BrizoConsol

B — R — I — Z — O

BRIZOCONSOL ACADEMY • METHODOLOGY SERIES

The BRIZO Methodology

A Consolidation Process Methodology

For finance professionals who already know the accounting.

Executive Summary

BRIZO is a consolidation process methodology developed by BrizoConsol to address a fundamental gap in how group financial consolidation is typically approached: the standards answer technical questions in isolation, but provide no guidance on which question to answer first, or what must be true before the next step can safely begin.

This whitepaper introduces the five-phase BRIZO sequence — Bring Data Together, Reconcile Relationships, Integrate Adjustments, Zero Group Effects, and Output Group Financials — and explains the dependency between each phase, why the order is not optional, and what breaks when it is ignored.

> BRIZO does not introduce new accounting rules. It introduces the sequence that makes the rules you already know produce a consistent answer, every time.

The methodology is particularly valuable for groups with multiple subsidiaries, intercompany transactions, and acquisitions at different dates — environments where sequencing errors compound across entities and become expensive to unwind late in the close.

The Thesis

Consolidation failures are dependency failures. A finance professional who knows every consolidation standard cold — IFRS 10 on control, IFRS 3 on business combinations, IAS 21 on functional currency — can still produce a different-looking close every quarter. The root cause is not technical knowledge. It is the absence of a fixed process discipline.

Standards Answer Questions. They Don't Set the Order.

Every consolidation standard answers a specific question in isolation: Is this entity controlled? Is this goodwill or a bargain purchase? What is the functional currency of this subsidiary? None of these standards specify which question must be answered before another, or what happens downstream if the sequence is wrong.

The Same Standards, Applied Out of Order, Produce Different Answers.

Two preparers given the same group and the same standards — one working out adjustments before reconciling intercompany balances, the other reconciling first — will not produce the same output. The accounting is technically correct in both cases. The sequencing is not.

The Problem Compounds as Groups Grow.

With a single subsidiary, a sequencing error might mean redoing one step. With ten entities, multiple intercompany relationships, and acquisitions at different dates, the same error does not stay contained. It propagates through every entity and every phase that follows the point where the sequence broke.

> A methodology does not add new accounting content. It answers a different question: in what order does this work have to happen, and what has to be true before the next step can safely begin.

The BRIZO Methodology

BRIZO is structured as five sequential phases. Each phase has a defined scope, a defined output, and a defined dependency on the phase before it.

B

Bring Data Together

Decides which entities belong inside the group boundary and ensures every entity's data is in a comparable form — same reporting date, same functional currency, same structure.

Nothing downstream is built on a group boundary that wasn't confirmed.

DELIVERS

- Confirmed consolidation perimeter
- Standardised trial balances
- Locked currencies and translation rates

R

Reconcile Relationships

Confirms the ownership structure is fully mapped and every shared balance or transaction between group entities is agreed to one version before any adjustment touches the numbers.

No adjustment is ever built on a disputed number.

DELIVERS

- Agreed ownership map
- Reconciled IC matrix (all pairs agreed)
- Resolved disputes log — no open items

I

Integrate Adjustments

Determines the accounting consequences of every ownership relationship in the group — acquisitions, equity-accounted investments, NCI, and the translation effects of foreign subsidiaries. Each determination is made once, at the point the relationship is established, and carried forward.

Ownership consequences are worked out once, correctly, not rederived every close.

DELIVERS

- Goodwill schedule
- Fair value adjustment schedule (rolled forward)
- NCI calculation
- Equity method schedules
- CTA schedule

Z

Zero Group Effects

Removes the effects of the group trading with itself so the financials reflect only what happened with the outside world. Unlike I, this is rebuilt completely fresh every single period.

This period's intragroup activity is never missed by assuming last period's eliminations still hold.

DELIVERS

- Elimination journals (revenue/cost, loans, dividends, assets)

B — Bring Data Together

What B Decides

B settles two questions: which entities belong inside the group boundary (the control and scope question), and whether each entity's data has arrived in a form that can actually be compared to every other entity's data — same reporting date, same functional currency, same accounting structure. Until both questions are answered and locked, every subsequent phase is building on an unstable foundation.

What B Does Not Decide

B does not decide values. It does not work out adjustments, goodwill, fair values, or eliminations. Its only task is the eligibility question: is this entity in scope, and is its data now usable? Everything about what to do with that data belongs to later phases.

Why B Must Come First

Every later phase assumes the scope question is already settled. Reconciliation needs to know which entities it is reconciling between. Adjustments need to know which entity they apply to. Eliminations need a fixed boundary to determine what is 'inside' the group and what is not. If B remains an open question, every subsequent phase is provisional.

R — Reconcile Relationships

What R Settles

Two entities in the same group can each report a different figure for the exact same intercompany transaction — and both be reporting in good faith. R confirms the ownership structure is fully mapped and every shared balance or transaction between group entities is agreed to one version before any adjustment touches the numbers.

Why Unresolved Disputes Are Dangerous

A small unreconciled intercompany gap does not stay small. It gets built into adjustments as if it were fact, and the size of the gap has nothing to do with how much damage it eventually causes downstream. R errors are particularly dangerous because they do not announce themselves — everything downstream looks locally correct, but is built on disputed foundations.

Why R Sits Between B and I

R cannot start until B has confirmed who is actually in the group. And I cannot start until R has confirmed that every shared fact is agreed. Adjustments need clean numbers, not two competing versions of the same balance.

I — Integrate Adjustments

What I Works Out

I is where the accounting consequences of every ownership relationship get integrated into the group picture. Ownership takes many forms — control over a subsidiary, significant influence over an associate, joint control over a venture, a minority interest. Each form has a defined accounting consequence: goodwill and fair value adjustments for controlled entities, equity method entries for associates and JVs, NCI calculations, CTA for foreign subsidiaries. These consequences are determined at the point the ownership relationship is established or changes — an acquisition date, a step-change, a disposal — not recalculated every period.

Determined Once, Felt Every Period

Once made, the determination from I is not redone every period. The transaction happened once; its accounting consequences carry forward automatically and are felt in every period that follows. This is what makes I structurally different from a periodic calculation: it is a one-time determination with indefinite consequences.

The Cost of a Wrong Determination

Because I's consequences carry forward automatically, a mistake made at the determination stage does not stay contained to one period. It echoes forward with the same certainty as a correct determination — just incorrectly. This is why I must not be attempted before B and R are fully closed.

Z — Zero Group Effects

What Z's Job Is

Z removes the effects of intragroup activity so the group's financials reflect only what happened with the outside world. Sales between group entities, transfers, loans, intercompany receivables and payables — all of these create the appearance of external activity that never actually occurred. Z eliminates them.

Why Z Cannot Inherit Last Period's Work

The ownership structure that underpins I may be identical to last period's. But what the group entities actually traded with each other this period is completely new information. There is no version of last quarter's elimination entries that remains valid today. Z must always be rebuilt from raw data, never carried forward from a prior period's work.

The Opposite of I

I is designed to be settled once and carried forward — that discipline is the source of its value. Z requires the opposite instinct: nothing carries forward, every period starts fresh. The two phases sit adjacent in the sequence but demand fundamentally different working approaches.

O — Output Group Financials

What O Actually Certifies

O is the point where everything produced by B, R, I, and Z has to fit together into one coherent, internally consistent set of group financials: the consolidated income statement, balance sheet, cash flow statement, and statement of changes in equity. It is the first moment the complete picture is assembled in one place.

Why Earlier Phases Cannot See This

Each earlier phase only sees its own slice of the work. B sees scope. R sees agreed facts. I sees ownership consequences. Z sees this period's intragroup activity. None of these phases is positioned to notice whether their piece fails to reconcile with what came before or after it. That view only exists once everything is assembled at O.

The Last Checkpoint

If an error survives all the way to O, there is nowhere left downstream to catch it. It exits in the published financials. This is what makes O a genuine checkpoint and not merely a formatting pass: it is the last point where a cross-phase inconsistency can still be corrected.

The Dependency Chain

The value of BRIZO is not in the five phases themselves — it is in the dependencies between them. Each phase produces something the next one requires. Skip or rush any phase, and the downstream phases are working with incomplete or incorrect inputs.

B R

Reconciliation requires a settled scope. You cannot reconcile relationships between entities that have not been confirmed as part of the group.

R I

Adjustments require agreed facts. A determination built on a disputed intercompany balance produces a locked-in error that every future period inherits.

I Z

Eliminations require ownership consequences already integrated. You cannot correctly eliminate this period's intragroup activity — or correctly split it between NCI and parent equity —

Z O

Output requires all prior work to be complete. Assembling the group financials before any phase has finished means checking an incomplete picture.

> "Skip any link, and the chain does not just weaken — it breaks at exactly that point. The further downstream the error is caught, the more expensive it is to fix."

The Core Distinction: I vs Z

Of all the concepts in BRIZO, the distinction between I and Z is the most important and the most frequently misunderstood. Both phases deal with the consequences of the group being a group. They work in fundamentally opposite ways.

I

— Integrate Adjustments

Determined Once, Felt Every Period

The accounting consequences of each ownership relationship are determined at the point that relationship is established — an acquisition date, a step-change in ownership, the inception of an equity-accounted investment. Each determination is made once and carried forward indefinitely. Redoing it

Z

— Zero Group Effects

Rebuilt From Scratch, Every Period

What the group entities traded with each other this period is entirely new information. Last quarter's elimination entries reflect last quarter's intragroup activity — they have nothing to say about this quarter's. Treating Z like something that can be carried forward is how this period's actual activity gets silently missed.

> Practical test: Does this depend on when the group formed? I. Does this depend on what happened between entities this period? Z.

The ability to apply this test without hesitation is one of the most practical outcomes of understanding the BRIZO methodology.

Why Each Phase Depends on the One Before It

Stating that phases must run in order is an assertion. The proof is in what each phase actually needs from the one before it — and what breaks when it doesn't get it.

Why R needs B

R reconciles the relationships and shared balances between entities in the group. But you can only reconcile between entities that have been confirmed as in scope. If B has not settled who is in the group, you do not know which entity pairs need to reconcile. Worse, you risk reconciling a balance that belongs to an entity that will later be excluded — or missing one that should have been included. Every hour spent on R before B is locked is provisional work that may have to be redone.

Why I needs R

I determines what every ownership relationship means in accounting terms — goodwill, fair value adjustments, equity method entries, NCI, CTA. All of these determinations use numbers from the entities' financial statements. If R has not settled the shared balances first, those numbers are still in dispute. Consider the consequence: goodwill is calculated using a subsidiary's net assets that includes a loan balance one entity says is $1.2M and the other says is $1.0M. The determination locks in on the wrong figure. Because I carries forward every period, that error echoes into every future close until someone unwinds it — at far greater cost than resolving the balance dispute at R would have required.

Why Z needs I

Z eliminates current-period intercompany transactions. But some of those eliminations depend on values that I has already adjusted. If Entity A sold a fixed asset to Entity B, Z needs to eliminate the unrealised gain — but the carrying value of that asset in Entity B's books is affected by the fair value adjustment I made at acquisition date. If I has not been applied, Z is working with the wrong carrying value and the elimination is wrong. Z also needs the NCI split that I determines in order to correctly apportion eliminations between the parent's equity and the non-controlling interest.

Why O needs all of BRIZ

O assembles everything into one set of group financials and checks that it fits together. Each of the four prior phases gives it something it cannot function without. Without B: O does not know which entities to include. Without R: O is assembling numbers that still contain disputed balances — the output appears to balance but may not reflect agreed facts. Without I: the accounting consequences of ownership are missing entirely — no goodwill, no fair value adjustments, no NCI, no CTA — the picture is structurally incomplete. Without Z: intercompany transactions were never eliminated, overstating revenue, costs, and both sides of the balance sheet simultaneously. O is the only phase that sees the full picture — which is exactly why it comes last, and why it can only certify the output if everything before it has genuinely finished.

BRIZO in Messy Reality

The methodology presents a clean linear sequence. Real consolidations rarely are. The following scenarios each create pressure to skip or reorder phases. BRIZO does not ignore this pressure — it tells you how to handle each situation without losing the sequence that makes the methodology work.

Partial Closes and Late Submissions

The temptation is to start R or Z with what you have and patch in late data later. BRIZO forces the decision explicitly at B: you either wait, estimate with a documented assumption, or use prior-period data with an adjustment. The methodology does not prohibit pragmatic decisions — it makes them visible. A partial close is by definition an incomplete B. Nothing past it is stable until the decision at B is locked and documented.

Restatements

BRIZO's phase structure tells you exactly how far back a restatement needs to reach. A B error — wrong entity in or out of scope — requires revisiting every phase of every affected period. An R error — wrong agreed balance — requires revisiting every I and Z that was built on that balance. An I error echoes forward automatically into every subsequent period, because I carries forward. A Z error affects only the period it occurred in — nothing in Z carries forward. BRIZO turns a restatement question into a phase-level diagnosis: which phase failed, and what flows from it.

Step Acquisitions

A step — say, a 30% associate becoming a 60% subsidiary — touches three phases simultaneously. B changes because the entity's consolidation treatment changes. R changes because new intercompany relationships now exist between fully consolidated entities. I must be re-determined entirely: goodwill is measured fresh at the step-up date, the previously held interest is remeasured to fair value, and the old equity method entries are derecognised. BRIZO makes clear which phases the step triggers and forces them to run in sequence — you cannot move to Z on a stepped entity before the new I determination is locked.

Disposals

Full disposal removes the entity at B from that date. Goodwill derecognition, disposal gain or loss, and CTA recycling are all I-phase consequences, determined once at disposal date. Partial disposal without loss of control leaves B unchanged but triggers an I update — NCI shifts, no goodwill event. Partial disposal with loss of control is both a B event and an I event — the entity leaves full consolidation and the retained interest is remeasured. In each case, BRIZO locates the disposal in the correct phase rather than treating it as a general adjustment applied wherever is convenient.

Matrix and Multi-Layer Structures

Deep group structures — sub-groups, cross-shareholdings, multi-layer consolidations — require BRIZO to be applied in layers. Each sub-group consolidation runs its own B-R-I-Z-O. The parent then treats the sub-group's consolidated output as its input to B, applying its own R-I-Z-O on top. Cross-shareholdings are an R problem first — the ownership structure must be fully mapped before any adjustment is attempted. The methodology scales to complexity precisely because each phase has a defined boundary; nesting BRIZO within BRIZO is how matrix structures are handled without losing track of where you are in the sequence.

13. Building Your Consolidation Checklist

BRIZO gives you the sequence. Your own group gives you the specifics. The final step in applying the methodology is building a checklist that maps the five phases onto your actual entities, your actual recurring balances, and your actual acquisition history.

B — Bring Data Together

- All entities assessed for scope — in or out of group confirmed
- Reporting dates aligned or adjustments made for different period-ends
- Functional currencies identified and translation rates confirmed
- All entity trial balances received and structurally consistent

R — Reconcile Relationships

- Full ownership structure mapped and confirmed
- All intercompany balances circulated and agreed between entities
- All disputed items resolved — no open items carried forward
- Intercompany transactions confirmed to one agreed amount

I — Integrate Adjustments

- All ownership determinations confirmed — acquisitions (goodwill, FV adjustments), equity method investments, NCI c
- Goodwill calculations checked and consistent with prior periods
- Fair value adjustments and related depreciation confirmed
- Equity-method calculations updated for current period

Z — Zero Group Effects

- All intercompany revenue and cost eliminated
- All intercompany balances eliminated
- Unrealised profit on intercompany transactions eliminated
- Eliminations built fresh from this period's data — not carried from prior period

O — Output Group Financials

- Consolidated P&L, balance sheet, cash flow, and SOCE prepared
- All statements reconcile internally
- NCI and CTA calculated and allocated correctly
- Final check: no unexplained residuals or imbalances

14. Conclusion

BRIZO does not make consolidation accounting simpler. It makes the process of applying that accounting consistent. The methodology is the difference between a close that works because everyone happened to do things in the right order this time, and a close that works because the order is built into the process itself.