

# Financial Consolidation

How DIVA can streamline your business  
process in financial consolidation?



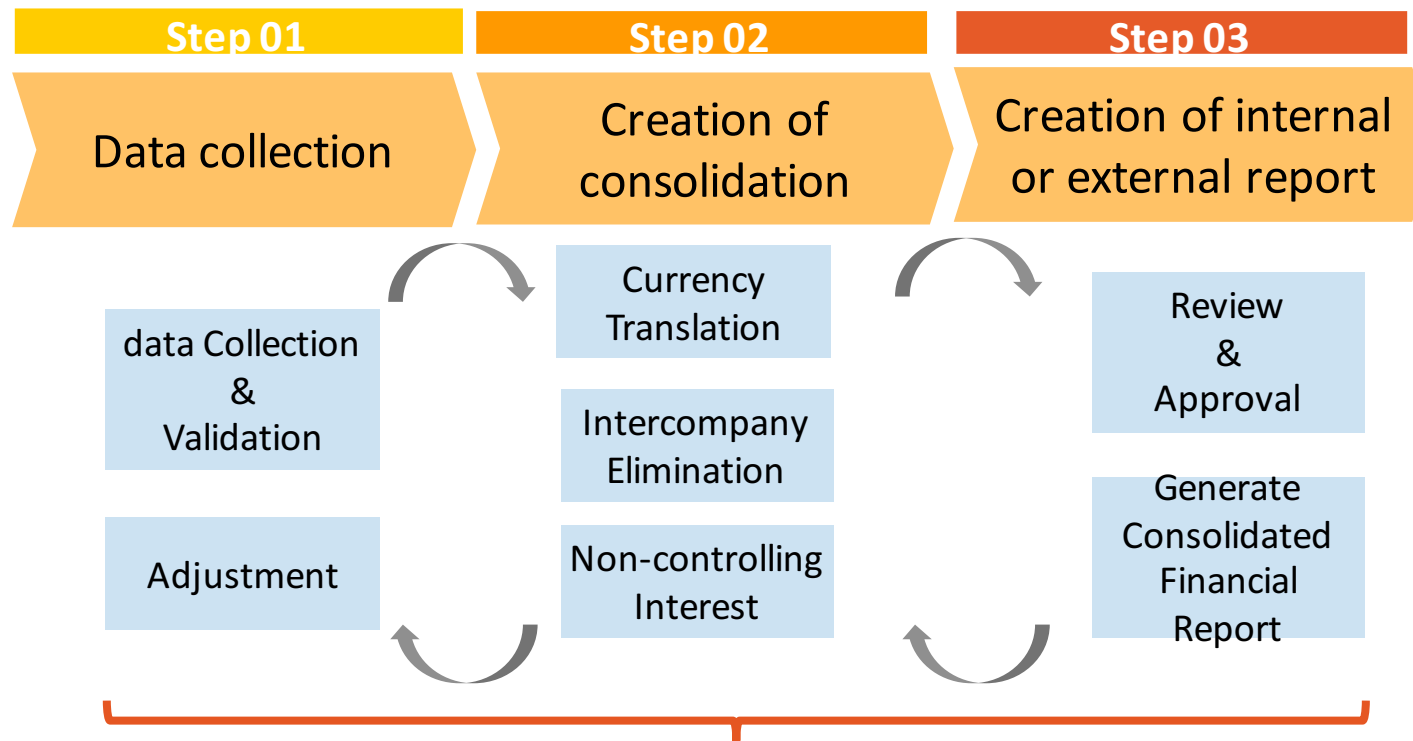
This material summarizes the various benefits you can get when implementing diva as a tool for your financial consolidation.

- 01 Overview of system implementation
- 02 **Improvement in Data Collection & Check**
- 03 **Improvement in of consolidation**
- 04 **Improvement in Reporting & Data Analysis**
- ✕ **Appendix for details**

# (1) Challenges in Financial Consolidation

There are many challenges in Financial consolidation Process.

- ✓ Can be a long and time consuming process
- ✓ Includes many steps requiring data updates and calculations
- ✓ Data changes happen frequently



**Multiple risk points in each process**

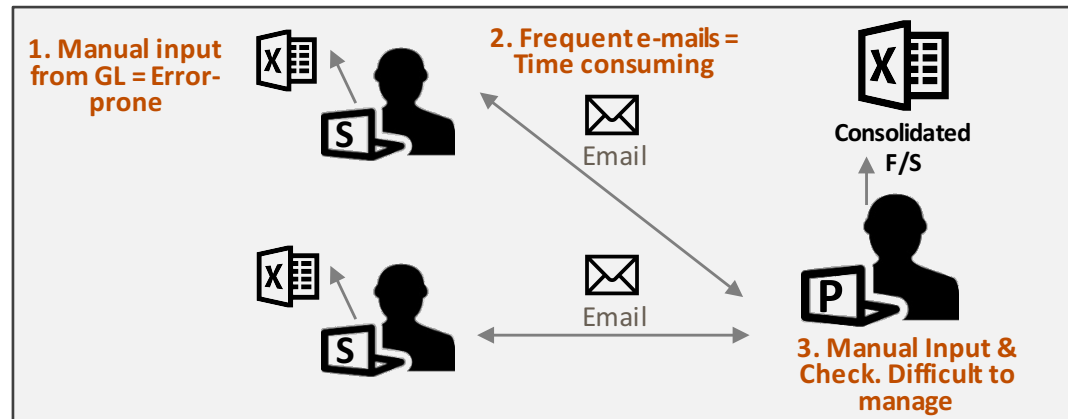
## 2. Improvement in Data Collection & Check

### (1) Data collection is the “Key” for improvements

In data collection, Quality control from every individual is must!  
What is the challenge and what is the solution?

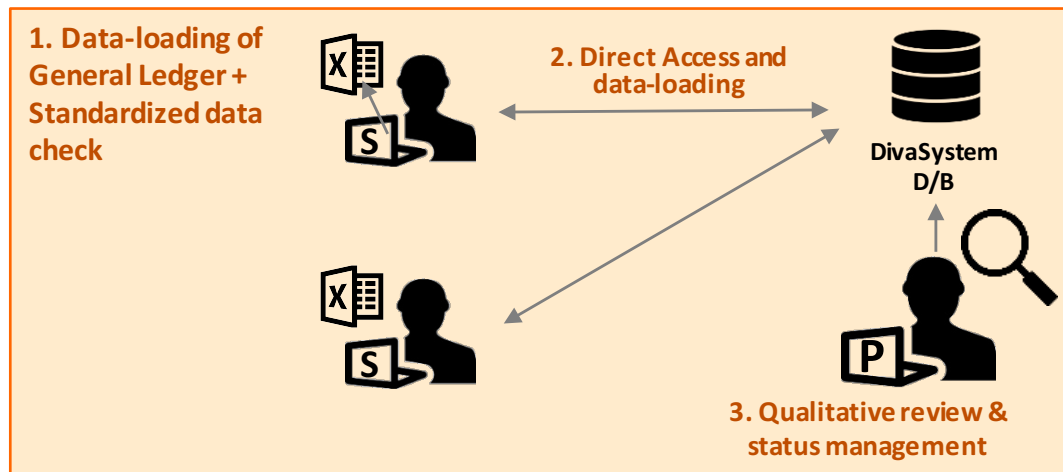
#### As - Is = Full manual

1. **Quality of data** submitted by each subsidiary is **not sufficient**. All the **data is inputted manually** from General Ledger.
2. **Time consuming** for reviewers with **repeated data check and instructions**
3. **Difficult** to perform **data check and status management**



#### To - Be = Reduce manual + standardization of process

1. **Quality of improvement** by loading the data from General Ledger and data check on the input side
2. **Reduction of communication time** with direct input from user side
3. **Standardized validation check and status management**. In addition to just error checking, **more time to data-analysis**.



## Two big benefits for calculation and journalizing



### Automation of consolidation Process

- ✓ Currency translation (with translation adjustment)
- ✓ Aggregation
- ✓ Opening journal
- ✓ NCI calculation (with consolidation scope change)
- ✓ Intercompany
- ✓ Unrealized profit
- ✓ Tax-Effect
- ✓ Cash-flow
- ✓ Reporting segment



### Data transparency of calculation process

All the journal automatically created will be clarified the calculation process with the proof report as below. (cf: Appendix for details)



## 4. Reporting and data analysis

### Wide range of reports

# DIVA's Reports assure greater data transparency and enables analysis for legal reporting and management decisions



### Integrated Management of Corporate group data

- Consolidated F/S
- Consolidated budget
- Monthly Data Input
- Non-financial data

- **Diva Reporter**

#### 300+ types of fixed-format output reports

- Output to Excel, html, and PDF file
- Elaborate drill down function from summary to journal entry

- **Diva Data Viewer**

#### Multi-dimension analysis tool

- Easy to perform comparison analysis between companies, business segments, FCST-Actual, Previous-Current period
- Quick response to imperative needs to reporting or analyzing

- **Formula-X**

#### Report creating tool

- Flexibly response to the need for various reporting such as auditing and monitoring group management KPI



Not only output the consolidated results. They also shows all the calculation process.



Easy to change the layout by purpose, for internal reporting , for auditing, for own analysis.

# (1). Automatic consolidation: 2 big challenges

After data collection, DIVA generate elimination journals automatically accurately and comprehensively.

## 1: Intercompany transaction

As - Is = Challenges

- ✓ Biggest bottleneck = Time consuming for matching the data.

To - Be = Solution

- ✓ Based on rule manager, eliminations are generated automatically. You can count on real-time validation to highlight any invalid rules.

## 2: NCI Calculation

As - Is = Challenges

- ✓ Calculation of NCI (\*) requires experience especially in case of capital change if done manually.

\* Non-controlling interest

To - Be = Solution

- ✓ Accounting for controlling/ NCI is intuitive and simple, even in the case of capital change and all the related journal will be created automatically.

## (2). Intercompany Transactions

Here's how intercompany transactions are eliminated by using **automatic balance adjustment** based on the settings in [Checkup Pattern Master]



### Automatic Processing



### Output Report



### Automatic Balance Adjustment

• **Pattern : A/R and A/P**

| Company | Counter-party | Account    | Debit | Credit |
|---------|---------------|------------|-------|--------|
| PM      | PE            | A/R -Trade | 150   |        |
| PE      | PM            | A/P -Trade | 11    |        |
| PE      | PM            | A/P -Trade |       | 161    |

• **Pattern : Sales and COGS**

| Company | Counter-party | Account       | Debit | Credit |
|---------|---------------|---------------|-------|--------|
| PM      | PE            | Net Sales     |       | 430    |
| PE      | PM            | Cost of Sales |       | 8      |
| PE      | PM            | Cost of Sales | 438   |        |

### Internal Transaction Checkup Report

Check up Pattern: A/R and A/P

Check up Pattern: Sales and COGS

| Journal Entry Type                         | Company | Counter-party | Account                           | Cause                                       | Debit Amount | Credit Amount |
|--|---------|---------------|-----------------------------------|---|--------------|---------------|
| Elimination of Debts and Credits           | PM      | PE            | 1122000 Accounts Receivable-Trade | Intercompany Transaction Translation Amount | 150          |               |
|  | PE      | PM            | 2123000 Accounts Payable-Trade    | <b>Automatic Balance Adjustment</b>         | 11           |               |
|  | PE      | PM            | 2123000 Accounts Payable-Trade    | Intercompany Transaction Translation Amount |              | 161           |
|  |         |               |                                   |   | 161          | 161           |
| Elimination of Profit-and-Loss Transaction | PM      | PE            | 4000000 Net Sales                 | Intercompany Transaction Translation Amount |              | 430           |
|  | PE      | PM            | 5000000 Cost of Sales             | <b>Automatic Balance Adjustment</b>         |              | 8             |
|  | PE      | PM            | 5000000 Cost of Sales             | Intercompany Transaction Translation Amount | 438          |               |
|  |         |               |                                   |   | 438          | 438           |



# (3). Equity ration's calculation



Automatic Processing



Output Report (1) Equity Ratio

## Consolidation at the date of acquisition

**Step 1.**  
Equity Ratio Calculation based on the number of stocks

**Step 2.**  
Calculation of parent's share of net assets and NCI based on net assets & equity ratio

**Step 3.**  
Calculation of Goodwill based on acquisition cost and parent's share of net assets

### Equity Ratio Report

| Company |     | Consolidation Type |                  | Equity Ratio Pattern |                  | Nominal Equity Ratio(%) | Real Equity Ratio(%)               |       |       |
|---------|-----|--------------------|------------------|----------------------|------------------|-------------------------|------------------------------------|-------|-------|
|         |     | Previous Period    | Current Period   |                      |                  |                         |                                    |       |       |
| ⋮       |     |                    |                  |                      |                  |                         |                                    |       |       |
| 52003   | ASA | 9                  | External Company | 9                    | External Company | 10                      | Beginning of period                | 0.00  | 0.00  |
|         |     | 2                  | Subsidiary       | 2                    | Subsidiary       | 11                      | Beginning of Period after Transfer | 80.00 | 80.00 |
|         |     |                    |                  |                      |                  | 90                      | End of Period                      | 80.00 | 80.00 |

- The formula for calculating equity ratios can be represented in the following way:  $\frac{\text{Number of stock purchased}}{\text{Number of stock issued}}$
- Equity ratio is categorized into nominal ratio and real ratio. In case the parent company owns a 2nd-tier subsidiary under a subsidiary, nominal ratio and real ratio should be calculated separately.



Automatic Processing



Output Report (2) Parent's share of net assets & NCI

## Consolidation at the date of acquisition

**Step 1.**  
Equity Ratio Calculation based on the number of stocks

**Step 2.**  
Calculation of parent's share of net assets and NCI based on net assets & equity ratio

**Step 3.**  
Calculation of Goodwill based on acquisition cost and parent's share of net assets

### Equity Calculation Report (by Investee)

Project : PVI\_2021/12 (P032021512)

Originating Company : ASA (52003)

| Investor                | Consolidation Type | Account   | Equity Ratio Pattern               | Ratio Before Change (%) | Change Ratio (%) | Ratio After Change (%) | Change of Net Asset | As of Acquisition   |                        |                  |                   |
|-------------------------|--------------------|---|------------------------------------|-------------------------|------------------|------------------------|---------------------|---------------------|------------------------|------------------|-------------------|
|                         |                    |   |                                    |                         |                  |                        |                     | Increase/Decrease   |                        | Adjusting Amount | Adjusted Equity   |
|                         |                    |   |                                    |                         |                  |                        |                     | Change of Net Asset | Change of Equity Ratio |                  |                   |
| Parent Company          |                    | Goodwill  | Beginning of Period after Transfer | 0.00                    | 80.00            | 80.00                  | 0                   | 0                   | 0                      | 0                | 0                 |
|                         |                    | Common Stock  |                                    | 0.00                    | 80.00            | 80.00                  | -1,000,000          | 0                   | -800,000               | 0                | -800,000          |
|                         |                    | Increase in Retained Earnings resulting from Increase of Subsidiaries |                                    | 0.00                    | 80.00            | 80.00                  | -309,000            | 0                   | -247,200               | 0                | -247,200          |
|                         |                    | Valuation Difference (Capital Consolidation)                          |                                    | 0.00                    | 80.00            | 80.00                  | 20,000              | 0                   | 16,000                 | 0                | 16,000            |
| <b>Parent Company</b>   |                    |   |                                    | <b>0.00</b>             | <b>80.00</b>     | <b>80.00</b>           | <b>-1,289,000</b>   | <b>0</b>            | <b>-1,031,200</b>      | <b>0</b>         | <b>-1,031,200</b> |
| External Company        |                    | Common Stock  |                                    | 0.00                    | 20.00            | 20.00                  | -1,000,000          | 0                   | -200,000               | 0                | -200,000          |
|                         |                    | Increase in Retained Earnings resulting from Increase of Subsidiaries |                                    | 0.00                    | 20.00            | 20.00                  | -309,000            | 0                   | -61,800                | 0                | -61,800           |
|                         |                    | Valuation Difference (Capital Consolidation)                          |                                    | 0.00                    | 20.00            | 20.00                  | 20,000              | 0                   | 4,000                  | 0                | 4,000             |
| <b>External Company</b> |                    |   |                                    | <b>0.00</b>             | <b>20.00</b>     | <b>20.00</b>           | <b>-1,289,000</b>   | <b>0</b>            | <b>-257,800</b>        | <b>0</b>         | <b>-257,800</b>   |

- Parent's share of net assets :  
Net assets of the subsidiary registered in [Investment/Equity Details] \* Equity ratio
- Non-Controlling interest :  
Net assets of the subsidiary registered in [Investment/Equity Details]  
(-) Parent's share of net assets



Automatic Processing



Output Report (3) Goodwill

**Consolidation at the date of acquisition**

**Step 1.**  
Equity Ratio Calculation based on the number of stocks

**Step 2.**  
Calculation of parent's share of net assets and NCI based on net assets & equity ratio

**Step 3.**  
Calculation of Goodwill based on acquisition cost and parent's share of net assets

Investment Variance Calculation Report

Project : PVI\_2021/12 (P032021512)

| Investment Variance Calculation |                         |                    |  |  |                                     |                             |
|---------------------------------|-------------------------|--------------------|--|--|-------------------------------------|-----------------------------|
| Stock Issuing Company           | Deemed Transaction Date | Investment Company | Investment Amount (Acquisition Cost) (1) | Changes in Equity upon Acquisition (2) | Investment Difference (3) = (1)-(2) | Investment Variance Account |
| 52003 ASA                       | 2021/01/01              | 52001 PVI          | 1,500,000                                | 1,031,200                              | 468,800                             | 1400000 Goodwill            |

| Adjustments to Goodwill |               |   |                  |                 |                     |                            |                     |       |
|-------------------------|---------------|---|------------------|-----------------|---------------------|----------------------------|---------------------|-------|
| Currency                | Exchange Rate | Investment Variance in Foreign Currency |                  |                 | Amortization Method | Start Date of Amortization | Amortization Period |       |
|                         |               | Amount                                  | Adjusting Amount | Adjusted Amount |                     |                            | Year                | Month |
| 155 Indonesian Rupiah   | 1             |   | 0.0000           |                 | No Depreciation     |                            |                     |       |

- The formula for calculating goodwill can be represented in the following way:  
Acquisition Cost – (Subsidiary's net assets at acquisition \* Parent's equity ratio)

**DIVA<sup>®</sup>**

***Consolidate your confidence***