

CONSOLIDATED FINANCIAL STATEMENTS

Solution 1

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2021

Particulars	Note No.	Amount
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	5,00,000
(b) Reserves and Surplus	2	2,60,000
(2) Minority Interest	3	70,000
(3) Current Liabilities		
(a) Trade Payables	4	2,25,000
Total		10,55,000
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	5	8,00,000
(2) Current assets	6	2,55,000
Total		10,55,000

Notes to Accounts

1	Share Capital		
	50,000 equity shares of ₹ 10 each		5,00,000
2	Reserves and Surplus		
	Profit and Loss Account	2,00,000	
	Add: Share of S Ltd.'s post-acquisition profits (Nil as acquisition was on last day of year)	Nil	2,00,000
	Capital Reserve		<u>60,000</u>
			<u>2,60,000</u>
3.	Minority Interest		
	Paid-up value of (2,50,000 x 20%)	50,000	
	Add: 20% share of pre-acquisition profits [(20% of 1,00,000)]	<u>20,000</u>	70,000
4	Trade Payables		
	H Ltd.	1,75,000	
	S Ltd.	<u>50,000</u>	2,25,000
5	PPE		
	H Ltd.	5,00,000	
	S Ltd.	<u>3,00,000</u>	8,00,000
6	Current Assets		
	H Ltd.	1,55,000	
	S Ltd.	<u>1,00,000</u>	2,55,000

Working Notes:

% of holding = 20,000 shares / 25,000 shares * 100 = 80%

Minority Interest % = 20%

Analysis of reserves and profits of S Ltd. as on 31.03.2021

	Pre-acquisition	Post-acquisition
Profit and loss account as on 31.3.2021 (All Pre as acquisition on 31.03.2021)	1,00,000	
	1,00,000	

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Cost of Control or Goodwill

Cost of Investment		2,20,000
Less: Paid-up value of 80% shares	2,00,000	
80% share of pre-acquisition profits	<u>80,000</u>	(2,80,000)
Capital Reserve		60,000

Solution 2**Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 2022**

	Note No	Amount (₹)
I Equity and Liabilities		
1 Shareholders' Fund:		
(a) Share Capital	1	3,00,000
(b) Reserve and Surplus	2	1,10,500
2 Minority interest	3	84,000
3 Current Liabilities		
Trade payables	4	<u>3,20,000</u>
Total		<u>8,14,500</u>
II Assets		
1 Non-Current Assets:		
Property, plant and equipment	5	4,60,000
Intangible Asset	6	66,500
2 Current Assets	7	<u>2,88,000</u>
Total		<u>8,14,500</u>

Notes to Accounts

	Amount (₹)
1 Share capital 30,000 Equity Shares @ ₹10 each	3,00,000
2 Reserve and Surplus Profit and loss account (₹ 1,00,000 + 70% of 9/12 x 20,000 i.e. ₹ 10,500)	1,10,500
3 Minority Interest (W/N 2)	84,000
4 Trade payables	
H Ltd.	2,00,000
S Ltd.	<u>1,20,000</u>
	<u>3,20,000</u>
5 Property, plant and equipment	
H Ltd.	2,00,000
S Ltd.	<u>2,60,000</u>
	<u>4,60,000</u>
6 Intangible Asset: Goodwill (W/N 3)	66,500
7 Current Assets:	
H Ltd.	1,48,000
S Ltd.	<u>1,40,000</u>
	<u>2,88,000</u>

Working Notes:

1. Percentage of holding

	No. of Shares	Percentage
Holding Co. :	14,000	(70%)
Minority shareholders:	<u>6,000</u>	(30%)
Total Shares :	<u>20,000</u>	

2. Calculation of Minority Interest

Share capital (30% of ₹ 2,00,000)	60,000	
Share in Profit and loss account (₹ 80,000 X 30%)	24,000	84,000

3. Calculation of Cost of Control (Goodwill)

Cost of Investment	2,52,000
Less: Paid up value of shares (70% of ₹ 2,00,000)	(1,40,000)
Share in pre-acquisition profits 70% of [60,000+3/12 (80,000-60,000)]	(45,500)
	66,500

Solution 3

Consolidated Balance Sheet of Virat Ltd. and its Subsidiary Anushka Ltd. as at 31st March, 2021

Particulars	Note No.	Amount
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	6,00,000
(b) Reserves and Surplus	2	1,80,000
(2) Minority Interest	3	1,00,000
(3) Non Current Liabilities		
(a) Long Term Borrowings	4	3,00,000
(4) Current Liabilities		
(a) Trade Payables	5	2,00,000
Total		13,80,000
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	6	7,00,000
(2) Current assets		
(a) Inventories	7	3,60,000
(b) Trade Receivables	8	2,20,000
(c) Cash at Bank	9	1,00,000
Total		13,80,000

Notes to Accounts

1	Share Capital		
	60,000 equity shares of ₹ 10 each		6,00,000
2	Reserves and Surplus		
	General Reserve	1,00,000	
	Add: General Reserve of Anushka Ltd (Post)(80%)	<u>80,000</u>	1,80,000
3	Minority Interest		
	20% share in Anushka Ltd.		
	Paid-up value of (4,00,000 x 20%)	80,000	
	Add: 20% share of post-acquisition profits [(20% of 1,00,000)]	<u>20,000</u>	1,00,000
4	Long Term Borrowings		
	Virat Ltd.	2,00,000	
	Anushka Ltd.	<u>1,00,000</u>	3,00,000
5	Trade Payables		
	Virat Ltd.	1,00,000	
	Anushka Ltd.	<u>1,00,000</u>	2,00,000
6	PPE		
	Virat Ltd.	4,00,000	

	Anushka Ltd.	<u>3,00,000</u>	7,00,000
7	Inventories		
	Virat Ltd.	1,60,000	
	Anushka Ltd.	<u>2,00,000</u>	3,60,000
8	Trade Receivables		
	Virat Ltd.	80,000	
	Anushka Ltd.	<u>1,40,000</u>	2,20,000
9	Cash & Cash Equivalents		
	Virat Ltd.	40,000	
	Anushka Ltd.	<u>60,000</u>	1,00,000

Working Notes:

% of holding = Virat Ltd: = 80% Minority Interest %= 20%

Analysis of General Reserve of Anushka Ltd.

Since Virat Ltd. holds shares in Anushka Ltd. since its incorporation, the entire Reserve balance of 1,00,000 will be Revenue (Post acquisition)

Cost of Control or Goodwill

Cost of Investment		3,20,000
Less: Paid-up value of 80% shares	3,20,000	
80% share of pre-acquisition profits	<u>Nil</u>	(3,00,000)
Cost of Control		Nil

Solution 4

Minority Interest = Equity attributable to minorities

Equity is the residual interest in the assets of an enterprise after deducting all its liabilities i.e. in this case, it should be equal to Share Capital + Profit & Loss A/c

A = Share Capital as on 01.01.2019

B = Profit & Loss Account Balance on 01.01.2019

C = Share Capital as on 31.12.2019

D = Profit & Loss Account Balance on 31.12.2019

Case	Subs. Com.	% Shares owned	Minority % shares owned {E}	Minority interest as at date of acquisition [E]x [A+B]	Minority interest as at date of consolidation [E]x [C+D]
Case A	X	90%	10%	22,500	23,500
Case B	Y	75%	25%	50,000	40,000
Case C	Z	70%	30%	18,000	18,000
Case D	M	95%	5%	4,750	5,750
Case E	N	100%	Nil	Nil	Nil

Solution 5**Consolidated Balance Sheet of Beta Ltd. and its Subsidiary Gamma Ltd. as at 31st March, 2021**

Particulars	Note No.	Amount
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	15,00,000
(b) Reserves and Surplus	2	8,61,500
(2) Minority Interest		1,20,375
(3) Current Liabilities		
(a) Trade Payables	3	5,17,500
Total		29,99,375

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II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	4	14,94,375
(ii) Intangible assets	5	30,000
(b) Other Non Current Assets	6	14,75,000
Total		29,99,375

Notes to Accounts

1	Share Capital			
	15,000 equity shares of ₹ 10 each			15,00,000
2	Reserves and Surplus			
	Reserves		5,00,000	
	Add: 80% share of Gamma Ltd.'s post-acquisition reserves		<u>1,00,000</u>	6,00,000
	Profit and Loss Account		2,50,000	
	Add: 80% share of Gamma Ltd.'s post-acquisition profits		<u>11,500</u>	<u>2,61,500</u>
				<u>8,61,500</u>
3	Trade Payables			
	Beta Ltd.		3,75,000	
	Gamma Ltd.		<u>1,42,500</u>	5,17,500
4.	Property, Plant & Equipment			
	Machinery			
	Beta Ltd.		7,50,000	
	Gamma Ltd.	2,50,000		
	Add: Appreciation	<u>1,25,000</u>		
		3,75,000		
	Less: Depreciation (25,000+12,500)	<u>(37,500)</u>	<u>3,37,500</u>	10,87,500
	Furniture			
	Beta Ltd.		3,75,000	
	Gamma Ltd.	50,000		
	Less: Decrease in value	<u>(12,500)</u>		
		37,500		
	Less: Depreciation (7,500-1,875)	<u>(5,625)</u>	<u>31,875</u>	<u>4,06,875</u>
				<u>14,94,375</u>
5.	Intangible Assets			
	Goodwill			30,000
6.	Other Non Current Assets			
	Beta Ltd.		11,00,000	
	Gamma Ltd.		<u>3,75,000</u>	14,75,000

Working Notes:

1. Profit or loss on revaluation of assets in the books of Gamma Ltd. and their book values as on 1.4.2020

Machinery	
Revaluation as on 1.4.2020	3,75,000
Less: Book value as on 1.4.2020	<u>(2,50,000)</u>
Profit on revaluation	<u>1,25,000</u>
Furniture	
Revaluation as on 1.4.2020	37,500

Less: Book value as on 1.4.2020	(50,000)
Loss on revaluation	(12,500)

2. Calculation of short/excess depreciation

	Machinery	Furniture
Upward/ (Downward) Revaluation	1,25,000	(12,500)
Rate of depreciation	10%	15%
Difference [(short)/excess]	(12,500)	1,875

3. Analysis of reserves and profits of S Ltd. as on 31.03.2020

	Pre-acquisition	Post-acquisition	
		Reserve	P&L
Reserve as on 31.3.2021	62,500	1,25,000	
Profit and loss account as on 31.3.2021	37,500		25,000
Upward Revaluation of machinery as on 1.4.2020	1,25,000		
Downward Revaluation of Furniture as on 1.4.2020	(12,500)		
Short depreciation on machinery			(12,500)
Excess depreciation on furniture			1,875
	2,12,500	1,25,000	14,375

4. Minority Interest

Paid-up value of (2,50,000 x 20%)	50,000
Add: 20% share of pre-acquisition profits [(20% of 2,12,500)]	42,500
20% share of post-acquisition reserves	25,000
20% share of post-acquisition profit	2,875
	1,20,375

5. Cost of Control or Goodwill

Cost of Investment		4,00,000
Less: Paid-up value of 80% shares	2,00,000	
80% share of pre-acquisition profits	1,70,000	(3,70,000)
Cost of control or Goodwill		30,000

Solution 6

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2020

Particulars	Note No.	Amount
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	12,00,000
(b) Reserves and Surplus	2	8,16,200
(2) Minority Interest		99,300
(3) Current Liabilities		
(a) Trade Payables	3	4,10,000
Total		25,25,500
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	4	13,10,500
(ii) Intangible assets	5	24,000
(2) Current assets		

(a) Inventories	6	3,25,000
(b) Trade Receivables	7	6,70,000
(c) Cash at Bank	8	1,96,000
Total		25,25,500

Notes to Accounts

1	Share Capital			
	1,20,000 equity shares of ₹ 10 each			12,00,000
2	Reserves and Surplus			
	General Reserves		4,35,000	
	Add: 80% share of S Ltd.'s post-acquisition reserves		<u>84,000</u>	5,19,000
	Profit and Loss Account		2,80,000	
	Add: 80% share of S Ltd.'s post-acquisition profits		<u>17,200</u>	<u>2,97,200</u>
				<u>8,16,200</u>
3	Trade Payables			
	H Ltd.		3,22,000	
	S Ltd.		1,23,000	
	Less: Mutual transaction		<u>(35,000)</u>	4,10,000
4.	Property, Plant & Equipment			
	Machinery			
	H Ltd.		6,40,000	
	S Ltd.	2,00,000		
	Add: Appreciation	<u>1,00,000</u>		
		3,00,000		
	Less: Depreciation (20,000+10,000)	<u>(30,000)</u>	<u>2,70,000</u>	9,10,000
	Furniture			
	H Ltd.		3,75,000	
	S Ltd.	40,000		
	Less: Decrease in value	<u>(10,000)</u>		
		30,000		
	Less: Depreciation (6,000-1,500)	<u>(4,500)</u>	<u>25,500</u>	<u>4,00,500</u>
				<u>13,10,500</u>
5.	Intangible Assets			
	Goodwill			24,000
6.	Inventories			
	H Ltd.		2,68,000	
	S Ltd.		<u>62,000</u>	3,30,000
	Less: Inventory reserve			<u>(5,000)</u>
				<u>3,25,000</u>
7.	Trade Receivables			
	H Ltd.		4,70,000	
	S Ltd.		2,35,000	
	Less: Mutual transaction		<u>(35,000)</u>	6,70,000
8.	Cash and Bank			
	H Ltd.		1,64,000	
	S Ltd.		<u>32,000</u>	1,96,000

Working Notes:

1. Profit or loss on revaluation of assets in the books of S Ltd. and their book values as on 1.4.2019

Machinery	
Revaluation as on 1.4.2019	3,00,000
Less: Book value as on 1.4.2019	<u>(2,00,000)</u>
Profit on revaluation	<u>1,00,000</u>

Furniture	
Revaluation as on 1.4.2019	30,000
Less: Book value as on 1.4.2019	(40,000)
Loss on revaluation	(10,000)

2. Calculation of short/excess depreciation

	Machinery	Furniture
Upward/ (Downward) Revaluation	1,00,000	(10,000)
Rate of depreciation	10%	15%
Difference [(short)/excess]	(10,000)	1,500

3. Analysis of reserves and profits of S Ltd. as on 31.03.2020

	Pre-acquisition	Post-acquisition	
		Gen reserve	P&L
General reserve as on 31.3.2020	50,000	1,05,000	
Profit and loss account as on 31.3.2020	30,000		35,000
Upward Revaluation of machinery as on 1.4.2019	1,00,000		
Downward Revaluation of Furniture as on 1.4.2019	(10,000)		
Short depreciation on machinery			(10,000)
Excess depreciation on furniture			1,500
Less: Unrealised Profit (55,000*10/110)			(5,000)
	1,70,000	1,05,000	21,500

4. Minority Interest

Paid-up value of (2,00,000 x 20%)	40,000
Add: 20% share of pre-acquisition profits [(20% of 1,70,000)]	34,000
20% share of post-acquisition reserves	21,000
20% share of post-acquisition profit	4,300
	99,300

5. Cost of Control or Goodwill

Cost of Investment		3,20,000
Less: Paid-up value of 80% shares	1,60,000	
80% share of pre-acquisition profits	1,36,000	(2,96,000)
Cost of control or Goodwill		24,000

Solution 7

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2020

Particulars	Note No.	Amount
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	13,40,000
(b) Reserves and Surplus	2	8,27,040
(2) Minority Interest		1,15,560
(3) Non Current Liabilities		
(a) Long Term Borrowings (12% Debentures)		1,00,000
(3) Current Liabilities		
(a) Trade Payables	3	3,84,800
(b) Short Term Borrowings (Bank Overdraft)		1,00,000
Total		28,67,400

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II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
(i) Property, Plant & Equipment	4	14,34,600
(ii) Intangible assets	5	28,800
(2) Current assets		
(a) Inventories		8,00,000
(b) Trade Receivables	6	5,08,000
(c) Cash at Bank		96,000
Total		28,67,400

Notes to Accounts

1	Share Capital			
	1,34,000 equity shares of ₹ 10 each			13,40,000
2	Reserves and Surplus			
	Reserves		4,80,000	
	Add: 80% share of S Ltd.'s post-acquisition reserves		<u>96,000</u>	5,76,000
	Profit and Loss Account		2,40,000	
	Add: 80% share of S Ltd.'s post-acquisition profits		<u>11,040</u>	<u>2,51,040</u>
				<u>8,27,040</u>
3	Trade Payables			
	H Ltd.	2,00,000		
	S Ltd.	<u>1,22,000</u>	3,22,000	
	Bill Payables			
	H Ltd.	60,000		
	S Ltd.	14,800		
	Less: Mutual transaction	<u>(12,000)</u>	<u>62,800</u>	3,84,800
4.	Property, Plant & Equipment			
	Machinery			
	H Ltd.		7,20,000	
	S Ltd.	2,40,000		
	Add: Appreciation	<u>1,20,000</u>		
		3,60,000		
	Less: Depreciation (24,000+12,000)	<u>(36,000)</u>	<u>3,24,000</u>	10,44,000
	Furniture			
	H Ltd.		3,60,000	
	S Ltd.	48,000		
	Less: Decrease in value	<u>(12,000)</u>		
		36,000		
	Less: Depreciation (7,200-1,800)	<u>(5,400)</u>	<u>30,600</u>	<u>3,90,600</u>
				<u>14,34,600</u>
5.	Intangible Assets			
	Goodwill			28,800
6.	Trade Receivables			
	H Ltd.	3,00,000		
	S Ltd.	<u>3,90,000</u>	3,90,000	
	Bills Receivables			
	H Ltd.	1,00,000		
	S Ltd.	30,000		
	Less: Mutual transaction	<u>(12,000)</u>	<u>1,18,000</u>	5,08,000

Working Notes:**1. Profit or loss on revaluation of assets in the books of S Ltd. and their book values as on 1.4.2019**

Machinery	
Revaluation as on 1.4.2019	3,60,000
Less: Book value as on 1.4.2019	(2,40,000)
Profit on revaluation	<u>1,20,000</u>
Furniture	
Revaluation as on 1.4.2019	36,000
Less: Book value as on 1.4.2019	(48,000)
Loss on revaluation	<u>(12,000)</u>

2. Calculation of short/excess depreciation

	Machinery	Furniture
Upward/ (Downward) Revaluation	1,20,000	(12,000)
Rate of depreciation	10%	15%
Difference [(short)/excess]	(12,000)	1,800

3. Analysis of reserves and profits of S Ltd. as on 31.03.2020

	Pre-acquisition	Post-acquisition	
		Gen reserve	P&L
General reserve as on 31.3.2020	60,000	1,20,000	
Profit and loss account as on 31.3.2020	36,000		24,000
Upward Revaluation of machinery as on 1.4.2019	1,20,000		
Downward Revaluation of Furniture as on 1.4.2019	(12,000)		
Short depreciation on machinery			(12,000)
Excess depreciation on furniture			1,800
	2,04,000	1,20,000	13,800

4. Minority Interest

Paid-up value of (2,40,000 x 20%)	48,000
Add: 20% share of pre-acquisition profits [(20% of 2,04,000)]	40,800
20% share of post-acquisition reserves	24,000
20% share of post-acquisition profit	2,760
	1,15,560

5. Cost of Control or Goodwill

Cost of Investment		3,84,000
Less: Paid-up value of 80% shares (2,40,000*80%)	1,92,000	
80% share of pre-acquisition profits (2,04,000*80%)	1,63,200	(3,55,200)
Cost of control or Goodwill		28,800

Solution 8

**Consolidated Balance Sheet of Super Ltd.
and its subsidiary Clear Ltd. as at 31st March, 2024**

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholders' Funds		
(a) Share Capital	1	95,00,000
(b) Reserves and Surplus	2	34,63,750
(2) Minority Interest [W.N.4]		15,56,250
(3) Non-current Liabilities		
(a) Long term borrowings	3	7,00,000
(4) Current Liabilities		

(a) Short-term borrowings		4,50,000
(b) Trade payables	4	4,63,750
Total		1,61,33,750
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment	5	1,31,00,000
(b) Intangible Assets – Goodwill		4,00,000
(2) Current assets		
(a) Inventory	6	12,10,000
(b) Trade Receivables	7	9,28,750
(c) Cash and Cash Equivalents		4,95,000
Total		1,61,33,750

Notes to Accounts

		₹	₹
1.	Share Capital		
	Equity Share Capital		
	8,00,000 Equity Shares of ₹ 10 each fully paid up		80,00,000
	Preference Share Capital		
	15,000 Preference Shares of ₹ 100 each fully paid up		<u>15,00,000</u>
	Total		95,00,000
2.	Reserves and Surplus		
	General Reserve (WN 5)		20,37,500
	Profit & Loss A/c (WN 5)		<u>14,26,250</u>
	Total		34,63,750
3.	Long term borrowings		
	10% Debentures		5,00,000
	9% Debentures		<u>2,00,000</u>
	Total		7,00,000
4	Trade payables		
	Super Ltd.	3,65,000	
	Clear Ltd.	2,45,000	
	Less: Mutual Owing	(1,46,250)	4,63,750
5	Property Plant & Equipment		
	<u>Land & Building</u>		
	Super Ltd.	65,00,000	
	Clear Ltd.	<u>45,50,000</u>	1,10,50,000
	<u>Plant & Machinery</u>		
	Super Ltd.	9,50,000	
	Clear Ltd.	<u>6,75,000</u>	16,25,000
	<u>Furniture & Fittings</u>		
	Super Ltd.	2,50,000	
	Clear Ltd.	<u>1,75,000</u>	4,25,000
			1,31,00,000
6	Inventory		
	Super Ltd.	6,75,000	
	Clear Ltd.	5,65,000	
	Less: Unrealized profit	(30,000)	12,10,000
7	Trade Receivables		
	Super Ltd.	5,85,000	
	Clear Ltd.	4,90,000	
	Less: Mutual Owing	(1,46,250)	9,28,750

Working Notes:**1. Shareholding Pattern**

Super Ltd	5,00,000 Shares
Holding 75%	3,75,000 shares
Minority Interest 25%	1,25,000 shares

2. Analysis of Profit of Clear Ltd.

	Capital Profit	Revenue Reserve	Revenue Profit
Opening Balance of General Reserve	-	6,50,000	-
Opening Balance of P&L	-	-	5,75,000
Total ₹		6,50,000	5,75,000
Share of Minority (25%)		1,62,500	1,43,750
Share of Holding (75%)		4,87,500	4,31,250

3. Computation of Cost of Control (Goodwill / Capital Reserve)

	Computation	₹
Cost of Investment	Given	41,50,000
Less: Share of Equity Capital in Clear Ltd.	$50,00,000 \times 75\%$	(37,50,000)
Less: Pre -acquisition Profit	WN 2	-
Goodwill		4,00,000

4. Calculation of Minority Interest

Particulars		₹
Share in Equity Share Capital	$50,00,000 \times 25\%$	12,50,000
Share in Revenue Reserve	$6,50,000 \times 25\%$	1,62,500
Share in profit & loss	$5,75,000 \times 25\%$	1,43,750
Total		15,56,250

5. General Reserve and Consolidated Profit & Loss A/c

Particulars	General Reserve	Profit & Loss A/c
Balance from Balance Sheet	15,50,000	10,25,000
Revenue Profit (WN 2)	-	4,31,250
Revenue Reserve (WN 2)	4,87,500	-
Unrealized Profit	-	(30,000)
Total	20,37,500	14,26,250

Solution 9

**Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd.
as at 31st March, 2023**

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	9,00,000
(b) Reserves and Surplus	2	2,73,500
(2) Minority Interest	3	1,26,000
(3) Current Liabilities		
(a) Trade Payables	4	1,29,000
Total		14,28,500
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	5	10,20,000

(2) Current assets		
(a) Inventory	6	1,49,500
(b) Trade Receivables	7	1,29,000
(c) Cash & cash equivalent	8	1,30,000
Total		14,28,500

Notes to Accounts

			₹
1. Share capital			
Authorised, issued, subscribed and paid up capital			
90,000 equity shares of ₹ 10 each, fully paid up			<u>9,00,000</u>
2. Reserves and Surplus			
General Reserves		1,60,000	
Profit and Loss Account (W.N.5)		88,500	
Capital Reserve (W.N. 4)		<u>25,000</u>	2,73,500
3. Minority interest in S Ltd. (WN 3)			1,26,000
4. Trade payables			
Bills Payable			
H Ltd. 40,000			
S Ltd. 20,000			
Less: Mutual payables (7,000)		53,000	
Trade Creditors			
H Ltd. 50,000			
S Ltd. 30,000			
Less: Mutual owing (4,000)		<u>76,000</u>	1,29,000
5. Property, plant and equipment			
Machinery: H Ltd. 7,00,000			
S Ltd. <u>1,50,000</u>		8,50,000	
Furniture: H Ltd. 1,00,000			
S Ltd. <u>70,000</u>		<u>1,70,000</u>	10,20,000
6. Inventory			
H Ltd. 1,00,000			
S Ltd. 50,000			
Less: Unrealized profit (2,000x 25%)		<u>(500)</u>	1,49,500
7. Trade receivables			1,29,000
Bills receivable:			
H Ltd. 25,000			
S Ltd. 20,000			
Less: Mutual payables (7,000)		38,000	
Debtors:			
H Ltd. 60,000			
S Ltd. 35,000			
Less: Mutual owing (4,000)		<u>91,000</u>	1,29,000
8. Cash & cash equivalent			
Cash at Bank H Ltd.		90,000	
S Ltd.		<u>40,000</u>	1,30,000

Working Notes:

1. Percentage of holding	No. of Shares	Percentage
Holding Co. :	15,000	(60%)
Minority shareholders :	10,000	(40%)
Total Shares :	<u>25,000</u>	

2. Analysis of Profits

	Pre-acquisition profits and reserves of S Ltd. (₹)	Post-acquisition profits of S Ltd. (₹)
General Reserve	40,000	---
Opening balance of Profit and Loss	5,000	---
Current Year's profit (in 1:3)	<u>5,000</u>	<u>15,000</u>
	<u>50,000</u>	<u>15,000</u>
H Ltd.'s share (60%)	30,000	9,000
Minority Interest (40%)	20,000	6,000

3. Minority Interest

Paid up value of 10,000 shares @ ₹ 10 each	₹ 1,00,000
Add: Share in pre-acquisition profits and reserve (40%)	₹ 20,000
Add: Share in post-acquisition profits (40%)	<u>₹ 6,000</u>
	<u>₹ 1,26,000</u>

4. Capital Reserve for H Ltd.

(A) Cost of acquiring 15,000 shares of S Ltd.	₹ 1,55,000
(B) Paid up value of 15,000 shares of S Ltd. @ ₹ 10 each	₹ 1,50,000
Add: Share in pre-acquisition profit and reserves of S Ltd.	<u>₹ 30,000</u>
	<u>₹ 1,80,000</u>
Capital Reserve (B-A)	₹ 25,000

5. Consolidated Balance of Profits of H Ltd.

Balance as per Statement of Profit and Loss	₹ 80,000
Add: Share in post-acquisition profits of S Ltd.	₹ 9,000
Less: Unrealised Profit in unsold stock of S Ltd.	<u>₹ (500)</u>
	<u>₹ 88,500</u>

Solution 10

Consolidated Balance Sheet of H Ltd. with its subsidiary S Ltd. as at 31st March, 2022

Particulars	Note No.	(₹ in 000's)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	4,000
(b) Reserves and Surplus	2	3,063
(2) Minority Interest (W.N.6)		1,560
(3) Current Liabilities		
(a) Trade payables	3	1,118
(b) Short term provisions	4	482
Total		<u>10,223</u>
II. Assets		
(1) Non-current assets		
(a) PPE	5	5,904
(2) Current assets		
(a) Inventories	6	1,759
(b) Trade receivables	7	1,598
(c) Cash and cash equivalents	8	512
(d) Short term loans and advances	9	450
Total		<u>10,223</u>

Notes to Accounts

		(₹ in 000's)	(₹ in 000's)
1. Share Capital			
Authorised share capital			
5 lakhs equity shares of ₹ 10 each			<u>5,000</u>
Issued, Subscribed and Paid up			
4 lakhs equity shares of ₹ 10 each fully paid			4,000
2. Reserves and surplus			
Capital Reserve (Note 5)		679.8	
General Reserve		928	
Profit and Loss Account:			
H Ltd.	₹ 1,305.00		
Add: Share in S Ltd	₹ 340.20		
	<u>₹ 1,645.20</u>		
Less: Dividend wrongly credited	₹ (180)		
	<u>₹ 1,465.20</u>		
Less: Unrealised profit (50 X 1/5)	₹ (10)	<u>1,455.20</u>	3,063
3. Trade payables			
H Ltd.		611	
S Ltd.		<u>507</u>	1,118
4. Short –term provisions			
Provision for Taxation H Ltd.	₹ 220		
S Ltd.	<u>₹ 180</u>	400	
Other Provisions H Ltd	₹ 65		
S Ltd.	<u>₹ 17</u>	<u>82</u>	482
5. PPE			
Plant and Machinery			
H Ltd.	₹ 2,541		
S Ltd.	<u>₹ 2,450</u>	4,991	
Furniture and fittings			
H Ltd.	₹ 615		
S Ltd.	<u>₹ 298</u>	<u>913</u>	5,904
6. Inventories			
Inventory H Ltd.	₹ 983		
S Ltd.	₹ 786	1,769	
Less: Unrealised profit (₹ 50 x 1/5)		<u>(10)</u>	1,759
7. Trade receivables			
H Ltd.		820	
S Ltd.		<u>778</u>	1,598
8. Cash and cash equivalents			
Cash and Bank Balances H Ltd		410	
S Ltd.		<u>102</u>	512
9. Short term loans and advances			
Sundry Advances H Ltd.		260	
S Ltd.		<u>190</u>	450

Working Notes: Share holding pattern

Particulars	Number of Shares	% of holding
a. S Ltd.		
(i) Purchased on 01.04.2021	90,000	
(ii) Bonus Issue (90,000/5 x 3)	<u>54,000</u>	
Total	<u>1,44,000</u>	60%

		(1,44,000 / 2,40,000 * 100)
b. Minority Interest	96,000	40%

*2,40,000 is after issue of bonus shares as per balance sheet as at 31.3.2022

1. **S Ltd. General Reserve**

	(₹ in 000)		(₹ in 000)
To Bonus to equity shareholders [(2400*3)/8]	900	By Balance b/d	1,500
To Balance c/d	690	By Profit & Loss A/c (Bal. fig.)	90
	1,590		1,590

2. **S Ltd.'s Profit and Loss Account**

	(₹ in 000)		(₹ in 000)
General Reserve	90	Balance b/d	633
Dividend paid on 14.7.2021 [(1500*20)/100]	300	Net Profit for the year (Balancing figure)	567*
Balance c/d	810		
	1,200		1,200

* Out of ₹ 5,67,000 profit for the year, ₹ 90,000 has been transferred to reserves by S Ltd.

3. **Distribution of Revenue Profits**

	₹ in '000
Revenue Profit as above	<u>567.00</u>
Share of H Ltd. (60%)	340.20
Share of Minority shareholders (567- 340.20)	226.80

4. **Computation of Capital Profits**

	₹ in 000	₹ in 000
General Reserve on the date of acquisition		1,500
Less: Bonus issue of shares		(900)
		600
Profit and Loss Account balance on the date of acquisition	633	
Less: Dividends paid	(300)	333
		933
Share of H Ltd. (60%)		559.80
Share of Minority shareholders		373.20

5. **Computation of Capital Reserve**

		₹ in '000
60% of share capital of S Ltd.		1,440
Add: Share of H Ltd. in the capital profits as in working note (4)		559.80
		1,999.80
Less: Investments in S Ltd.	1,500	
Less: Dividends received out of pre- acquisition profits [(₹300*60)/100]	(180)	(1,320)
		679.80

6. **Calculation of Minority Interest**

	₹ in '000
40% of share capital of S Ltd.	960.00
Add: Share of Revenue Profits (Note 3)	226.80
Share of Capital Profits (Note 4)	373.20
	1,560.00

Note:

Alternative Presentation of Analysis of Profits of S Ltd.

	Pre (Capital)	Post (Revenue)	
		General Reserve	P&L A/c
General Reserve	1,500	(810)	
P&L A/c	633		177
Add: Bonus distributed during year		900	
Less: Bonus distributed out of Pre Profits	(900)		
Add: Final Dividend declared during year			300
Less: Final Dividend declared out of Pre Profits	(300)		
	<u>933</u>	<u>90</u>	<u>477</u>
		567	

Solution 11

Impact of Revaluation of Plant and Machinery will be as -

Book value of Plant and Machinery as on 01-04-2023	2,25,000
Depreciation Rate $(2,25,000 - 2,02,500) / 2,25,000 \times 100$ $= 22,500 / 2,25,000 \times 100$	10%
Book value of Plant and Machinery as on 01-10-2023 after six months depreciation @10% $(2,25,000 - 11,250)$	2,13,750
Revalued at	2,70,000
Revaluation profit $(2,70,000 - 2,13,750)$	56,250
Share of Gamma Limited in Revaluation Profit (80%)	45,000
Share of Minority in Revaluation profit (20%)	11,250
Additional Depreciation on appreciated value to be charged from post-acquisition profits $(10\% \text{ of } ₹ 22,500 \text{ for 6 months}) + (10\% \text{ of } ₹ 2,70,000 \text{ for 6 months})$ less ₹ 22500 (as already charged)	
Share of Gamma Limited in additional depreciation that will reduce its share (80%) in post-acquisition profit by	1,800
Share of Minority Interest in additional depreciation	4,500

Working Note:

Percentage of holding	No. of Shares	Percentage
Holding Co. :	24,000	(80%)
Minority shareholders :	<u>6,000</u>	(20%)
Total Shares :	<u>30,000</u>	

Solution 12

Total dividend paid is ₹ 22,500 (out of post-acquisition profits), hence dividend received by Hemant will be credited to P & L account. Hemant Ltd.'s share of dividend = ₹ 22,500 X 80% = ₹ 18,000

	Amount	Amount
Goodwill on consolidation (at the date of acquisition):		
Cost of shares		2,10,000
Less: Face value of capital i.e. 80% of capital	1,20,000	
Add: Share of capital profits $[90,000 \times 80\%]$	<u>72,000</u>	<u>(1,92,000)</u>
Goodwill		18,000
Minority interest on:		
- 1st January, 2020:		
20% of ₹ 2,40,000 $[1,50,000 + 90,000]$		48,000
- 31st December, 2020:		
20% of ₹ 2,47,500 $[1,50,000 + 90,000 + 30,000 - 22,500]$		49,500

Solution 13

Revalued net assets of Queen Ltd. as on 31st March, 2020

	In Lakhs
Property, Plant & Equipment (240*20%)	288
Investments (110*90%)	99
Current Assets	140
Loans & Advances	30
15% Debentures	(180)
Current Liabilities	(100)
Equity/Net Worth	277
King Ltd.'s share of net assets (70% of 277)	193.9
King Ltd.'s cost of acquisition of shares of Queen Ltd	(140)
Capital Reserve	53.90

Solution 14

Since dividend is declared by B Ltd. on the date of acquisition itself, it would be out of the divisible profits of B Ltd. existing on the date of acquisition i.e., pre-acquisition profits from the perspective of A Ltd. Accordingly, as per AS 13, such pre-acquisition dividend would be reduced from the cost of investment, as seen below in the determination of Goodwill on the date of acquisition.

Property, Plant & Equipment	70,00,000	
Less: Value Written off (70 Lakhs * 10%)	(7,00,000)	
	63,00,000	
Investments	60,00,000	
Current Assets	68,00,000	
Loans & Advances	22,00,000	2,13,00,000
Less: 10% Debentures	10,00,000	
Trade Payables	55,00,000	(65,00,000)
Net Assets of B Ltd.		1,48,00,000
Share of A Ltd. in Net Assets of B Ltd.: 60%		88,80,000
Less: Cost of Investment in B Ltd. (60% stake):		
10,00,000 Equity Shares x 60% x ₹ 20 per shar	1,20,00,000	
Less: Pre-acquisition dividend: 6,00,000 shares x ₹ 2	(12,00,000)	(1,08,00,000)
Goodwill on Date of Acquisition		19,20,000

Solution 15

Revalued net assets of B Ltd. as on 31st March, 2020

	In Lakhs
Property, Plant & Equipment	360
Investments	90
Current Assets	140
Loans & Advances	30
15% Debentures	(180)
Current Liabilities	(100)
Equity/Net Worth	340
Share of Minority Interest in Net Assets (340*30%)	102
A Ltd.'s share of net assets (70% of 340)	238
A Ltd.'s cost of acquisition of shares of B Ltd	(140)
Capital Reserve	98

Solution 16

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until minority's share of losses previously absorbed by the majority has been recovered.

Year	Profit / (Loss)	Minority Interest (30%)	Consolidated P & L (Dr.) or Cr.	Minority's Share of losses borne by H Ltd.		Cost of Control
				Amount	Balance	
On 1.1.2013		1,62,000				
2013	(1,25,000)	(37,500)	(87,500)			1,22,000
Balance		1,24,500				
2014	(2,00,000)	(60,000)	(1,40,000)			1,22,000
Balance		64,500				
2015	(2,50,000)	(75,000)	(1,75,000)			1,22,000
		(10,500)				
	Loss of minority borne by Holding Co	10,500	(10,500)	10,500	10,500	
Balance		Nil	(1,85,500)			
2016	(60,000)	(18,000)	(42,000)			1,22,000
	Loss of minority borne by Holding Co	18,000	(18,000)	18,000	28,500	
Balance		Nil	(60,000)			
2017	25,000	7,500	17,500			1,22,000
	Profit share of minority adjusted against losses of minority absorbed by Holding	(7,500)	7,500	(7,500)	21,000	
Balance		Nil	25,000			
2018	50,000	15,000	35,000			1,22,000
	Profit share of minority adjusted against losses of minority absorbed by Holding	(15,000)	15,000	(15,000)	6,000	
Balance		Nil	50,000			
2019	75,000	22,500	52,500			1,22,000
	Profit share of minority adjusted against losses of minority absorbed by Holding	(6,000)	6,000	(6,000)	Nil	
Balance		16,500	58,500			

Working Note: Calculation of Minority interest and Cost of control on 1.1.2013

	Share of Holding Co.	Minority Interest
	100%	30%
Share Capital	5,00,000	1,50,000
Reserve	40,000	12,000

Less: Cost of investment		(5,00,000)	
Goodwill		1,22,000	

Solution 17

Year	Profit / (Loss)	Minority Interest (20%)	Additional Consolidated P & L (Dr.) Cr.	Minority's Share of losses borne by GB Ltd.		Cost of Control
				₹	Balance	
At the time of acquisition in 2016		10,92,800 (W.N.)	-			
2016-17	(14,50,000)	(2,90,000)	(11,60,000)			14,28,800 (W.N.)
Balance		8,02,800				
2017-18	(23,20,000)	(4,64,000)	(18,56,000)			14,28,800
Balance		3,38,800				
2018-19	(29,00,000)	(5,80,000)	(23,20,000)			14,28,800
		(2,41,200)				
	Loss of minority borne by Holding Co.	2,41,200	(2,41,200)	2,41,200	2,41,200	
Balance		Nil	(25,61,200)			
2019-20	(6,96,000)	(1,39,200)	(5,56,800)			14,28,800
	Loss of minority borne by Holding Co.	1,39,200	(1,39,200)	1,39,200	3,80,400	
Balance		Nil	(6,96,000)			
2020-21	1,90,000	38,000	1,52,000			14,28,800
	Profit share adjusted against losses of minority absorbed by Holding Co.	(38,000)	38,000	(38,000)	3,42,400	
Balance		Nil	1,90,000			
2021-22	6,80,000	1,36,000	5,44,000			
	Profit share adjusted against losses of minority absorbed by Holding Co.	(1,36,000)	1,36,000	(1,36,000)	2,06,400	14,28,800
Balance		Nil	6,80,000			
2022-23	12,70,000	2,54,000	10,16,000	(2,06,400)	Nil	14,28,800
		(2,06,400)	2,06,400			
Balance		47,600	12,22,400			

Working Note:

Calculation of Minority interest and Cost of control on 1.4.2016

	Share of Holding Co.		Minority Interest
	100% (₹)	80% (₹)	20% (₹)
Share Capital	50,00,000	40,00,000	10,00,000
Reserve	4,64,000	3,71,200	92,800
		43,71,200	10,92,800
Less: Cost of investment		(58,00,000)	
Goodwill		14,28,800	

Solution 18

Restated Balance Sheet of MNT Ltd. as at 31st March, 2020

Particulars	Note No.	Amount
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital		7,50,000
(b) Reserves and Surplus	1	7,18,500
(2) Current Liabilities		
(a) Short term borrowings	2	1,70,000
(b) Trade Payables		2,46,000
(c) Short-term provision	3	4,30,000
Total		23,14,500
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment & Intangible Assets		
i) Property, Plant & Equipment	4	6,37,500
(b) Non-current Investment		5,30,000
(2) Current assets		
(a) Inventories (6,90,000 +12,000)	5	7,02,000
(b) Trade Receivables (343000/98X100)		3,50,000
(c) Cash & Cash Equivalents		42,500
(d) Other current assets	6	52,500
Total		23,14,500

Notes to Accounts

	Particulars		Amount
1	Reserves and Surplus		
	Revenue Reserve (refer W.N.)	5,11,500	
	Securities Premium	2,07,000	7,18,500
2	Short term borrowings		
	Bank overdraft		1,70,000
3	Short-term provision		
	Provision for taxation		4,30,000
4	Property, Plant and Equipment		
	Cost	9,20,000	
	Less: Depreciation to date	(2,82,500)	6,37,500
5	Inventories	6,90,000	
	Increase in value as per FIFO	12,000	7,02,000
6	Other current assets		
	Prepaid expenses (After adjusting sales promotion expenses to be written off each year) (65,000 -12,500)		52,500

Working Note:

Adjusted revenue reserves of MNT Ltd.:

Particulars	Amount	Amount
Revenue reserves as given		5,05,000
Add: Provision for doubtful debts [3,43,000 X 2/98]	7,000	
Add: Increase in value of inventory	12,000	19,000
		5,24,000
Less: Sales Promotion expenditure to be written off		(12,500)
Adjusted revenue reserve		5,11,500

Solution 19

Consolidated Balance Sheet of Art and Craft Ltd As on 31st March, 2024

	Particulars	Note	₹
I.	Equity and Liabilities		
(1)	Shareholders' fund		
	(a) Share Capital	1	6,50,000
	(b) Reserves and Surplus	2	3,73,460
(2)	Minority Interest	3	1,26,740
(3)	Current Liabilities		
	(a) Short term borrowings	4	70,000
	(b) Trade Payables (1,45,000 + 92,000)		2,37,000
	Total		14,57,200
II.	Assets		
(1)	Non-current Assets		
	(a) Property, Plant and Equipment	5	7,65,000
(2)	Current Assets		
	(a) Inventories	6	3,57,500
	(b) Trade Receivables	7	3,03,500
	(c) Cash and Cash Equivalents	8	31,200
	Total		14,57,200

Notes to Accounts

Sr.No.	Particulars	₹
1.	Share Capital: <u>Issued, Subscribed and Paid-up Capital</u>	
	(a) Equity Share Capital	
	6,500 Equity Shares of ₹ 100 each	6,50,000
2.	<u>Reserves and Surplus</u>	
	Profit and Loss A/c (WN 5)	2,40,100
	General Reserve (WN 5)	1,20,000
	Capital Reserve (W.N. 3)	<u>13,360</u>
		3,73,460
3.	Minority interest in Craft Ltd. (W.N.4)	1,26,740
4.	<u>Short-term borrowings</u>	
	Bank Overdraft	70,000
5.	<u>Property, Plant and Equipment</u>	
	Land and Building	
	Art Ltd. 1,90,000	
	Craft Ltd. <u>1,35,000</u>	3,25,000
	Plant and Machinery	
	Art Ltd. 2,31,000	
	Craft Ltd. (2,25,000-17,500+1,500) <u>2,09,000</u>	<u>4,40,000</u>
		7,65,000
6.	<u>Inventories</u>	
	Art Ltd. 1,66,000	
	Craft Ltd. 2,05,000	
	Less: unrealized profit <u>(13,500)</u>	3,57,500
7.	<u>Trade Receivables</u>	
	Art Ltd. 1,33,500	
	Craft Ltd. <u>1,70,000</u>	3,03,500
8.	<u>Cash and Cash Equivalents</u>	
	Art Ltd. 24,500	
	Craft Ltd. <u>6,700</u>	31,200

Working Notes:**1. Shareholding Pattern**

Total 4,000 shares	
3,200 shares	800 shares
Art Ltd (80%)	20% Minority Interest

2. Analysis of Profit

	General reserve	Profit and loss account
Opening balance	40,000	58,700
Closing balance	40,000	<u>2,08,000</u>
Changes during the year		<u>1,49,300</u>

Analysis of Profit

Particulars	Pre-acquisition profit (6 months) (₹)	Post acquisition profit (6 months) (₹)
Opening Balances (40,000 + 58,700)	98,700	
Profit for 6 months (1,49,300 x 6/12)	74,650	74,650
Provision reversed (1,700) (W.N. 8)	850	850
Revaluation Loss (W.N. 6)	(17,500)	-
Savings in depreciation (W.N. 6)	-	<u>1,500</u>
Total	<u>1,56,700</u>	<u>77,000</u>
Holding (80%)	1,25,360	61,600
Minority Interest (20%)	31,340	15,400

3. Cost of Control

Particulars	₹	₹
Cost of Investment (Given)		4,32,000
Less: Share in Net Assets:		
a) Share Capital (3,200 shares × ₹100)	3,20,000	
b) Capital Profit (W.N. 2)	<u>1,25,360</u>	<u>(4,45,360)</u>
Capital Reserve		13,360

4. Minority Interest

Particulars	₹
Share Capital (800 shares × 100)	80,000
Capital Profit (W.N. 2)	31,340
Revenue Profit (W.N. 2)	15,400
Total	<u>1,26,740</u>

5. Consolidated Profit and General Reserve of Art Ltd

Particulars	Profit and loss account ₹	General reserve ₹
Balance as per Balance Sheet	1,92,000	1,20,000
Revenue Profit	61,600	-
Unrealized Profit (Downstream)	<u>(13,500)</u>	
Total	<u>2,40,100</u>	<u>1,20,000</u>

6. Calculation of Revaluation Profit /Loss

Particulars	₹
Balance as on 01.04.2023 (given)	2,50,000
Depreciation for 6 months (2,50,000 × 10% × 6/12)	<u>(12,500)</u>
WDV as on date of acquisition	2,37,500
Revalued amount	<u>2,20,000</u>
Revaluation Loss	<u>17,500</u>

7. Savings in Depreciation

= Depreciation Provided for 6 months – Depreciation Should be
 = 12,500 – (2,20,000 × 10% × 6/12)
 = 1,500

8. Calculation of provision reversed

Trade Receivable (Given) = 1,68,300 it is after provision i.e 99%
 So, 100% will be 1,70,000 therefor provision will be 1,700

As per para 20 and 21 of AS 21, Consolidated financial statements: Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

Solution 20

Consolidated Profit & Loss Account of A Ltd. & its subsidiary B Ltd. the year ended on 31st March, 20

Particulars		Note No.	₹ in Lacs
I.	Revenue from operations	1	8,797
	Total Income		8,797
II.	Expenses		
	Cost of Material purchased/Consumed	3	1,770
	Changes of Inventories of finished goods	2	(1,794)
	Employee benefit expense	4	1,425
	Finance cost	6	225
	Depreciation and amortization expense	7	225
	Other expenses	5	802
	Total expenses		2,653
	Profit before Tax (II-III)		6,144
III.	Tax Expenses	8	2,100
	Profit After Tax		4,044

Notes to Accounts

		₹ in Lacs	₹ in Lacs
1.	Revenue from Operations		
	Sales and other income		
	A Ltd.	7,500	
	B Ltd.	1,500	
		9,000	
	Less: Inter-company Sales	(180)	
	Consultancy fees received by A Ltd. from B Ltd.	(8)	
	Commission received by B Ltd. from A Ltd.	(15)	8,797
2.	Increase in Inventory		
	A Ltd.	1,500	
	B Ltd.	300	
		1,800	
	Less: Unrealised profits ₹ 180 × 1/6 × 25/125	(6)	1,794
3.	Cost of Material purchased/consumed		
	A Ltd.	1,200	
	B Ltd.	300	
		1,500	
	Less: Purchases by B Ltd. from A Ltd.	(180)	1,320

	Direct Expenses		
	A Ltd.	300	
	B Ltd.	<u>150</u>	<u>450</u>
			<u>1,770</u>
4.	Employee benefits and expenses		
	Wages and Salaries:		
	A Ltd.	1,200	
	B Ltd.	<u>225</u>	<u>1,425</u>
5.	Other Expenses		
	Administrative Expenses		
	A Ltd.	300	
	B Ltd.	150	
		450	
	Less: Consultancy fees received by A Ltd. from BLtd.	<u>(8)</u>	442
	Selling and Distribution Expenses:		
	A Ltd.	300	
	B Ltd.	75	
		375	
	Less: Commission received from B Ltd. from A Ltd.	<u>(15)</u>	360
			802
6.	Finance Cost		
	Interest:		
	A Ltd.	150	
	B Ltd.	<u>75</u>	<u>225</u>
7.	Depreciation and Amortisation		
	Depreciation:		
	A Ltd.	150	
	B Ltd.	<u>75</u>	<u>225</u>
8.	Provision for tax		
	A Ltd.	1800	
	B Ltd.	<u>300</u>	<u>2100</u>

Note:

It is assumed that dividend adjustment has not been done in sales & other income of A Ltd i.e. dividend received from B Ltd is not included in other income of A Ltd. Alternative answer is possible considering otherwise.

Solution 21**Consolidated Statement of Profit & Loss of G Ltd. & subsidiary K Ltd. for year ended 31st Mar, 2023**

Particulars	Note No.	₹ in Crores
I. Revenue from operations	1	<u>3,525</u>
II. Total Income		<u>3,525</u>
III. Expenses		
Cost of material purchased/consumed	2	650
Changes of inventories of finished goods	3	(842)
Employee benefit expense	4	675
Finance cost	5	105
Depreciation and amortization expense	6	105
Other expenses	7	<u>225</u>
Total expenses		<u>918</u>
IV. Profit before tax (II-III)		<u>2,607</u>

Notes to Accounts

	₹ in Crores	₹ in Crores
1. Revenue from operations		
Sales and other income		
G Ltd.	3,000	
K Ltd.	<u>750</u>	
	3,750	
Less: Inter-company sales	(200)	
Consultancy fees received by G Ltd. from K Ltd.	(5)	
Commission received by K Ltd. from G Ltd.	<u>(20)</u>	3,525
2. Cost of material purchased/consumed		
G Ltd.	600	
K Ltd.	<u>100</u>	
	700	
Less: Purchases by K Ltd. from G Ltd.	<u>(200)</u>	500
Direct expenses (Production)		
G Ltd.	100	
K Ltd.	<u>50</u>	<u>150</u>
		<u>650</u>
3. Changes of inventories of finished goods		
G Ltd.	750	
K Ltd.	<u>100</u>	
	850	
Less: Unrealized profits ₹ 40 crores × 25/125	<u>(8)</u>	842
4. Employee benefits and expenses		
Wages and salaries:		
G Ltd.	600	
K Ltd.	<u>75</u>	675
5. Finance cost		
Interest:		
G Ltd.	75	
K Ltd.	<u>30</u>	105
6. Depreciation		
G Ltd.	75	
K Ltd.	<u>30</u>	105
7. Other expenses		
Administrative expenses		
G Ltd.	75	
K Ltd.	<u>50</u>	
	125	
Less: Consultancy fees received by G Ltd. from K Ltd.	<u>(5)</u>	120
Selling and distribution Expenses:		
G Ltd.	100	
K Ltd.	<u>25</u>	
	125	
Less: Commission received by K Ltd. from G Ltd.	<u>(20)</u>	<u>105</u>
		<u>225</u>

Note: The information (i) given in the question states that G Ltd. sold goods of ₹ 200 crores to K Ltd. at cost plus 25%. In the above solution it has been considered that the amount of ₹ 200 crores is sale value. Alternatively, ₹ 200 crores may be assumed as the cost of the goods sold. In that case, the solution will differ and will be as follows:

Alternative solution:

**Consolidated statement of profit and loss of G Ltd. and its subsidiary K Ltd.
for the year ended on 31st March, 2023**

Particulars	Note No.	₹ in Crores
II. Revenue from operations	1	<u>3,475</u>
II. Total Income		<u>3,475</u>
III. Expenses		
Cost of material purchased/consumed	2	600
Changes of inventories of finished goods	3	(840)
Employee benefit expense	4	675
Finance cost	5	105
Depreciation and amortization expense	6	105
Other expenses	7	<u>225</u>
Total expenses		<u>870</u>
IV. Profit before tax (II-III)		<u>2,605</u>

Notes to Accounts

	₹ in Crores	₹ in Crores
1. Revenue from operations		
Sales and other income		
G Ltd.	3,000	
K Ltd.	<u>750</u>	
	3,750	
Less: Inter-company sales	(250)	
Consultancy fees received by G Ltd. from K Ltd.	(5)	
Commission received by K Ltd. from G Ltd.	<u>(20)</u>	3,475
2. Cost of material purchased/consumed		
G Ltd.	600	
K Ltd.	<u>100</u>	
	700	
Less: Purchases by K Ltd. from G Ltd.	<u>(250)</u>	450
Direct expenses (Production)		
G Ltd.	100	
K Ltd.	<u>50</u>	<u>150</u>
		<u>600</u>
3. Changes of inventories of finished goods		
G Ltd.	750	
K Ltd.	<u>100</u>	
	850	
Less: Unrealized profits ₹ 40 crores × 25/100	<u>(10)</u>	840
4. Employee benefits and expenses		
Wages and salaries:		
G Ltd.	600	
K Ltd.	<u>75</u>	675
5. Finance cost		
Interest:		

	G Ltd.	75	
	K Ltd.	<u>30</u>	105
6.	Depreciation		
	G Ltd.	75	
	K Ltd.	<u>30</u>	105
7.	Other expenses		
	Administrative expenses		
	G Ltd.	75	
	K Ltd.	<u>50</u>	
		125	
	Less: Consultancy fees received by G Ltd. from K Ltd.	<u>(5)</u>	120
	Selling and distribution Expenses:		
	G Ltd.	100	
	K Ltd.	<u>25</u>	
		125	
	Less: Commission received by K Ltd. from G Ltd.	<u>(20)</u>	<u>105</u>
			<u>225</u>

Solution 22

Consolidated statement of profit and loss of Moon Ltd. and its subsidiary Star Ltd. for the year ended on 31st March, 2021

Particulars	Note No.	₹
Revenue from operations	1	5,00,32,500
Other Income	2	18,10,000
Total Income (I)		5,18,42,500
Expenses:		
Cost of material purchased/consumed	3	2,14,55,000
Changes (Increase) in inventories of finished goods	4	(49,87,500)
Employee benefit expense	5	1,57,50,000
Finance cost	6	2,27,500
Depreciation and amortization expense	7	4,55,000
Other expenses	8	84,32,500
Total expenses (II)		4,13,32,500
Profit before tax (II-III)		1,05,10,000

Notes to Accounts:

		₹	₹
1. Revenue from operations			
Sales and other operating revenues*			
Moon Ltd.		3,32,50,000	
Star Ltd.		<u>1,90,75,000</u>	
		523,25,000	
Less: Inter-company sales		(17,50,000)	
Consultancy fees received by Star Ltd. from Moon Ltd.		(2,80,000)	
Royalty received by Moon Ltd. from Star Ltd.		(50,000)	
Brokage received by Moon Ltd. from Star Ltd.		<u>(2,12,500)</u>	5,00,32,500
2. Other Income			
Dividend income:			
Moon Ltd.	16,80,000		
Star Ltd.	4,37,500		
Less: Dividend realised from Star Ltd.	<u>(5,00,000)</u>	16,17,500	

	Loss on sale of investments Star Ltd.		(2,62,500)	
	Other Non-operating Income			
	Moon Ltd.	3,50,000		
	Star Ltd.	<u>1,05,000</u>	<u>4,55,000</u>	18,10,000
3.	Cost of material purchased/consumed			
	Moon Ltd.	1,39,30,000		
	Star Ltd.	<u>47,25,000</u>		
	Less: Purchases by Star Ltd. From Moon Ltd.	1,86,55,000		
		<u>(17,50,000)</u>	1,69,05,000	
	Direct expenses (Production)			
	Moon Ltd.	31,50,000		
	Star Ltd.	<u>14,00,000</u>	<u>45,50,000</u>	2,14,55,000
4.	Changes (Increase) in inventories of finished goods			
	Moon Ltd.		43,75,000	
	Star Ltd.		<u>7,52,500</u>	
			51,27,500	
	Less: Unrealized profits 7,00,000 × 20/100		<u>(1,40,000)</u>	49,87,500
5.	Employee benefits and expenses			
	Wages and salaries:			
	Moon Ltd.		1,33,00,000	
	Star Ltd.		<u>24,50,000</u>	1,57,50,000
6	Finance cost			
	Interest:			
	Moon Ltd.		1,75,000	
	Star Ltd.		<u>52,500</u>	2,27,500
7.	Depreciation			
	Moon Ltd.		3,15,000	
	Star Ltd.		<u>1,40,000</u>	4,55,000
8.	Other expenses			
	General & Administrative expenses:			
	Moon Ltd.	28,00,000		
	Star Ltd.	<u>12,25,000</u>		
		40,25,000		
	Less: Consultancy fees received by Star Ltd. from Moon Ltd.	<u>(280,000)</u>	37,45,000	
	Royalty:			
	Star Ltd.	50,000		
	Less: Received by Moon Ltd. Selling and distribution Expenses:	<u>(50,000)</u>	Nil	
	Moon Ltd.	33,25,000		
	Star Ltd.	<u>15,75,000</u>		
		49,00,000		
	Less: Brokerage received by Moon Ltd. from Star Ltd.	<u>(2,12,500)</u>	<u>46,87,500</u>	84,32,500

Solution 23

**Consolidated Profit and Loss Account of X Ltd. and Y Ltd.
for the year ended 31st March, 2021**

Particulars	Note No.	₹
Revenue from operations	1	31,05,000

Other Income	2	Nil
Total Income		31,05,000
Expenses		
Purchases (Adjusted)	3	17,80,000
Changes of Inventories (URP: 1,20,000*1/4*25/125)		6,000
Employee benefit expense	4	4,25,000
Finance cost	5	42,000
Depreciation and amortization expense	6	3,97,750
Other expenses	7	2,50,000
Total expenses		29,00,750
Profit before Tax		2,04,250
Share of Parent/Holding (Bal. fig.)		2,05,600
Share of Minority (Refer W.N.)		(1,350)

Notes to Accounts

		₹	₹
1	Revenue from Operations		
	X Ltd.	18,00,000	
	Y Ltd. (19,00,000*9/12)	<u>14,25,000</u>	
	Total	32,25,000	
	Less: Intra-group sales (X sold to Y)	<u>(1,20,000)</u>	31,05,000
2	Other Income		
	Preference Dividend	7,000	
	Less: Pre Acquisition dividend (3 months)	<u>(3,500)</u>	
	Less: Contra	<u>(3,500)</u>	Nil
3	Cost of Materials Purchased/Consumed		
	X Ltd.	10,00,000	
	Y Ltd. (12,00,000*9/12)	<u>9,00,000</u>	
	Total	19,00,000	
	Less: Intra-group sales (X sold to Y)	<u>(1,20,000)</u>	17,80,000
4	Employee benefit and expenses		
	Wages and salaries		
	X Ltd.	2,00,000	
	Y Ltd. (3,00,000*9/12)	<u>2,25,000</u>	4,25,000
5	Finance cost		
	Interest		
	X Ltd.	24,000	
	Y Ltd. (24,000*9/12)	<u>18,000</u>	42,000
6	Depreciation		
	X Ltd.	2,20,000	
	Y Ltd. (2,37,000*9/12)	<u>1,77,750</u>	3,97,750
7	Other expenses		
	X Ltd.	1,60,000	
	Y Ltd. (1,20,000*9/12)	<u>90,000</u>	2,50,000

Working Note

1. Profit of Subsidiary

Revenue from Operations		14,25,000
Less: Expenses		
Purchases (Adjusted)	9,00,000	
Employee benefit expense	2,25,000	
Finance cost	18,000	

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Depreciation and amortization expense	1,77,750	
Other expenses	90,000	
Total expenses		(14,10,750)
Profit Before Tax (9 months profit)		14,250
Less: Preference Dividend paid	7,000	
Less: Preference Dividend Payable	<u>14,000</u>	(21,000)
Profit available for shareholders		(6,750)
Minority Share (20% of loss ₹ 6,750)		(1,350)

Para No 22 of AS 21

The results of operations of a subsidiary are included in the consolidated financial statements as from the date on which parent-subsidiary relationship came in existence. The results of operations of a subsidiary with which parent- subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss until the date of cessation of the relationship.

Solution 24

As per AS 21 Intragroup balances and intragroup transactions and resulting unrealised profits should be eliminated in full.

Intragroup balances and intragroup transactions and resulting unrealised profits should be eliminated in full. Unrealised losses resulting from intragroup transactions should also be eliminated unless cost cannot be recovered.

Intragroup balances and intragroup transactions, including sales, expenses and dividends, are eliminated in full. Unrealised profits resulting from intragroup transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full. Unrealised losses resulting from intragroup transactions that are deducted in arriving at the carrying amount of assets are also eliminated unless cost cannot be recovered.

One also needs to see whether the intragroup transaction is “upstream” or “downstream”. Upstream transaction is a transaction in which the subsidiary company sells goods to holding company. While in the downstream transaction, holding company is the seller and subsidiary company is the buyer.

In the case of upstream transaction, since the goods are sold by the subsidiary to holding company; profit is made by the subsidiary company, which is ultimately shared by the holding company and the minority shareholders. In such a transaction, if some goods remain unsold at the balance sheet date, the unrealized profit on such goods should be eliminated from minority interest as well as from consolidated profit on the basis of their share-holding besides deducting the same from unsold inventory.

But in the case of downstream transaction, the whole profit is earned by the holding company, therefore, whole unrealized profit should be adjusted from unsold inventory and consolidated profit and loss account only irrespective of the percentage of the shares held by the parent.

- This would be the case of downstream transaction. In the consolidated profit and loss account for the year ended 31 March 2019, entire transaction of sale and purchase of ₹ 200 lacs each, would be eliminated by reducing both sales and purchases (cost of sales). Further, the unrealized profits of ₹ 20 lacs (i.e. ₹ 200 lacs – ₹ 180 lacs), would be eliminated from the consolidated financial statements for financial year ended 31 March 2019, by reducing the consolidated profits/ increasing the consolidated losses, and reducing the value of closing inventories as of 31 March 2019.
- This would be the case of upstream transaction. In the consolidated profit and loss account for the year ended 31 March 2019, entire transaction of sale and purchase of ₹ 200 lacs each, would be eliminated by reducing both sales and purchases (cost of sales). Further, the unrealized profits of ₹ 50 lacs (i.e. ₹ 200 lacs – ₹ 150 lacs), would be eliminated in the consolidated financial statements for financial year ended 31 March 2019, by reducing the value of closing inventories by ₹ 50 lacs as of 31 March 2019. In the consolidated balance sheet as of 31 March 2019, A Ltd's share of profit from B Ltd will be reduced by ₹ 37.50 lacs (being 75% of ₹ 50 lacs) and the minority's share of the profits of B Ltd would be reduced by ₹ 12.50 lacs (being 25% of ₹ 50 lacs)