CORPORATE ACCOUNTING

Student's Name

Course Code + Title

Instructor

Institution

City, State

Date

Corporate Accounting

IDT limited company is a company that manufacturers pharmaceuticals in Australia. One would tell whether a firm has subsidiaries if the company owns another (Virtue ownership) or by the number of shares it owns in another company, and this is also presented in a consolidated account showing all the details. A parent company has to own fifty plus one share in its subsidiary to be able to control it if it previously did not own the company. IDT Company is a parent Company. As per last year, the company had two subsidiaries, ACW pharmaceuticals and Johnson & Johnson Company.

The Companies subsidiaries have varied over the past four years since IDT had only been able to acquire Johnson & Johnson at the required fifty plus one shares. IDT has 56% shares in Johnson and another 51% in the ACW pharmaceuticals. These two Companies help the parent in the supply of drugs and reaching a wide market range at affordable prices for its clientele. The Company does not control all its financial statement from a single firm for this proves as a challenge due to foreign exchange risk involved. One can buy a drug from the USA and then in case it is not effective one can have a change of it. He will be affected by interest rate or the foreign exchange risks.

Customers have reacted positively to this gesture, and the company is willing to increase its subsidiaries to other major states like Canada where its drugs are majorly consumed.

IDT has Non-Controlling Interest (NCI). NCI, according to the International Accounting Standard (IAS 27), refers to it as equity which is directly or indirectly not attributed to a parent company by its subsidiary. This is the ownership to a company by shareholders which does not give them control of that company. Control can be gained if more than 50% of the company is gained. In case of less than 50% of the outstanding votes, one is referred to as the non-controlling interest position. Majority of investors is deemed as non-controlling interest group compared to a relatively large number of outstanding shares issued by a company. For easier illustration, we will look at an example. Say a company acquires 80% of another company. This is more than 50% of that company. What the controlling company does is to consolidate the financial statement with its own and present the 20% as its NCI in the parent balance sheet (Labute, 2006).

I believe that this is what belongs to other investors other than those in the parent company. It is usually reported in a consolidated balance sheet of the parent company to show assets not owned. This is further reported in the statement of financial position. The presentation has to be done in the balance sheet as a requirement of the IAS 27 to consolidate all partly owned entities.

If we contrast fully owned subsidiaries with partly owned, there arises two major differences. The net income to owners of shares and equity owners and the net difference show what could have been owned if the company was 100% owned. The above statement does not appear in my firms consolidated account for it is not a parent company. All IDT has is shareholders, but it has not acquired any firm as per the year 2012.

The discussions held in the social media were very helpful for my understanding more about the listing of companies, the controlling and non-controlling interest in companies, the difference in the financial and balance sheet of a fully owned subsidiary and a partly owned firm. I believe what I learnt will be helpful and also enhance my skills if I get to work in a firm, which has been acquired or one that has acquired another company. The posting on the balance sheet will make more sense because the discussion online has helped me particularly.

An intercompany transaction only occurs between same entity firms.