. If goodwill of associates is capitalised (as opposed to offset within equity), it shall be presented under the balance sheet item 'Investments in associated entities'. The amortisation of goodwill is part of the 'result from associated entities' which shall be presented as a separate line in the income statement. The same presentation requirements apply based on FER 30/13 in analogy to joint ventures accounted for using the equity method.
[FER 30/12, FER 30/13, FER 30/58]

FAQ 99.1 – Is the title of the line item 'investments in associated entities' mandatory?

FAQ 99.2 – Example: recognition and presentation of amortisation of capitalised goodwill

100. If goodwill of associates is offset within equity, it is presented in line with paragraph 98 as a separate component within equity.
[FER 30/58]

101. If goodwill or negative goodwill is offset within equity, the impact on the balance sheet and income statement of a theoretical recognition of the goodwill as an asset or negative goodwill as liability, with scheduled amortisation or release over the expected useful life, are to be presented in the notes for the current and comparative reporting periods (acquisition cost, accumulated amortisation, theoretical carrying amount, amortisation or release, impairment losses, additions, disposals, foreign currency differences).
[FER 30/43]

Scope of consolidation

102. Entities are required to present the following information in the notes to the consolidated financial statements:
   - Details of the scope of consolidation
   - Consolidation principles
   - Valuation bases and principles, and
   - Other information relevant to an understanding of the consolidated financial statements

   [FER 30/38]

103. The details of the scope of consolidation contain:
   - Treatment of the entities in the consolidated financial statements (applied method). This disclosure should also address situations where the holding percentage would rather assume a different type of consolidation method; e.g., where a stake in another entity is below 20 percent but the reporting entity has significant influence (refer to paragraph 12).
   - Name and domicile of the included entities (subsidiaries, joint ventures and associates)

- Share of capital of these entities; if the proportion of voting rights differs from the share of capital, the proportion of voting rights is also to be disclosed
- Changes in the scope of consolidation compared with the previous year as well as the date from which these changes are considered, and
- Deviations from the balance sheet date of the group

[FER 30/39]

104. The details of the consolidation principles contain:
    - Consolidation method, especially capital consolidation
    - Method used for the translation of foreign currencies as well as treatment of the foreign currency differences. The reporting entity should also specify the accounting policy applied in the event of repayment of intragroup loans with equity character.
    - Treatment of associates and joint ventures, and
    - Treatment of inter-company profits

    [FER 30/40, FER 30/83]

105. The following is to be disclosed in the balance sheet or in the notes:
    - Receivables due from and liabilities due to associates
    - Concerning financial assets: non-consolidated investments in entities and receivables due from non-consolidated investments.

    [FER 30/45]

Acquisitions and disposals

106. For acquisitions and disposals of fully or proportionally consolidated entities, the most important positions of the balance sheets of the entities acquired and disposed of are to be disclosed in the notes as per the date of the first consolidation or deconsolidation. In addition, the impact of the first consolidation or deconsolidation on the net sales is to be disclosed. The disclosures include the net sales since the acquisition date which are included in the consolidated income statement as well as the net sales until the acquisition date in the corresponding financial year. If the net sales until the acquisition date cannot be determined, the net sales according to the last available financial statements are to be disclosed. In the case of a disposal the disclosures encompass the net sales until the date of the deconsolidation included in the consolidated income statement as well as the net sales from the previous financial year.
    [FER 30/47]

107. The individual components of the purchase price must be disclosed in the notes. This includes elements that have been paid, are recognised as a liability on the balance sheet, but also items that have not been taken into account yet (for example because the occurrence of future cash outflows for elements of contingent considerations was not probable at the acquisition date).
    [FER 30/23]

Cash flow statement

108. If applicable, the following additional positions (compared to a stand-alone financial statement) are presented within investing activities:
    - cash outflows for the acquisition of consolidated entities (net of cash acquired)
    - cash inflow from the disposal of consolidated entities (net of cash disposed)
    - cash inflow from the sale of minority interests
    - cash outflows for the acquisition of minority interests

    [FER 30/34]

109. The line item ‘cash outflows for the acquisition of consolidated entities (net of cash acquired)’ also includes any payments of deferred or contingent consideration in subsequent periods.

110. If applicable, the following additional positions (compared to a stand-alone financial statement) are presented within financing activities:

- cash outflows for payments of dividends to minority shareholders
- cash outflows for repayments of capital to minority shareholders
- cash inflows from contributions of capital by minority shareholders

[FER 30/35]

111. If the indirect method of determining cash flows from operating activities is applied, the share of profits/losses from the application of the equity method is presented as an adjusting line item. [FER 30/36]

Transitional reliefs

112. The revised FER 30 is to be applied for the first time to reporting periods starting on or after 1 January 2024 and needs to be applied fully retrospectively in line with Framework 30. This means that the comparative period is restated to reflect the amounts that had been recognised in the financial statements, had the revised accounting principles been applied in the comparative period. The transitional provisions however introduce a number of practical expedients, which are discussed below.

113. For simplification purposes, FER 30/14 to FER 30/23 (guidance related to goodwill), FER 30/25 and FER 30/82 (reclassification to the income statement of accumulated foreign currency differences) and FER 30/31 (deferred tax effects from previous acquisitions) do not have to be implemented retrospectively. The paragraphs listed are to be applied prospectively to acquisitions and disposals in reporting periods starting on or after 1 January 2024.

114. As stated in paragraph 98 above, FER 30/37 requires preparers to present the accumulated foreign currency translation differences as a separate component within the statement of changes in equity. When it is impracticable to determine the accumulated foreign currency differences as per the start of the reporting period starting on or after 1 January 2024, for each subsidiary, associate and intragroup loan with equity character, the entity may apply a one-off exemption. If the exemption is used:

     a) it is assumed that the accumulated foreign currency differences are zero for all subsidiaries, associates and intragroup loans with equity character at the time the revised FER 30 is first applied,

     b) the profit or loss from the disposal of a subsidiary or associate and the repayment of an intragroup loan with equity character may not contain any foreign currency differences prior to the first application of FER 30 revised and must take into account any currency differences that have arisen subsequently, and

     c) it must be disclosed in the notes that this exemption has been used.

     It is expected that this exception will only be applicable in extremely rare circumstances. This is because multinational organisations (which are the primary group of preparers impacted by the currency translation guidance) generally have a robust ERP system in place that allows for this information to be generated.

115. In conclusion, the transitional reliefs have the effect that past acquisitions and disposals do not need to be re-opened as part of the initial application of the revised FER 30. Other requirements related to aspects of presentation and disclosure do however need to be applied fully retrospectively and, depending on the treatment applied previously, could result in restatements of the comparative information.

116. It is expected that some areas will be particularly impacted due to diversity observable in practice prior to initial application of the revised FER 30. Those relate to:

     - Presentation of acquisitions and disposals of minority interest in the cash flow statement
     - Presentation of contingent consideration payments in the cash flow statement
     - Presentation of a separate column for the accumulated foreign currency translation differences within the statement of changes in equity
     - Presentation of goodwill in associates within the line item ‘investment in associate’ rather than within the line ‘goodwill’ (in case goodwill is recognised as asset)

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FAQ 7.1 – How to start consolidating a subsidiary that was excluded from the scope of consolidation due to immateriality?

Assume the parent entity (Entity A) has not consolidated subsidiary B in the 20X0 group financial statements as the subsidiary was deemed immaterial. In 20X1, operations in subsidiary B were substantially increased. The parent entity therefore concludes that the subsidiary will be material for purposes of the 20X1 group financial statements and should be consolidated.

Does the parent entity account for the subsidiary retrospectively in the group financial statements?

If the prior year's assessment that the subsidiary was immaterial was correct, the subsidiary should, in our view, be consolidated on a prospective basis. Retrospective accounting is applied to changes in accounting policies and material prior period errors (Framework 30). Where an entity's accounting policy is to not consolidate immaterial subsidiaries, consolidating a subsidiary that has become material is neither a change in the accounting policy nor a correction of a material prior period error.

Retrospective restatement of the prior year figures would be required if the subsidiary was wrongfully excluded from the 20X0 financial statements or if Entity A changes its accounting policies (no longer excluding immaterial subsidiaries from the scope of consolidation) – this would then however have to be applied to all subsidiaries, joint ventures, and associates (refer to paragraphs 7 and 34).

FAQ 10.1 – Are share plan trusts consolidated?

Entities sometimes establish so-called 'share plan trusts' – for example as legal vehicles for distributing shares to employees under share-based remuneration plans. The specific set-up of such trusts varies in practice, but economically, they often work as follows:

The entity (often referred to as the 'sponsoring entity') sets up the trust and provides the trust with funds. Such funds may be provided directly by the sponsoring entity or by third-party loans that are guaranteed by the sponsoring entity. The trust uses those funds to purchase the sponsoring entity's shares on the market and distribute them to the sponsoring entity's employees.

In our view, such share plan trusts normally meet the definition of a special purpose entity in FER 30 and should therefore be consolidated by the sponsoring entity.

FAQ 12.1 – How can an entity demonstrate significant influence when it holds less than 20 percent of voting rights?

An entity could demonstrate that it holds significant influence over an investment in the following ways (non-exhaustive list):

- Representation on the board of directors or equivalent governing body of the investee
- Participation in policy-making process, including participation in decisions about dividends or other distributions
- Material transactions between the entity and the investee
- Interchange of managerial personnel
- Provision of essential technical information

Representation on the board of directors is the most obvious evidence that an entity can participate in the financial and operational decision-making of the investee. However, depending on the individual facts and circumstances either of the other factors included above or a combination of those could result in the entity being able to demonstrate significant influence.

FAQ 12.2 – Example: no significant influence despite 20 percent ownership interest

Significant influence might be called into question if the entity has been unsuccessful to gain board representation or to obtain timely financial information from the investee, or if the investee is actively opposing the entity's attempts to exercise influence over it. This is illustrated by the following example.

Entity A owns 20 percent of the voting rights in Entity B and is entitled to appoint one director to the board, which consists of five members. The remaining 80 percent of the voting rights are held by two entities, each of which is entitled to appoint two directors.

A quorum of four directors and a simple majority of those present are required to make decisions. The other shareholders frequently call board meetings at short notice and make decisions in the absence of Entity A's representative. Entity A has requested financial information from Entity B, but this information has not been provided. Entity A's representative has attended board meetings, but suggestions for items to be included on the agenda have been ignored, and the other directors oppose any suggestions made by Entity A.

Despite the fact that Entity A owns 20 percent of the voting rights and has representation on the board, the existence of other shareholders holding a significant proportion of the voting rights prevents the entity from exerting significant influence. Whilst it appears that Entity A should have the power to participate in the financial and operating policy decisions, the other shareholders prevent Entity A's efforts and stop Entity A from actually having significant influence.

In this situation, Entity B would not be an associate of Entity A.

FAQ 12.3 – How can the acquisition date be determined?

The acquisition date is the date when control over an acquiree is obtained. To determine when control is obtained, entities should consider all relevant facts and circumstances and apply the principle of substance over form (refer to paragraph 8). It is therefore likely that control is not obtained at the date the respective agreement is legally signed. In practice, the closing date of a transaction is often the date when control over the acquiree is obtained. This date is often referred to as the 'acquisition date'.

Similar thoughts apply when determining the acquisition date of a joint venture or an associate.

FAQ 13.1 – How do potential voting rights impact the assessment of the existence of significant influence or control?

Assume that an entity holds ownership interest of 15 percent and an option to acquire additional 5 percent from the controlling shareholder at the fair value of the shares at the date of exercise. A 20 percent ownership interest would grant the entity the right to appoint one member of the board of directors. If the option is currently exercisable, the entity would conclude that it has significant influence over the investee due to the existence of the potential voting rights. If the option was not yet exercisable, the entity would not be able to demonstrate significant influence until the option becomes exercisable.

The same principle applies in an assessment of control. For example, if the reporting entity currently owns 48 percent with an option to acquire additional 5 percent that would allow it to appoint the majority of the board of directors and hence obtain control of the investee.

FAQ 17.1 – What is the impact on the financial statements if the investee's year-end is 3 months or less apart from the year-end of the investor?

FER 30/60 allows that the financial information of the investee is included in the reporting entity's financial statements. Assume that the reporting entity has a 31.12. year-end. In this example, the reporting entity can include financial information provided by the investee, if their year-end is within the timeframe of 30.09. and 31.03. It should however be mentioned that the reporting entity needs to ensure that no material events or transactions took place within the timeframe not covered by the investee's reporting period. If a material event took place in the 3-month period not covered by the investee reporting, the reporting entity would need to adjust for the event in its financial statements accordingly.

In practice it is operationally significantly less challenging if the investee's year-end is at or before the reporting entity's year-end, as it takes time to assemble the necessary financial information, which could conflict with the reporting entity's timeline for publication of its consolidated financial statements.

Assume that Entity A needs to prepare its consolidated financial statements for the year ended 31.12.20X2. It has communicated to its shareholders that it will publish those financial statements on 15 March 20X3. Entity C, an associated company of Entity A has its year-end on 31.03.20X3. If Entity A does not want to postpone the publication of its financial statements to grant Entity C sufficient time to prepare the financial information, Entity A needs to persuade Entity C to prepare another set of financial information (e.g. at 31.12.20X2) to be included in the consolidated financial statements of Entity A through application of the equity method.

FAQ 17.2 – What is the impact on the financial statements if the investee's year-end is more than 3 months apart from the year-end of the investor?

FER 30/60 is explicit that the reporting date must not be more than three months apart from the investor's reporting date. Consequently, in such a scenario, the investor will need to require the investee to prepare another set of financial information at a reporting date that is not more than 3 months apart, ideally at the investor's reporting date. If the investor is unable to obtain such financial information, this would warrant a re-assessment of whether the investor does in fact have significant influence over the investee.

FAQ 27.1 – Example: intercompany profit elimination from contribution of assets upon formation of a joint venture or associate

Entity A and Entity D enter into a contractual agreement to set-up a joint venture. The contract stipulates that Entity D contributes CHF 5 million in cash and Entity A contributes its intellectual property (rights to develop, manufacture and sell a particular product). In return, both parties each receive 50 percent of the newly created share capital of the joint venture. The fair value of the intellectual property (IP) is CHF 5 million. The carrying amount of the IP in Entity A's financial statements was CHF 2 million prior to contribution into the joint venture. Entity A accounts for joint ventures applying the equity method.

How does Entity A account for the formation of the joint venture in its financial statements?

Entity A derecognises the IP from its balance sheet and recognises its share in the net assets in the joint venture. The resulting gain is partially deferred for the proportion of Entity A's ownership interest and released through the income statement over the remaining useful life following the pattern of amortisation of the IP. The journal entries at formation of the joint venture are as follows (in MCHF):

Dr. Investment in joint venture	5.0	
Cr. Intangible asset		2.0
Cr. Investment in joint venture (deferred gain)		1.5
Cr. Gain from contribution of IP into joint venture		1.5

FAQ 28.1 – Example: intercompany profit elimination using an approximative technique when fully consolidating a subsidiary

Entity A manufactures pharmaceuticals in Switzerland. Products are sold worldwide either through wholly owned subsidiaries or joint ventures. Entity A owns a 100 percent interest in a German subsidiary that purchases its products solely from Entity A and sells them in the German market. Sales transactions between Entity A and the subsidiary occur very frequently.

For financial year ended 31.12.20X1, Entity A recorded sales and cost of goods sold to the subsidiary amounting to CHF 10 million and CHF 6 million respectively, thus generating a profit of CHF 4 million (average profit margin of 40 percent).

As of the reporting date, the subsidiary still holds inventory worth CHF 2 million, meaning that of the CHF 10 million of inventory purchased from Entity A, CHF 8 million were already sold to customers. The CHF 2 million of inventory remaining with the subsidiary at the reporting date include Entity A's profit margin. Upon consolidation, Entity A must eliminate those profits as from the group's point of view, only 80 percent of the profits have already been recognised.

For illustration purposes, assume that the subsidiary is able to reliably determine which inventory is still in stock and that the average profit margin generated by Entity A from the sale of those products amounts to approximately 45 percent[4].

How does Entity A eliminate its unrealised share from the sales transactions and the intercompany profit?

Entity A eliminates all revenue recognised for the products that have not yet been sold to a third party (CHF 2 million). At the same time, the related approximate cost of goods sold in the amount of CHF 1.1 million[5] are eliminated as well. Also, the unrealised profit included in the subsidiary's inventory must be eliminated. The unrealised profit amounts to CHF 900 thousand (CHF 2 million – CHF 1.1 million).

Consequently, Entity A records the following elimination entries at 31.12.20X1 (in MCHF, deferred tax effects are not illustrated):

Dr. Sales	2.0	
Cr. Cost of goods sold		1.1
Cr. Inventory		0.9

FAQ 28.2 – Example: intercompany profit elimination using an approximative technique

Assume the same fact pattern as in FAQ 28.1 but this time Entity A holds a 50 percent interest in a Chinese joint venture. Considering that the joint venture is owned in equal parts by Entity A and an external third party, Entity A needs to eliminate the proportion of the profit that corresponds to its 50 percent ownership interest and can recognise the profit that relates to the 50 percent owned by the external third party.

[4] Note the difference to the effective profit margin that Entity A has recorded for the year which is 40 percent.
[5] Cost of goods sold = Revenue – (Revenue * Profit margin).

How does Entity A eliminate its unrealised share from the sales transactions and the intercompany profit?

Entity A eliminates 50 percent of the amounts described in FAQ 28.1 (in MCHF):

Dr. Sales	1.00	
Cr. Cost of goods sold		0.55
Cr. Investment in joint venture		0.45

The above elimination entry is an appropriate way to eliminate intercompany profits regardless of whether the joint venture is accounted for using the partial consolidation or the equity method. Under the equity method, it would however also be acceptable to debit the result from the joint venture (income statement line item) by the amount of intercompany profit, in this case CHF 450 thousand, and credit the investment in joint venture by the same amount (balance sheet item).

FAQ 32.1 – Should the guidance in FER 30/14 ff. be applied to an acquisition of a real estate company?

Example 1: a residential real estate portfolio

Assume Entity A acquires a portfolio of 10 residential units that have different designs and layouts. The acquisition is structured through a legal takeover of Entity B. From an accounting point of view, each of those units is considered to be a separate investment property that can be separately leased-out or sold. At the transaction date, all units each comprising of the building and related land are leased out to separate tenants. Those units are all located in the same geographical area and have a similar real estate market risk profile. In addition to the portfolio, Entity B has an ongoing maintenance contract for the units. Such contract is transferred to Entity A as part of the transaction. The maintenance services are however minor and not critical for generating the rental income – the services could be replaced without significant cost. Apart from that, no other assets or activities are transferred. Entity A will manage the units with its own existing workforce.

Should the guidance in FER 30/14 ff be applied to this transaction?

Assessing the underlying assets acquired from an economic point of view, Entity A will conclude that it has paid the vast majority of the consideration for the value embodied in the real estate units themselves. At the same time, no workforce with skills and knowledge critical for generating rental income from the units is acquired. Therefore, Entity A concludes that it has acquired separate investment properties. Entity A will apply the relevant guidance for the assets acquired (e.g. FER 18/6 for the investment properties) and liabilities assumed instead of FER 30/14.

Example 2: a residential real estate portfolio and employee skills/knowledge

Assume Entity A acquires the portfolio of residential units as described in Example 1 above. This time, the acquisition of Entity B includes employees responsible for the operational management of the units. They take care of the whole process (tenant management, cleaning, maintenance etc.).

Should the guidance in FER 30/14 ff be applied to this transaction?

Based on the fact pattern above, Entity A concludes that the employees are key for generating future rental income and therefore Entity A has not only acquired assets, but also a substantive process that is needed for the future operation of said assets. From an economic point of view, it seems that Entity A has acquired operations and therefore Entity A concludes that it should apply the guidance in FER 30/14 ff.

FAQ 32.2 – Should the guidance in FER 30/14 ff. be applied to an acquisition of a Biotech startup?

Example 1: Phase 3 in-process research and development drug compound

Entity A purchases Entity B, a start-up that contains a right for a Phase 3 compound that is developed for the treatment of diabetes (in-process research and development right, IPR&D). The right includes the historical knowhow, formula protocols, designs and procedures that are expected to be needed to complete the Phase 3 testing. The start-up entity moreover includes an 'at market value' contract with a contract research organisation (CRO). The research does not necessarily be performed by that specific CRO – the contract could easily be transferred to another CRO. No employees, other assets or activities are transferred to Entity A.

Should the guidance in FER 30/14 ff be applied to this transaction?

Apart from the asset (the IPR&D right), Entity A purchases a workforce, namely the contracted research organisation. However, such workforce seems to not be substantive to the Phase 3 study, as any other CRO could complete the study. Therefore, from an economical point of view, Entity A seems to have paid the vast majority of the consideration for one specific asset (the IPR&D right). Entity A would therefore not apply the guidance in FER 30/14 ff.

Example 2: Phase 3 in-process research and development drug compound including an operating start-up organisation

Assume Entity B does not only contain the IPR&D, but also a fully functioning organisation including management, researchers and other scientists, that have the knowledge and skills to complete to project without contracting a CRO. It also includes the assets required for completing the study (headquarters, research labs, and lab equipment). Apart from the IPR&D, Entity B has however no currently marketed products and therefore no revenue.

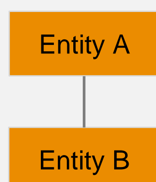
Should the guidance in FER 30/14 ff be applied to this transaction?

Based on the fact pattern above, Entity A concludes that it is not only acquiring an asset, but also operations and skills that are key for the completion of the related studies and therefore for the future generation of revenue. Entity A would therefore conclude that it should apply the guidance in FER 30/14 ff.

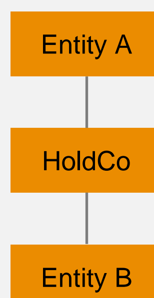
FAQ 32.3 – Example: legal restructuring

Entity A holds a direct 100 percent investment in a subsidiary (Entity B) that contains the operating business of the group. As it is planning additional investments in the near future, Entity A is restructuring the existing group by setting up a new subsidiary (HoldCo) and contributing its existing investment in Entity B:

before restructuring



after restructuring



How is the contribution treated in Entity A’s consolidated financial statements?

In our view, accounting for an ‘acquisition’ in terms of FER 30 would not adequately reflect the economic substance of this transaction. This conclusion bases on the fact that when looking at the reporting entity (the whole group), no changes have been made as Entity B has not been sold to a third party. It’s the same businesses and the same shareholders that are involved. In our view, the transaction at hand is rather a capital re-organisation and therefore acquisition accounting should not be applied. Further, any unrealised gain or loss would need to be eliminated as this would constitute an intercompany transaction (refer to paragraph 25).

How is the contribution treated in HoldCo’s consolidated financial statements?

There are different approaches that might be applied. FER 24/15 states that transactions in connection with a business combination, the establishment of a joint venture or a spin-off are assessed based on special considerations and are dealt with according to the relevant consolidation and valuation methods. Common control transactions are neither specifically addressed by FER 24 nor FER 30 and “special considerations” apply. Consequently, such question is addressed by applying the guidance of the Framework.

A transaction under common control that represents merely a legal facilitation of setting up a new holding structure is in our view not an acquisition in terms of FER 30/14. Consequently, we believe that the most appropriate approach to account for the assets and liabilities of Entity B is to use values previously included in the consolidated financial statements of Entity A (‘predecessor-values’) and to treat the creation of the new parent HoldCo as legal restructuring. No acquisition accounting would be applied, and any adjustment is reflected as adjustment to equity.

FAQ 33.1 – Example: listing through merger with listed shell company

Assume Entity B, a start-up selling T-Shirts in Switzerland wants to expand its business and therefore seeks funding which it wants to secure through a listing at the SIX Swiss Exchange. The listing will be conducted through a merger with Entity A which is listed but does not contain any operating activities (shell company). The merger is structured as a share exchange:

- Before the transaction, Entity A has 10 million shares outstanding, whilst Entity B has 6 million shares outstanding.
- Entity A issues 2.5 shares in exchange for each of Entity B’s shares on 31 December 20X1 – all shareholders of Entity B exchange their shares. Therefore, Entity A issues 15 million shares.
- After the transaction, Entity B’s former shareholders own 60 percent of the combined entity’s shares (15 million out of 25 million). Therefore, Entity B’s former shareholders can appoint 6 out of 8 board members and hence control the resulting combined reporting entity.

Who is the accounting acquirer?

Legally, Entity B is a subsidiary of Entity A. Therefore, some preparers have in the past concluded that Entity A should also be deemed to be the acquirer from an accounting point of view. In our view, this approach does however not reflect the economic substance of the transaction.

The relative voting rights after the transaction show, that Entity B’s former shareholders account for 75 percent (6 out of 8) of the board’s voting rights. There are no other large minority shareholders, and it is likely that the board will appoint management personnel from former Entity B in the new combined reporting entity’s management positions, as those are the people that know the business (remember: Entity A was a shell company with no business at all). Therefore, in our view, Entity B should be deemed to be the accounting acquirer (so-called reverse acquisition).

FAQ 36.1 – How are the elements of the purchase price measured?

FER 30 does not provide specific guidance on how the different elements of the purchase price should be measured. As goodwill/negative goodwill is however determined as the difference between the consideration transferred and the **fair value** of net assets (refer to paragraph 37), we are of the view that the purchase price elements should be recognised at their fair values as well.

FAQ 36.2 – How are shares issued by the acquirer to the former owners of the acquiree measured?

Entity A acquires Entity B on 15 April 20X0 (date control is obtained). The acquisition date fair value of net assets acquired is CHF 75 million. Entity A pays CHF 30 million in cash to the former owners. The remaining consideration is paid through a transfer of 590 thousand shares to Entity B's former owners. The shares are issued and transferred on 30 April 20X0. The share price is CHF 110 per share on 15 April 20X0 and CHF 100 per share on 30 April 20X0.

How are the shares transferred to the former owners measured and what is the resulting goodwill?

Consideration paid should in our view be measured at the acquisition date (refer to FAQ 12.3) fair value. Therefore, Entity A measures the consideration paid by transfer of its own equity instrument at CHF 65 million (590 thousand instruments * CHF 110 acquisition date fair value). Consequently, the goodwill paid by Entity A amounts to CHF 20 million:

Consideration paid in cash	MCHF 30
Consideration paid via a transfer of equity instruments	MCHF 65
= Total consideration transferred	**MCHF 95**
- Fair value of net assets acquired	- MCHF 75
= Goodwill	**MCHF 20**

FAQ 36.3 – What is the difference between a put option to acquire minorities and contingent consideration?

A contingent consideration is a potential payment related to shares that have already been acquired by the reporting entity. The acquirer therefore owns the respective stake and is eligible to the related net assets of the acquiree. The contingent element solely impacts the price to be paid for those shares.

A put option over minority interests on the other hand provides minority shareholders with a right to sell parts or all of their shares to the reporting entity which is obligated to acquire these shares in a future transaction. The legal ownership of the shares, the eligibility for the respective dividends etc. usually reside with the minority shareholder until the option is exercised. The pricing is either fixed or variable depending on the contractual agreements.

FAQ 36.4 – How are put options to acquire minority interests accounted for?

FER does not provide specific guidance on how to account for put options for a later acquisition of minorities issued as part of an acquisition.

Equity instruments of the own entity are no derivative financial instruments as per FER 27/11. In our view, such put option is a non-recognisable commitment in terms of FER 5/2: on exercise, the reporting entity will receive an asset (additional goodwill) in exchange for paying a certain amount of cash. Consequently, the principles in Framework 20 and FER 5 should be applied.

We expect such put options to be treated as off-balance sheet items. Disclosure requirement of FER 5/3 apply. This disclosure is relevant for the understanding of potential future cash flows.

In addition, such options should continuously be reviewed to ensure appropriate provisions are recognised should the contract become onerous.
[Framework 6, Framework 20, FER 5/3]

FAQ 37.1 – How is the 'acquisition date fair value' determined?

Assets

According to Framework 26, Swiss GAAP FER considers four different kinds of values as 'fair values' of assets: current values, net selling prices, value in use, or liquidation values. The 'current value' is described as the price that would have to be paid at the balance sheet date for the acquisition of an asset in the ordinary course of business.

In our view, net selling prices, value in use, or liquidation values would not be appropriate measures for the acquisition date fair value of assets acquired. With regards to 'current values', we are of the opinion that entities need to assume a market participant's view. Therefore, the acquisition of an asset in the ordinary course of business from a related party would only qualify as a transaction at fair value if such transaction is conducted at arm's length. If the current value is determined from a market participant's view, it is in our view an 'acquisition date fair value' in terms of FER 30.
[Framework 26]

In practice, property, plant, and equipment (PP&E) and inventory are often acquired as part of business acquisitions and their acquisition date fair values often materially deviate from the amounts previously recorded by the selling entity:

Property, plant, and equipment

The fair value of PP&E can be estimated applying conventional measurement principles. For plant and equipment that is rarely sold, methods such as the 'replacement cost approach' are often used in practice.

If there are decommissioning and/or site restoration obligations attached to an asset, the fair value recognised should reflect the value of such obligation. For example, assume a coal plant is acquired in a business combination where the acquirer measures the fair value of the *unencumbered* plant to be CHF 600 million. At acquisition, the acquirer assesses the discounted future cash outflows for the restoration of the site to be CHF 100 million. In this case, the asset should be recognised at its unencumbered value of CHF 600 million. At the same time, a provision for the expected future cash outflows in the amount of CHF 100 million is recognised.

When determining the acquisition date fair value of PP&E, accumulated depreciation and impairment recognised by the acquiree is not carried forward to the acquirer's financial statements. Accumulated depreciation and impairment as per acquisition date is therefore zero whilst the whole fair value acquired is deemed to be the asset's acquisition cost in terms of FER 18/6. Note that the Swiss Exchange Regulation (SER) highlights this principle in its Circular No. 2 – Financial Reporting (Version 2023, paragraph 77). The SER has issued comment letters on this matter on earlier occasions. This aspect equally applies to other items such as intangible assets and receivables.

Inventory

The fair value of inventory is usually higher than the amount recognised by the acquiree before the transaction, because the acquiree measured its inventory at the lower of cost or net realisable value (if the acquiree applied Swiss Code of Obligations or a recognised accounting standard such as IFRS Accounting Standards or Swiss GAAP FER).

When determining the acquisition date fair values of inventories, the following measurement bases are usually applied:

- for raw materials: current replacement cost;
- for work-in-progress: the selling price of finished goods less the costs to complete and sell the good including a reasonable profit allowance for those efforts. The profit allowance is normally determined based on the profit for similar finished goods;
- for finished goods: the selling price less the costs to sell the good including a reasonable profit allowance for the selling efforts. The profit allowance is normally determined based on the profit for similar finished goods.

As a result, with unchanged selling prices, the profit margin will be reduced when subsequently selling these inventories.

Liabilities

Framework 27 outlines two different kinds of 'fair values' for liabilities: current values and present values.

In our view, the fair value of liabilities assumed can be determined based on the present value of the future net cash outflow that is expected to be required to settle the liability in the ordinary course of business (defined by the Framework as the 'current value'). For financial liabilities, the fair value can alternatively be determined based on the undiscounted amount that would be necessary to settle it (defined by the Framework as the 'present value').

FAQ 37.2 – How are contingent liabilities assumed treated?

FER 30 does not contain specific guidance on the recognition and measurement of contingent liabilities assumed in acquisitions.

Contingent liabilities are not recorded as liabilities as per FER 5 'Off-balance sheet transactions'. We are of the opinion that applying such guidance to contingent liabilities assumed in acquisitions might not reflect the underlying economic substance in all cases.

When determining the price an entity is willing to pay for an acquisition, significant contingent liabilities are likely taken into account. If the entity is not indemnified for the risks taken over, it will still be exposed to a risk of future cash outflow. Consequently, it might be appropriate to reflect this exposure at the acquisition date as liability given that this relates to an exposure that the acquirer has taken over as part of the transaction. This treatment is in analogy to the guidance provided by IFRS Accounting Standards.

Alternatively, an entity could argue that such liability is not recognised based on the guidance provided by FER 5. Further, if the related risk is indemnified by the seller, it might be more appropriate to treat the contingent liability as an off-balance sheet item only.

The disclosures around contingent liabilities assumed should allow the reader of the financial statements to understand which risks have transferred and how they have been reflected in the financial statements.
[Framework 20, FER 5]

FAQ 37.3 – Loan transfer in course of an acquisition

Entity C sells its fully-owned subsidiary (Entity B) to Entity A for a cash payment of CHF 100 million. At the transaction date, Entity B had a loan outstanding owing CHF 10 million to Entity C. As part of the transaction closing, such loan is transferred to the new parent resulting in Entity A owing CHF 10 million to Entity C after the transaction.

How should Entity A consider the transferred loan when determining the acquisition date fair value of net assets acquired?

In substance, Entity A has incurred the loan as part of the acquisition. From the view of the reporting entity (Entities A and B) the loan is still payable. Therefore, the fair value of the loan should be included in the fair value of net assets acquired or as part of the acquisition cost depending on the fact and circumstances. The goodwill is equal in both scenarios. In the fact pattern above, the loan is no longer part of the net assets of Entity B and represents rather a seller loan. As such, we deem it appropriate to treat it as part of the consideration transferred similar to other deferred consideration.

FAQ 37.4 – What is meant with “intangible assets relevant to the decision to obtain control”?

An entity shall recognise all intangible assets previously not recognised that are relevant to the decision to obtain control. Consequently, this is not limited to those intangible assets that were the main decisive reason for an acquisition.

The standard does not provide guidance on how entities should determine whether specific intangible assets have been relevant to the decision to obtain control. In our view, this assessment should focus on the strategic reasoning for the acquisition: What was the key objective to acquire a specific acquiree?

In our view, management presentations, discussion papers and similar evidence may indicate which intangible assets (if any) have been relevant (e.g. target search instructions, meeting minutes, due diligence reports, business plans, and similar). In addition, any external communication should be reviewed for any indications of relevant intangible assets. Relevant, in our view, does not mean decisive but that the reporting entity, respectively those charged with assessing the acquisition, considered these intangible assets as part of the investment decision to conclude the transaction.

FAQ 37.5 – Are measurement period adjustments allowed under Swiss GAAP FER?

Other accounting standards such as IFRS Accounting Standards foresee so-called 'measurement period adjustments' where the acquirer has a specific time period to finalise the accounting for the acquisition of a subsidiary. This period allows acquirers a reasonable amount of time to obtain all information necessary to identify and determine the value of the following items:

- The identifiable assets acquired, liabilities assumed, and minority interests in the acquiree;
- The consideration transferred; and/or
- The resulting goodwill or bargain purchase gain.

Swiss GAAP FER does not provide guidance on measurement period adjustments. However, we would expect that it also takes FER preparers some time to gather all information necessary to finalise the accounting for an acquisition. In our view, to allow for reliable financial information (Framework 32), FER preparers should have a reasonable period of time to complete the accounting for acquisitions. By analogy to the guidance on contingent considerations included in FER 30, we consider it reasonable to record such adjustments to the acquisition date fair values of assets acquired and liabilities assumed to in goodwill.

The period of time that can be considered as 'reasonable' depends on the complexity of the acquisition – we would however not expect that it takes preparers more than twelve months to finalise their acquisition accounting.

We would expect the fact that the accounting for a specific acquisition is not finalised yet to be disclosed in the notes to any financial statements that are prepared between the acquisition date and the finalisation of the related accounting.

FAQ 38.1 – What is considered significantly different in the context of FER 30/57?

The German version of Swiss GAAP FER, FER 30/57 states that the practical expedient to recognise the value of an asset or a liability as if Swiss GAAP FER had always been applied (instead of the fair value) is available to preparers if that value does not deviate materially ('wesentlich') from fair value. Swiss GAAP FER 1 states that 'any interpretation [of Swiss GAAP FER] is governed by the German version'. As such, preparers need to assess whether the value deviates materially from the fair value in order to determine whether the practical expedient can be applied.

According to Framework 29, information is material, in the context of financial reporting, if its omission, misstatement or obscurity could reasonably be expected to influence the decision-making of the readers of the financial statements. To illustrate, if a service organisation (e.g. cleaning service) is acquired, the fair value of its inventory will rarely differ materially from the value that would have been recognised if Swiss GAAP FER had always been applied. This is because such businesses rarely have material inventory balances. On the other hand, the fair value of inventory will mostly differ materially from the value that would have been recognised if Swiss GAAP FER had always been applied if an industrial manufacturer or a retailer is acquired.

FAQ 39.1 – Is goodwill accounted for applying the full goodwill method or the partial goodwill method?

Some reporting standards allow for goodwill to be accounted for applying either the so-called ‘full goodwill method’ or the ‘partial goodwill method’. Under the full goodwill method, minorities are measured at their fair values and consequently, the goodwill recognised in the parent’s financial statements reflects the parents’ as well as minorities’ share of goodwill. Under the partial goodwill method, minorities are measured at the proportionate share of the acquiree’s identifiable net assets. The goodwill in the parent’s financial statements is therefore limited to the parent’s share of goodwill.

According to FER 30/15, goodwill should be measured as the difference ‘*between the **acquisition costs** and the **revalued net assets acquired***’. In practice it is generally assumed that ‘*revalued net assets acquired*’ means the relative amount of net assets acquired and hence preparers of Swiss GAAP FER financial statements generally apply the partial method of accounting for goodwill. [FER 30/15]

FAQ 39.2 – Do the acquirer’s policy choices impact the amount of ‘intangible assets relevant for the decision to obtain control’ recognised in the balance sheet?

Yes, two accounting policy choices may impact the amount of intangible assets relevant for the decision to obtain control (‘relevant intangible assets’) recognised in the acquirer’s balance sheet.

Assume Entity A acquires 80 percent of Entity B for a consideration of CHF 215 million. The acquisition date fair value for 100 percent of the assets acquired and liabilities assumed amounts to CHF 60 million and there are relevant intangible assets in the amount of CHF 30 million.

Option 1: Entity A’s accounting policy is to not recognise relevant intangible assets separately because it already recognises goodwill as an asset in the balance sheet.

Acquisition cost	MCHF 215
+ Minorities	+ MCHF 12 (= 20% * (MCHF 60))
- FV net assets	- MCHF 60
Goodwill	**MCHF 167**

Option 2: Entity A’s accounting policy is to recognise relevant intangible assets separately even if it already recognises the goodwill as an asset in the balance sheet.

Acquisition cost	MCHF 215
+ Minorities	+ MCHF 18 (= 20% * (MCHF 60 + MCHF 30))
- FV net assets	- MCHF 90 (= MCHF 60 + MCHF 30)
Goodwill	**MCHF 143**

Option 3: Entity A’s accounting policy is to offset goodwill with equity. Therefore, Entity A must recognise relevant intangible assets separately in the balance sheet.

Acquisition cost	MCHF 215
+ Minorities	+ MCHF 18 (= 20% * (MCHF 60 + MCHF 30))
- FV net assets	- MCHF 90
Goodwill	**MCHF 143**

The amount of intangible assets including goodwill recognised is the lowest for option 1 with CHF 167 million. The amount is lower by CHF 6 million compared to options 2 and 3. The 'decision relevant' intangibles of CHF 30 million are only recognised at CHF 24 million when they are accounted for as part of the goodwill. This is due to the fact that goodwill is only recognised for the proportion of shares acquired (partial goodwill method).

FAQ 40.1 – In which line item should the amortisation/impairment of goodwill be presented if the income statement is presented by function of expense?

The standard does not explicitly prescribe to which function the amortisation/impairment of goodwill should be allocated to. This is because if the income statement is presented by function of expense, all items of expenses/income should generally be allocated to the appropriate function – including allocating amortisation/impairment charges to e.g., cost of sales where the related goodwill is linked to goods sold.

In rare cases it might not be possible to determine which functions goodwill amortisation/impairment expenses belong to. If so, amortisation/impairment expense should be presented as a separate line item within the operating result if it is material. This approach is however only acceptable if the resulting presentation of the income statement is neutral (free of bias). It is therefore important that such a mixed presentation does not lead to understated cost of sales and consequentially overstated gross profit. It must be ensured that any loss from amortisation/impairments of goodwill linked to cost of goods sold is allocated to that line item. If it is not clear whether some (or all) of the impairment loss is linked to cost of goods sold, the entity should consider whether it is still appropriate to present gross profit or whether this line item would be misleading.

Note that it would generally be expected that an entity can determine whether goodwill is related with cost of goods sold or not, because entities perform due diligences before transactions and purchase price allocations after them. Therefore, there would normally be sufficient information available to be able to determine the functions a specific goodwill is related to.

FAQ 40.2 – Which factors should be taken into account when determining the useful life of goodwill?

According to Framework 6, the purpose of financial statements in accordance with Swiss GAAP FER is to provide a true & fair view. A true & fair view requires that all information included in the financial statements reflect the underlying economic facts. When determining the useful life of goodwill, entities should therefore assess the economic circumstances (wirtschaftliche Betrachtungsweise) of the goodwill.

The determination of the useful life of goodwill requires a high level of judgement and a thorough assessment of all relevant facts and circumstances. Assume an entity undertakes an acquisition to get access to a specific market. In practice, there are different views on how the useful life of the goodwill paid for such market access may be determined. For example:

View 1: Some practitioners argue that the time that it would have taken the acquirer to enter market is the useful life of the related goodwill. This includes the time to set-up the project, set-up legal entities, organise licenses etc. up until the entity would be operating in said market.

View 2: Others argue that the useful life of the goodwill paid should additionally include the time over which the entity can benefit from market advantages from entering the market fast (via the acquisition). This view bases on the general assumption that an entity that has been in the market for some time is better connected and has advantages compared to an entity that has just recently entered the market.

In our view, the assessment of the useful life of goodwill should also include considerations of the nature of the acquisition. We would expect goodwill resulting from an investment in a growth market where innovation rates and uncertainties about the future of such markets are high to be amortised over a shorter period than goodwill from investments in well-established markets.

The considerations that have been taken into account when determining the useful life of goodwill should be described in the notes to the financial statements.

Note that the SER outlines in its Circular 2 that *'the use of very short useful lives or immediate amortisation with role reference to the principle of prudence fundamentally contradicts the requirements of Swiss GAAP FER 10/8'*.
[FER 10/8, Framework 6]

FAQ 40.3 – Under what circumstances can the useful life of goodwill not be determined reliably?

In our view, it would be a very limited number of cases where the useful life of goodwill cannot be determined reliably. The determination of the useful life of goodwill is normally not significantly more challenging than the determination of the useful life of other tangible and intangible assets. In practice, it is sometimes argued that the useful life of goodwill cannot be determined reliably because of the effects from technological and commercial obsolescence are highly uncertain. However, if such effects can be estimated for other tangible and intangible assets, then this is also possible for goodwill. Moreover, we would not expect managements and/or boards to conduct acquisitions without detailed project plans including estimates of synergies, payback periods etc. The level of information used to take decisions to acquire targets is therefore normally sufficient to reliably estimate the useful life of goodwill.

FAQ 46.1 – Example: disposal of subsidiary

On 1 January 20X1, Entity A has acquired 100 percent of Entity B. The related goodwill (CHF 5 million) has been offset within equity. The useful life of that goodwill has been determined to be 5 years. The subsidiary's functional currency is EUR, Entity A presents its consolidated financial statements in CHF.

On 31 December 20X2, Entity A sells its stake in Entity B for CHF 110 million and deconsolidates the subsidiary from its consolidated financial statements. Entity A's balance sheet at the date of transaction includes the following amounts related to Entity B:

Net assets: CHF 100 million
Goodwill: CHF 5 million (offset within equity)
Cumulative currency translation adjustment (CTA) reserve in equity (accumulated gains):
CHF 2 million

How is the disposal reflected in Entity A's consolidated financial statements?

Entity A records the following journal entries (in MCHF):

	Dr.	Cr.
Dr. Cash	110	
Dr. CTA reserve	2	
Cr. Net assets		100
Cr. Goodwill (equity account)		5
Cr. Gain from sale of subsidiary		7

FAQ 48.1 – Example: acquisition of minority interests

Assume Entity A has had a 65 percent ownership in Entity B. As Entity A has controlled Entity B, it has fully consolidated the subsidiary in its consolidated financial statements. As at 31 December 20X1, the following positions related to Entity B are included in Entity A's consolidated financial statements:

Goodwill:	MCHF	26
Net assets (excl. goodwill):	MCHF	100
Minority interests:	MCHF	35

On 1 January 20X2, Entity A acquired an additional 10 percent stake in Entity B from the minority shareholders for a cash of CHF 15 million.

How is the transaction reflected in Entity A's consolidated financial statements?

Based on the guidelines outlined in paragraph 48, Entity A would record the following journal entries (in MCHF):

Dr. Minority interests	10		(= MCHF 35 / 35% * 10%)
Dr. Goodwill	5		(= MCHF 15 – MCHF 10)
Cr. Cash		15	

Note: Net assets have already been fully consolidated. They are therefore not revalued to the fair value as at transaction date.

FAQ 49.1 – How is the sale of minority interest whilst maintaining control accounted for?

Entity A currently owns 75 percent of Subsidiary B. The subsidiary is fully consolidated into Entity A's group financial statements as Entity A has control over Subsidiary B's activities. As at 31 December 20X0, Subsidiary B is included in the consolidated financial statements as follows:

Goodwill related to Subsidiary B:	MCHF	31
Net assets from Subsidiary B:	MCHF	100
Minority interest share in Subsidiary B:	MCHF	25

On 1 January 20X1, Entity A sells a 15 percent stake in Subsidiary B to a third party for CHF 25 million. Entity A maintains control over Subsidiary B.

How does Entity A account for the sale of minority interests in its consolidated financial statements?

Entity A will continue to consolidate the subsidiary. Therefore, the net assets of CHF 100 million will continue to be included in the consolidated financial statements. The existing minority interest of CHF 25 million represents minority interest of 25 percent in the subsidiary's net assets. As minorities are now increasing from 25 to 40 percent, so should the minorities' interest in the subsidiary's net assets.

Credit	Minorities	MCHF	15	(= MCHF 25 / 25% * 15%)

The goodwill in the consolidated financial statements amounting to CHF 31 million prior to the partial disposal represents Entity A's share in the subsidiary of 75 percent. As Entity A is reducing its share in course of the transaction, the goodwill needs to be reduced accordingly:

Credit	Goodwill	MCHF	6.2	(= MCHF 31 / 75% * 15%)

Based on the consideration Entity A receives for the sale (CHF 25 million), a profit in the amount of CHF 3.8 million (= 25 - 15 - 6.2) results from the transaction. Entity A records this profit in the consolidated income statement.

FAQ 54.1 – Example: acquisition of significant influence (goodwill recognised as asset)

On 1.7.20X1, Entity A acquires a 30 percent ownership interest in Entity X for CHF 3 million and is granted the right to appoint one out of three members of the board of directors.

The carrying amount and respective fair values of the identifiable net assets (excluding the effect of deferred taxes) of Entity X at the acquisition date are summarised below.

(amounts in TCHF)	Carrying amount	Fair value
Cash and cash equivalents	400	400
Accounts receivable	1’300	1’300
Inventory	2’500	3’200
Other current assets	200	200
Land and buildings	6’000	8’500
Previously recognised assets	**10’400**	**13’600**
Customer lists	-	200
Intellectual property	-	900
Previously unrecognised intangible assets	**-**	**1’100**
Accounts payable	1’200	1’200
Provisions	1’800	1’800
Borrowings	4’200	4’000
Liabilities	**7’200**	**7’000**
Net assets excluding previously unrecognised intangible assets	**3’200**	**6’600**

Entity A has adopted the accounting policy choice to recognise goodwill as an asset in its consolidated financial statements and to apply the exception in FER 30/18 to not recognise previously unrecognised intangible assets that were relevant to its decision-making of whether to acquire the 30 percent ownership interest in Entity X.

The fair value of the net assets excluding previously unrecognised intangible assets of Entity X amount to CHF 6.6 million, of which CHF 1.98 million (30 percent) are attributable to Entity A. Goodwill amounts to CHF 1.02 million and is calculated as the residual amount between the CHF 3 million consideration transferred to the former shareholders of Entity X and the proportional fair value of recognised net assets.

FER 30/58 requires that goodwill needs to be presented in the same line item as the underlying investment in the net assets of the associate. As such, Entity A recognises the following journal entries upon initial recognition of the investment (in MCHF):

Dr. Investment in associate (net assets)	1.98	
Dr. Investment in associate (goodwill)	1.02	
Cr. Cash		3.00

In subsequent periods, Entity A accounts for its share in Entity X’s net assets applying the equity method while goodwill is amortised over the expected useful life. The amortisation expense is presented in the income statement as part of the result from associates.

If Entity A had recognised all previously unrecognised intangible assets as part of the notional purchase price allocation, this would look as follows:

Fair value of net assets including previously unrecognised intangible assets	MCHF 7.70
Entity A's share (30%) in the net assets of Entity X	MCHF 2.31
Consideration transferred	- MCHF 3.00
Goodwill	**MCHF 0.69**

FAQ 54.2 – Example: acquisition of significant influence (goodwill offset within equity)

We build on the example in FAQ 54.1. Contrary to the previous example, Entity A has adopted the accounting policy choice to offset goodwill within equity in its consolidated financial statements and consequently needs to recognise previously unrecognised intangible assets that were relevant to its decision-making of whether to acquire the 30 percent ownership interest in Entity X.

Entity A determined that the intellectual property of CHF 0.9 million included in Entity X was relevant for its decision to acquire the ownership interest, whereas the customer list of CHF 0.2 million was considered irrelevant for the acquisition. Entity A calculated that the fair value of net assets and goodwill acquired to be:

Fair value of net assets including previously unrecognised intangible assets	MCHF 7.50
Entity A's share (30%) in the net assets of Entity X	MCHF 2.25
Consideration transferred	- MCHF 3.00
Goodwill	**MCHF 0.75**

Entity A recognises the following journal entries upon initial recognition of the investment (in MCHF):

	Dr.	Cr.
Dr. Investment in associate (net assets)	2.25	
Dr. Equity (goodwill offset)	0.75	
Cr. Cash		3.00

In subsequent periods, Entity A accounts for its share in Entity X's net assets applying the equity method while goodwill remains offset within equity until the investment is (partially) disposed of, liquidated or abandoned.

FAQ 54.3 – Example: formation of joint venture

On 30.9.20X1 Entity A and Entity H enter into a contractual agreement to establish a joint venture under joint control. The contract stipulates that:

- The joint activities will be executed within a separate legal entity
- Entity A contributes CHF 5 million in exchange for 50 percent of the share capital in the joint venture
- Entity H contributes property, plant and equipment worth CHF 5 million in exchange for 50 percent of the share capital in the joint venture
- Both parties can appoint 2 members of the board of directors. Entity A has the right to appoint the chairman
- Decisions need to be made by simple majority vote (at least 3 members), the chairman does not have a casting vote
- Certain restricted matters related to financing, capital contributions and investment decisions above predefined monetary thresholds require unanimous consent of the 4 directors

The set-up meets the definition of a joint venture in FER 30/53. This is because neither party can control the joint venture independent of the other party. Both parties transfer their contributions into the newly established joint venture on 1.10.20X1.

What does Entity A recognise in its consolidated financial statements on 1.10.20X1?

It depends on the accounting policy elected by Entity A regarding the measurement method for joint ventures.

If Entity A opted to account for joint ventures applying the **equity method**, it would recognise the following journal entries (in MCHF):

	Dr.	Cr.
Dr. Investment in joint venture	5.0	
Cr. Cash		5.0

If Entity A opted to account for joint ventures applying the **proportional consolidation method**, it would recognise the following journal entries (in MCHF):

	Dr.	Cr.
Dr. Cash (JV)	2.5	
Dr. Property, plant and equipment	2.5	
Cr. Cash		5.0

FAQ 54.4 – How is acquisition cost determined if no cash is transferred as consideration?

Ownership interest is most commonly acquired through the payment of cash. Other means of payment are however also possible. Examples seen in practice are the issuance of new shares of the investor, delivery of treasury shares of the investor or the delivery of assets of the investor (e.g. licenses or fixed assets). In such situations, the determination of the acquisition cost is a more complex as the value is not linked to a clearly identifiable monetary amount. The question arises whether the delivery of assets or shares in return for the additional ownership interest should be measured at the fair value or book value.

Considering the fundamental objective of Swiss GAAP FER financial statements is to present a true and fair view (Framework 6) which entails that the economic substance of the transaction is reflected in the financial reporting, the consideration transferred, which forms acquisition cost should be measured at fair value. This also reflects that the transaction takes place between two or more parties that base their decisions on actual values and not in reference to the former carrying amount of a transferred asset. This is also true when consideration transferred consists of shares of the investor, as it would constitute a share-based payment, for which FER 31/3 requires recognition at fair value.

Measuring the consideration transferred at book value would usually violate the principle outlined in Framework 6 as can be illustrated with the following example. Investor Y agrees to transfer 10 percent of its ownership interest in Associate A to Investor X in return for an exclusive license to manufacture and sell a certain product in a certain market. In Investor X's financial statements, the license has a book value of zero, as not all criteria for capitalisation of internally generated intangible assets as per FER 10 were met. The license is however of economic value to the Investor Y, as evidenced by their willingness to transfer 10 percent of ownership interest in the associate. Consequently, accounting for the delivery of the license at book value and recognising negative goodwill in the amount of the additional proportionate net assets of the associate would not reflect the economic substance of the transaction. Rather, the license should be measured at fair value and goodwill for the additional 10 percent stake being determined as the difference between the fair value of the license and the proportion of the additional net assets in the associate.

FAQ 59.1 – Example: subsequent measurement applying the partial consolidation method

We build on the example in FAQ 54.3. Recall that Entity A and Entity H have set-up a joint venture through contribution of CHF 5 million in cash (Entity A) and property, plant and equipment worth CHF 5 million (Entity H). Applying the partial consolidation method for the accounting of joint ventures, Entity A has the following balances recognised in its consolidated financial statements at 1.10.20X1 (initial recognition):

(amounts in TCHF)	
Cash	2'500
Property, plant and equipment	2'500

In the three months until 31.12.20X1, the joint venture hired and paid two employees, purchased and sold inventory from and to third parties, and obtained new long-term financing from a bank. The summarised financial information of the joint venture (stand-alone) as of 31.12.20X1 is as follows:

Balance sheet (amounts in TCHF)	
Cash	7'940
Accounts receivable	2'000
Inventory	1'000
Property, plant and equipment	4'700
Total assets	**15'640**
Accounts payable	2'000
Income tax liability	96
Borrowings	3'000
Share capital & retained earnings	10'544
Liabilities & equity	**15'640**

Income statement (amounts in TCHF)	
Revenue	4'000
Material expense	(3'000)
Personnel expense	(60)
Depreciation expense	(300)
Profit before tax	**640**
Income tax expense	(96)
Profit after tax	**544**

In applying the partial consolidation method, the balances and transactions recognised in the joint venture are included in the consolidated financial statements of Entity A to the extent of Entity A's ownership in the joint venture (50 percent), with the exception of share capital which is eliminated upon consolidation. Consequently, the following balances attributable to the joint venture will be included in Entity A's consolidated financial statement as at 31.12.20X1:

Balance sheet (amounts in TCHF)	
Cash	3'970
Accounts receivable	1'000
Inventory	500
PP&E	2'350
Total assets	**7'820**
Accounts payable	1'000
Income tax liability	48
Borrowings	1'500
Retained earnings	272
Liabilities & equity*	**2'820**

Income statement (amounts in TCHF)	
Revenue	2'000
Material expense	(1'500)
Personnel expense	(30)
Depreciation expense	(150)
Profit before tax	**320**
Income tax expense	(48)
Profit after tax	**272**

** Note that equity only relates to contributions to retained earnings after the date of formation of the joint venture as the joint venture's share capital and capital contribution of CHF 5 million is eliminated in the consolidated financial statements upon capital consolidation.*

FAQ 63.1 – Example: application of the equity method

We build on the example in FAQ 54.1. Recall that on 1.7.20X1, Entity A acquired 30 percent ownership interest in Entity X for CHF 3 million. On initial recognition, the notional purchase price allocation let to the allocation of the transaction price to net assets of CHF 2 million and goodwill of CHF 1 million. Entity A recognises goodwill as an asset in the balance sheet. Given that FER 30/58 requires goodwill to be presented as part of the investment, Entity A has recognised the following journal entries on 1.7.20X1 (in MCHF):

	Dr.	Cr.
Dr. Investment in associated company	3	
Cr. Cash		3

Assume that Entity A's management has determined that it expects the synergies that gave rise to goodwill to be realised over the term of 10 years.

At the date of acquisition, the carrying amount of the net assets (100 percent) in Entity X amounted to CHF 3.2 million. As we saw in FAQ 54.1, their fair value amounted to CHF 6.6 million. In the second half of 20X1, Entity X generated a net result of CHF 900 thousand and paid a cash dividend of CHF 500 thousand.

How does Entity A account for the 6 months since its investment in Entity X applying the equity method?

Entity A needs to increase its investment in Entity X for its proportionate share of the net result and decrease the investment for the amount of dividend received. Mostly in practice, the investors only receive financial information from the investee that excludes effects from the notional purchase price allocation. In such situations, adjustment entries are necessary to appropriately apply the equity method. In the notional purchase price allocation (see FAQ 54.1), the fair value differed from the carrying values of assets and liabilities in Entity X for the following positions:

(amounts in TCHF)	Carrying amount	Fair value
Inventory	2'500	3'200
Land and buildings	6'000	8'500
Borrowings	(4'200)	(4'000)

Assuming that all inventory has been sold by 31.12.20X1, Entity X's net result of CHF 900 thousand needs to be reduced by the effect of the higher expense for cost of inventory, higher depreciation expense on land and buildings and higher interest expense on borrowings. Assuming, for purposes of this example, the impact of those adjustments is CHF 800 thousand, the associated company's adjusted net result for the 6 months ended 31.12.20X1 amounts to CHF 100 thousand. In subsequent periods, only land and buildings and borrowings need to be adjusted until they are no longer recognised in the balance sheet. Moreover, Entity A needs to adjust the associate's result for the effect of the amortisation of goodwill of CHF 50 thousand (6 months of amortisation).

Entity A records the following journal entries at 31.12.20X1 (in TCHF):

Dr. Result from associated company	20		(= (TCHF 900 – 800) x 30% – TCHF 50)
Cr. Investment in associated company		20	
Dr. Cash and cash equivalents	150		(= TCHF 500 x 30%)
Cr. Investment in associated company		150	

Consequently, Entity A reports the following values for its investment in Entity X in its consolidated financial statements as of 31.12.20X1:

Investment in associated company (B/S):	TCHF	2'830
Loss from associated company (I/S):	TCHF	20

FAQ 63.2 – Example: recognising the investor's share in the changes of the investee's equity

Entity B is an associate of Entity A (40 percent ownership interest). Entity B controls a number of domestic and foreign subsidiaries and prepares consolidated financial statements in accordance with Swiss GAAP FER. During the financial year 20X3, Entity B has, in accordance with FER 30/80, recognised CTA from translation of balances in foreign operations directly in equity. This resulted in an increase in equity (currency translation reserve) of CHF 200 thousand in 20X3.

How does Entity A need to account for this change in its associate's equity?

Entity A should increase the investment in Entity B by CHF 80 thousand (40 percent of 200 thousand) and credit currency translation reserve (equity) with the same amount.

FAQ 63.3 – How to account for a symmetrical increase in the associate's equity?

Entity A and Entity B are the sole shareholders of Entity X. The 1 million ordinary shares outstanding are distributed among the shareholders as follows:

	Ownership
Entity A	40%
Entity B	60%

The investment is recorded in Entity A's balance sheet at an amount of CHF 200 thousand at 31.12.20X1.

Entities A and B decided on 1.1.20X2 to increase Entity X's capital through issuance of 100 thousand shares at par value of CHF 10. The shares are symmetrically liberated by both shareholders in accordance with their existing ownership interest to not dilute their interest in Entity X.

Consequently, on 1.1.20X2, Entity X receives cash of CHF 1 million and credits share capital with the same amount. Entity A's share of the increase in Entity X's equity corresponds exactly to the amount paid in cash. It therefore debits the investment in Entity X by CHF 400 thousand and credits cash by the same amount.

FAQ 63.4 – How to account for a non-symmetrical increase in the investee's equity?

Assume the same fact pattern as in FAQ 63.3 above, with the only difference being that Entity A does not participate in the capital increase, meaning that the 100 thousand newly issued shares are solely liberated by Entity B through payment of CHF 1 million in cash.

Such non-symmetrical increase in Entity X's equity dilutes Entity A's ownership interest as the additional share capital is issued solely to Entity B, as illustrated below.

	Ownership interest before (shares / percentage)		Ownership interest after (shares / percentage)	
Entity A	400'000	40%	400'000	36%
Entity B	600'000	60%	700'000	64%
Total	1'000'000	100%	1'100'000	100%

This dilution reflects, in essence, a partial disposal of 4 percent ownership interest by Entity A. Entity A needs to recognise the increase in the net assets of Entity X (cash of CHF 1 million) at its reduced share in ownership interest of 36 percent and derecognise 4 percent of the carrying amount prior to the diluting event. This results in a so-called dilution gain of CHF 60 thousand which is debited to the investment in Entity X.

Carrying amount of investment in associate prior to dilution event	TCHF 3'000
Derecognition of diluted ownership interest (4%)	TCHF -300 (= TCHF 3'000 / 40% * 4%)
Entity X's share in additional equity of associate	TCHF 360 (= TCHF 1'000 * 36%)
Carrying amount of investment in associate after dilution event	TCHF 3'060

Note that the other considerations around step disposals apply (e.g. recycling of accumulated CTA or goodwill), see section 'Step acquisitions and step disposals'.

It is also possible that the increase in an associate's equity results in a dilution loss, which would need to be recognised through the income statement. Moreover, this would present an impairment indicator for the remaining ownership interest held, in which case the remaining carrying amount of the associate should be tested for impairment in accordance with FER 20 'Impairment'.

FAQ 70.1 – Example: step acquisition from financial asset to subsidiary

On 31.12.20X0, Entity A holds 10 percent of the ownership interest in Entity C (securities) which it acquired shortly before the reporting date for CHF 300 thousand. The investment is subsequently measured at cost less accumulated impairment based on the accounting policy choice provided by FER 2/12 (respectively FER 30/5) which shall be disclosed as per FER 30/44.

In June 20X2, Entity A decides to acquire another 50 percent of the ownership interest in Entity C for CHF 2.5 million. The total 60 percent ownership interest allows Entity A to control Entity C. At the date of acquisition of the additional ownership interest, the fair value of the identifiable net assets amounts to CHF 3.5 million.

Entity A accounts for this step acquisition through the following three-step process (in TCHF):

1. Acquisition of 50 percent (2nd tranche)

	Dr.	Cr.	
Dr. Net assets in the investee	1'750		(= 50% * TCHF 3'500)
Dr. Goodwill	750		(= residual)
Cr. Cash		2'500	

2. Remeasurement of 10 percent previously held interest (1st tranche)

Dr. Net assets in the investee	350		(= 10% * TCHF 3'500)
Cr. Investment in securities		300	(at cost)
Cr. Remeasurement (equity)		50	(= TCHF 350 – TCHF 300)

3. Recognition of 40 percent minority interest

Dr. Net assets in the investee	1'400		(= 40% * TCHF 3'500)
Cr. Minority interest		1'400	

Consequently, upon gaining control, Entity A has recognised the following balances related to the investment in Entity C:

Net assets	TCHF	3'500
Goodwill	TCHF	750
Minority interest	- TCHF	1'400
Total	**TCHF**	**2'850**

FAQ 72.1 – Example: step acquisition from financial asset to associate applying the remeasurement approach

On 31.12.20X0, Entity A holds 10 percent of the ownership interest in Entity C (securities) which it acquired shortly before the reporting date for CHF 300 thousand. The investment is subsequently measured at cost less accumulated impairment based on the accounting policy choice provided by FER 2/12 (respectively FER 30/5) which shall be disclosed as per FER 30/44.

In March 20X2, Entity A decides to acquire another 15 percent of the ownership interest in Entity C from another investor for CHF 1.0 million. The total 25 percent ownership interest allows Entity A to appoint one board member that can influence decision making in Entity C. At the date of acquisition of the additional ownership interest, the fair value of the identifiable net assets amounts to CHF 3.5 million.

Entity A applies the remeasurement approach and therefore follows the following two-step process (in TCHF):

1. Acquisition of 15 percent (2nd tranche)

Dr. Investment in associate (net assets)	525		(= 15% * TCHF 3'500)
Dr. Investment in associate (goodwill)	475		(= residual)
Cr. Cash		1'000	

2. Remeasurement of 10 percent previously held interest (1st tranche)

Dr. Investment in associate (net assets)	350		(= 10% * TCHF 3'500)
Cr. Financial asset		300	(at cost)
Cr. Remeasurement (equity)		50	(= TCHF 350 – TCHF 300)

Consequently, upon gaining significant influence, Entity has recognised the following balances related to the investment in Entity C:

Investment in associate (net assets)	TCHF	875
Investment in associate (goodwill)	TCHF	475
Total	**TCHF**	**1'350**

FAQ 72.2 – Example: step acquisition from financial asset to associate applying the cost accumulation approach

The scenario is the same as in FAQ 72.1 above except that Entity A applies the cost accumulation approach and therefore records the following journal entries (in TCHF):

Dr. Investment in associate (net assets)	875		(= 25% * TCHF 3'500)
Dr. Investment in associate (goodwill)	425		(= residual)
Cr. Cash		1'000	
Cr. Financial asset		300	(at cost)

In the example at hand, the result of applying the cost accumulation approach does not differ significantly from the remeasurement approach discussed in FAQ 72.1 above. However, let's illustrate the drawbacks of this approach in a slightly modified example.

Imagine that Entity A obtained significant influence only in the year 20X8 through acquisition of 15 percent additional ownership interest. Entity A purchases the additional interest for CHF 3 million and the fair value of the identifiable net assets amount to CHF 14 million. In this case, the journal entries would look as follows:

Dr. Investment in associate (net assets)	3'500		(= 25% * TCHF 14'000)
Cr. Cash		3'000	
Cr. Financial asset		300	(at cost)
Cr. Investment in associate (negative goodwill)		200	(= residual)

This example illustrates that, when the fair value of the net assets in the associate differs significantly between the acquisition date of the first and second tranche of obtaining significant influence, the outcome of applying the cost accumulation approach can become quite disturbing as it reduces goodwill or even leads to negative goodwill. We therefore believe the cost accumulation approach should only be used in circumstances when it still accurately reflects the economic substance of the transaction or if the preparer's accounting policy is to measure the financial asset at fair value rather than cost less accumulated impairment.

FAQ 73.1 – Example: acquisition of additional stake in an associate

Entity A holds a 25 percent investment in its associate Entity C. On 30.06.20X3 Entity A acquires an additional 10 percent ownership interest in Entity C for CHF 800 thousand. At that date, the carrying amount of the investment in associate (Entity C) in Entity A's balance sheet under application of the equity method amounts to CHF 1.5 million, which consists of the following components:

- Proportionate amount of net assets of MCHF 4.5 (25%) — TCHF 1'125
- Goodwill (partially amortised since initial recognition) — TCHF 375

How does Entity A account for its 10 percent increase in ownership interest as per 30.06.20X3?

This acquisition of ownership interest does neither lead to obtaining significant influence (already exists) nor to obtaining control over Entity C. As such, applying FER 30/71, Entity A does recognise an increase in the investment in associate of CHF 800 thousand and calculates goodwill as the difference between the acquisition cost and the additional stake in the net assets of Entity C without remeasuring them to fair value. Consequently, goodwill is calculated as follows:

Acquisition cost (cash)	TCHF	800
Carrying amount of identifiable net assets in Entity C	TCHF	4'500
Additional share acquired by Entity A (10%)	TCHF	450
Goodwill	TCHF	350

Entity A records the following journal entries to account for the increase in its stake in Entity C (in TCHF):

Dr. Investment in associate (net assets)	450	
Dr. Investment in associate (goodwill)	350	
Cr. Cash		800

Therefore, the new carrying amount of Entity A's investment in the associate as of 30.06.20X3 amounts to CHF 2.3 million, which is composed of:

Proportionate amount of net assets of MCHF 4.5 (35%)	TCHF	1'575
Goodwill (first tranche)	TCHF	375
Goodwill (second tranche)	TCHF	350

FAQ 74.1 – Example: step acquisition of an associate to joint venture

Assume Investor A holds a 20 percent ownership interest in Entity X, which is controlled by Owner B through its 80 percent shareholding. Investor A has appointed one member of the board of directors and thus, has significant influence over Entity X and accounts for the investment applying the equity method.

Investor A and Owner B consecutively enter into an agreement to establish a joint venture in which Investor A contributes cash and other assets into Entity X in return for additional 30 percent ownership interest. This dilutes Owner B's ownership interest to 50 percent after the subscription of new shares by Investor A. Moreover, a shareholder agreement is set-up that governs how the joint venture is steered. This transaction leads to loss of control of Owner B and joint control for the two shareholders.

Equity method

If Investor A elected the accounting policy choice to a measure joint ventures applying the equity method, the accounting would follow the example presented in FAQ 73.1, i.e. without a revaluation of the net assets of Entity X.

Proportional consolidation method

If Investor A measures joint ventures applying the proportional consolidation method, the proportionate amount of assets and liabilities in Entity X are recognised in Entity A's consolidated financial statements and its investment in associate is derecognised. This is illustrated as follows:

Entity X's net assets prior to the formation of the joint venture amounted to CHF 3 million, of which 20 percent were attributable to Investor A. Consequently, the carrying amount of the investment in associated company in Investor A's consolidated financial statements amounted to CHF 600 thousand.

By contributing cash and other assets totalling CHF 1.8 million (resulting in a corresponding increase in share capital of Entity X), Investor A's shareholding is increased to 50 percent. To conclude, the net assets of Entity X were increased to CHF 4.8 million. By applying the proportional consolidation method, Investor A presents its proportion of 50 percent of all assets and liabilities in Entity X. The simplified journal entries to achieve that objective are illustrated below (in MCHF):

Dr. Net assets in Entity X (50%)	2.4	
Cr. Cash and other assets		1.8
Cr. Investment in associate		0.6

FAQ 75.1 – Example: step acquisition from associate to subsidiary

We build on the example introduced in FAQ 72.1. Recall from that fact pattern that as per March 20X2, Entity A had acquired a total of 25 percent ownership interest in Entity C in two tranches. Assume that as per September 20X3, Entity A had the following amounts recognised in its balance sheet in relation to the investment in Entity C:

Investment in associate (net assets)	TCHF	875
Investment in associate (goodwill)	TCHF	475
Total	**TCHF**	**1'350**

Entity A now acquires an additional 50 percent ownership interest in Entity C for CHF 3 million. The fair value of Entity C's identifiable net assets at the acquisition date amount to CHF 4 million.

Entity A accounts for this step acquisition through the following three-step process (in TCHF):

1. Acquisition of 50 percent (3rd tranche)

Dr. Net assets in the investee	2'000		(= 50% * TCHF 4'000)
Dr. Goodwill	1'000		(= residual)
Cr. Cash		3'000	

2. Remeasurement of 25 percent previously held interest

Dr. Net assets in the investee	1'000		(= 25% * TCHF 4'000)
Cr. Investment in associate (net assets)		875	
Cr. Remeasurement (equity)		125	(= TCHF 1'000 – TCHF 875)

Dr. Goodwill	475	
Cr. Investment in associate (goodwill)		475

3. Recognition of 25 percent minority interest

Dr. Net assets in the investee	1'000		(= 25% * TCHF 4'000)
Cr. Minority interest		1'000	

Consequently, upon gaining control, Entity A has recognised the following balances related to the investment in Entity C:

Net assets	TCHF	4'000
Goodwill	TCHF	1'475
Minority interest	- TCHF	1'000
Total	**TCHF**	**4'475**

FAQ 80.1 – How is the goodwill to be recycled determined?

Assume that an entity which offsets goodwill within equity has acquired a subsidiary in two steps. In a first step, the entity acquired a 40 percent stake and recognised a goodwill of CHF 10 million. In a second step, the remaining 60 percent were acquired and a goodwill of CHF 30 million was recorded. In total, the entity recognised goodwill of CHF 40 million. Assume a disposal of 60 percent of interest, retaining a 40 percent associate.

Applying FIFO, the goodwill of the first 40 percent stake of CHF 10 million is fully recycled. The remaining 20 percent of the disposed 60 percent stake is calculated pro rata, resulting in 1/3 (20% of 60%) of the remaining goodwill of CHF 30 million being recycled. CHF 20 million would therefore be recycled in the income statement. The remaining portion of goodwill of CHF 20 million would be reflected in the carrying amount of the associate.

Applying LIFO, the goodwill of the second tranche of 60 percent of CHF 30 million is recycled. CHF 10 million of the first tranche is reflected in the carrying amount of the associate.

Applying a weighted average, the cumulative goodwill is considered. Therefore, CHF 24 million (60% of CHF 40 million) are recycled in the income statement, CHF 16 million are reflected in the carrying amount of the associate.

FAQ 81.1 – Example: step disposal leading to loss of significant influence

Entity A holds a 40 percent stake in Entity C, an associate of Entity A. Entity A decides to sell a stake of 30 percent to Investor X for CHF 4.5 million. The disposal of the 30 percent ownership interest leads to the loss of significant influence for Entity A. Prior to the disposal of the 30 percent stake, Entity A had the following amounts recognised in its balance sheet associated with Entity C:

Investment in associate (net assets)	MCHF	4
Investment in associate (goodwill offset within equity)	MCHF	1.5
Currency translation adjustments (in equity)	MCHF	0.25

How does Entity A need to calculate the gain on disposal and how does it need to measure the remaining stake (10 percent) in Entity C?

Entity A calculates the gain from disposal of the 30 percent ownership interest as follows:

Proceeds	MCHF	4.5	
Less pro rata net assets in Company C	- MCHF	3.0	(= MCHF 4 / 40% * 30%)
Less pro rata share in goodwill in Company C	- MCHF	1.125	(= MCHF 1.5 / 40% * 30%)
Less accumulated CTA	- MCHF	0.25	
Gain from partial disposal of investment in Entity C	**MCHF**	**0.125**	

The remaining 10 percent interest presents the acquisition cost of the financial asset (retained interest in Entity C) and is calculated as the pro rata net assets and goodwill retained:

Pro rata net assets retained	MCHF	1.0	(= MCHF 4 / 40% * 10%)
Pro rata goodwill retained	MCHF	0.375	(= MCHF 1.5 / 40% * 10%)
Investment in financial asset	**MCHF**	**1.375**	

Note that the fair value of the financial asset amounts to CHF 1.5 million (derived from the CHF 4.5 million consideration for 30 percent ownership interest), thus there exists no impairment indicator for the investment in financial asset at the date of loss of significant influence. It should however be noted, that if Entity A would measure the financial asset at fair value, it would recognise a day 1 fair value gain of CHF 125 thousand through the income statement.

FAQ 84.1 – Example: step disposal – sale of subsidiary resulting in recognition of an associate (loss of control)

Entity A currently owns 60 percent of Subsidiary B. The subsidiary is fully consolidated into Entity A's group financial statements as A controls B. As at 31. December 20X1, the Subsidiary B is included in the consolidated financial statements as follows:

Goodwill:	MCHF	24.8
Net assets:	MCHF	100.0
Minorities:	MCHF	40.0

On 1 January 20X2, Entity A sells a 20 percent stake in Subsidiary B to a third party for CHF 30 million. Entity A loses control over Subsidiary B but retains significant influence.

How does Entity A account for the disposal of the subsidiary?

Entity A measures the resulting investment in associate at the proportionate share of net assets and goodwill retained. Out of net assets of CHF 100 million representing 100 percent of the net assets, Entity A retains a stake of 40 percent. Those CHF 40 million are transferred to the line item 'investment in associate' resulting in the following journal entries (in MCHF):

	Dr.	Cr.
Dr. Investment in associate	40.0	
Cr. Net assets		40.0

The goodwill relating to Subsidiary B of CHF 24.8 million prior to the sale of ownership interests represents 60 percent ownership. Entity A sells 1/3 (20 out of 60 percent), thus retains 2/3 (40 out of 60 percent) and transfers this portion to line item 'investment in associate':

	Dr.	Cr.	
Dr. Investment in associate	16.5		(= MCHF 24.8 / 60% * 40%)
Cr. Goodwill		16.5	

Additionally, Entity A receives consideration in the amount of CHF 30 million and it fully derecognises any minority interests as Subsidiary B is no longer consolidated. At the same time, the remaining net assets and goodwill amounts are fully derecognised as well:

	Dr.	Cr.	
Dr. Cash	30.0		
Dr. Minority interest	40.0		
Cr. Goodwill		8.3	(= MCHF 24.8 – MCHF 16.5)
Cr. Net assets		60.0	(= MCHF 100 – MCHF 40)
Cr. Gain from disposal		1.7	(= residual)

FAQ 84.2 – Example: step disposal – sale of subsidiary resulting in recognition of a financial asset (loss of control)

Entity A currently owns 60 percent of Subsidiary B. The subsidiary is fully consolidated into Entity A's group financial statements as A has control over B's activities. As at 31. December 20X1, the Subsidiary B is included in the consolidated financial statements as follows:

Goodwill:	MCHF	24.8
Net assets:	MCHF	100.0
Minorities:	MCHF	40.0

On 1 January 20X2, Entity A sells a 50 percent stake in Subsidiary B to a third party for CHF 80 million. Entity A loses control over Subsidiary B and does not have any significant interest left after the transaction.

How does Entity A account for the disposal of the subsidiary?

Entity A measures the resulting financial asset at the proportionate share of net assets and goodwill retained. Out of the net assets of CHF 100 million representing 100 percent of the net assets, Entity A retains a stake of 10 percent. Those 10 percent are transferred to the financial asset resulting in the following journal entries (in MCHF):

	Dr.	Cr.	
Dr. Financial asset	10.0		(= MCHF 100 / 100% * 10%)
Cr. Net assets		10.0	

The goodwill relating to Subsidiary B of CHF 24.8 million prior to the sale of ownership interests represents 60 percent ownership. Entity A sells 5/6 (50 out of 60 percent), thus retaining 1/6 (10 out of 60 percent) and transfers this portion to line item ‘financial asset’:

	Dr.	Cr.	
Dr. Financial asset	4.1		(= MCHF 24.8 / 60% * 10%)
Cr. Goodwill		4.1	

Additionally, Entity A receives consideration in the amount of CHF 80 million and it fully derecognises any minority interests as Subsidiary B is no longer consolidated. At the same time, the remaining net assets and goodwill amounts are fully derecognised as well:

	Dr.	Cr.	
Dr. Cash	80.0		
Dr. Minority interest	40.0		
Cr. Goodwill		20.7	(= MCHF 24.8 – MCHF 4.1)
Cr. Net assets		90.0	(= MCHF 100 – MCHF 10)
Cr. Gain from disposal		9.3	(= residual)

If Entity A measures its financial assets at fair value (accounting policy choice per FER 2/12), it performs the journal entries described above before remeasuring the financial asset to its acquisition date fair value. This fair value is determined based on the consideration received for the sale of ownership interest:

50 percent is sold for a consideration of CHF 80 million. The remaining 10 percent stake thus has a fair value of CHF 16 million (= MCHF 80 / 50% * 10%). Entity A would remeasure the financial assets to CHF 16 million resulting in an additional gain to be recorded in the income statement in the amount of CHF 1.9 million (= MCHF 16 – MCHF 14.1).

FAQ 99.1 – Is the title of the line item ‘investments in associated entities’ mandatory?

No, in our view, using other meaningful descriptions such as ‘investments in associated companies’, ‘investments in associates’ or similar does not harm the clarity of the financial statements. Moreover, FER 3/11 also highlights that industry-specific terms generally used may be chosen in the presentation of financial statements if the relevance can be increased as a consequence.

We would however generally expect the investments in associates or joint ventures to be presented as a separate line in the balance sheet rather than combined with other assets. This is because investment in associates or joint ventures vary in nature and measurement basis from other assets such as financial assets or other non-current assets.

FAQ 99.2 – Example: recognition and presentation of amortisation of capitalised goodwill

If an entity has the policy to recognise goodwill as an asset in the balance sheet rather than offsetting it within equity, FER 30/58 requires that goodwill is presented within the line item 'investment in associated entities' and that the amortisation of goodwill is presented as part of the result from associated entity. This is illustrated with the following example:

On 1.1.20X1 Entity A acquired a 40 percent stake in Associate C for CHF 5 million. The acquisition date fair value of the identifiable net assets of Associate C amount to CHF 10 million. Consequently, Entity A recognised an investment in associated company of CHF 5 million, composed of its stake in Associate C's net assets of CHF 4 million and goodwill of CHF 1 million. Entity A estimated that the useful life of goodwill is 10 years.

At the reporting date 31.12.20X1, Associate C reports a net result of CHF 2 million and net assets of CHF 12 million.

What does Entity A need to present in its financial statements for the period ended 31.12.20X1?

Entity A presents the following:

Investment in associate (B/S)	MCHF	5.7

*Composed of its 40 percent share in the net assets (MCHF 12 * 40% = MCHF 4.8) and carry-forward of the goodwill balance (MCHF 1.0 less 1/10 amortisation = MCHF 0.9)*

Result from associate (I/S)	MCHF	0.7

*Composed of its 40 percent share in the net result (MCHF 2.0 * 40% = MCHF 0.8) reduced by the amortisation of goodwill (MCHF 1.0 * 1/10 = MCHF 0.1)*

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