

WHAT IS THE DIFFERENCE BETWEEN THE FULL GOODWILL METHOD AND THE PARTIAL GOODWILL METHOD?

There are two different methods available to an acquirer (parent) when measuring the NCI in the consolidated financial statements at acquisition date. The two methods are:

- Full goodwill method
- Partial goodwill method

The acquirer can choose which method to apply per acquisition (transaction-by-transaction), therefore this is an accounting choice, not an accounting policy.

- Full goodwill method

The full goodwill method means that NCI is required to be recognised at **fair value** at acquisition date.

The question can provide the fair value of NCI at the acquisition date or it can provide enough information in order to be able to calculate it. (For example, provide the share price at acquisition date, see example 1.6 of the study guide.)

If the NCI is measured at the fair value there will usually be a portion of goodwill/gain on bargain purchase attributable to the NCI. This will be the difference between the fair value of NCI at acquisition date and the proportionate share of the identifiable net assets of NCI at acquisition date.

The total amount of goodwill to be disclosed as per the consolidated SFP will be the goodwill amount attributable to the parent as well as the goodwill amount attributable to the NCI!

- Partial goodwill method

The partial goodwill method means that NCI is required to be recognised at their **proportionate share of the identifiable net assets at acquisition date**.

The proportionate share means that NCI will merely be the % interest of the identifiable net assets at acquisition date.

If the NCI is measured at the proportionate share of the net identifiable assets there will never be a portion of goodwill/gain on bargain purchase attributable to the NCI. This is due to the fact that the value of NCI **is** the proportionate/partial value of the net identifiable assets at acquisition date.

The total amount of goodwill to be disclosed as per the consolidated SFP will only be the goodwill amount attributable to the parent as there is **no** goodwill amount attributable to the NCI under the partial goodwill method!

Please refer to the examples and theory on page 22 – 27 in the study guide relating to the different goodwill methods used. Also refer to the examples in section 2.7, 3.19-3.22 of the Group Statements textbook, Volume 1.