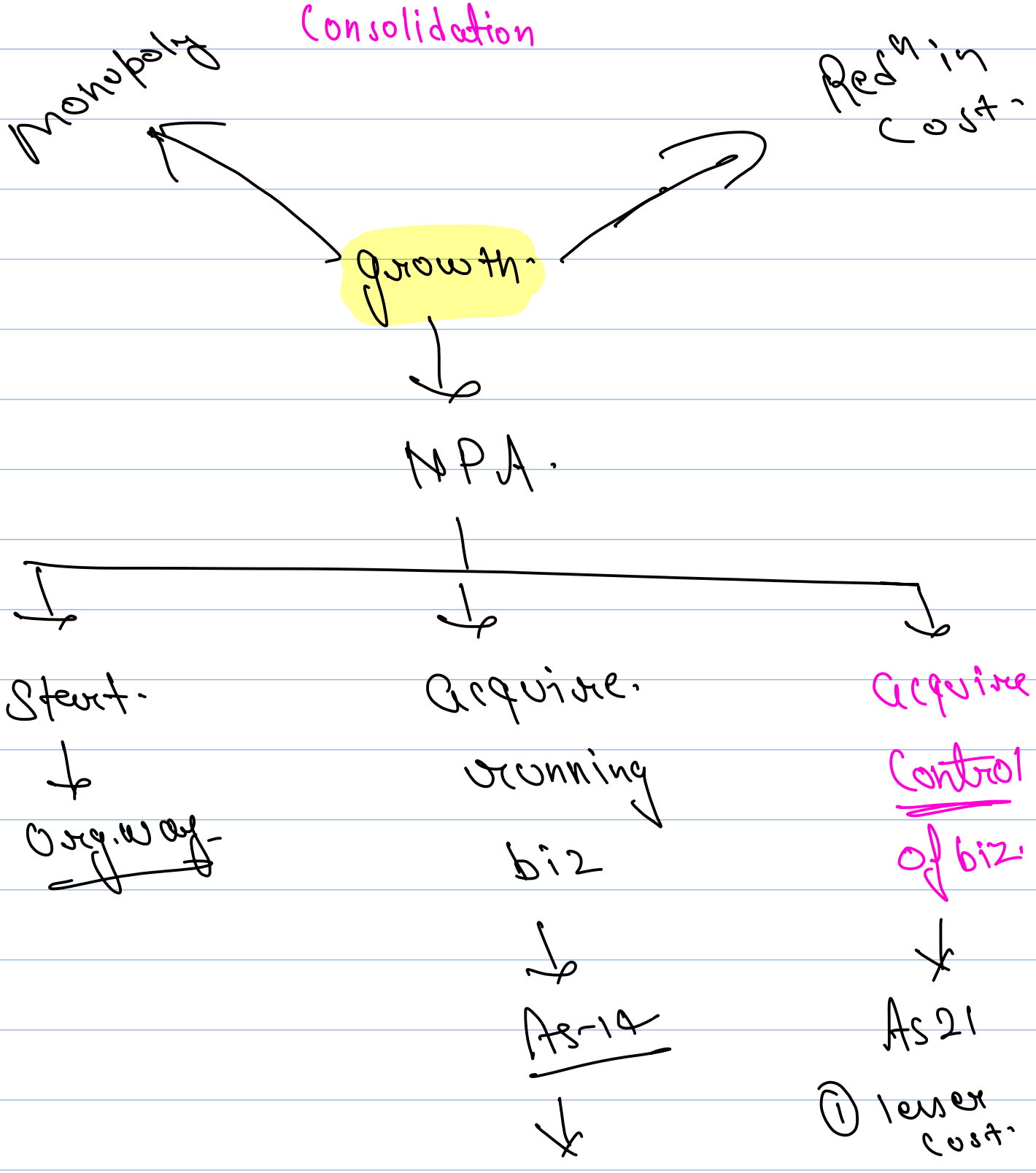
श्री गणेशाय
श्री शारदा चरणम:
शुभ चिंतन लाभ



But NPA has No idea to do it.

(2) Biz. decision

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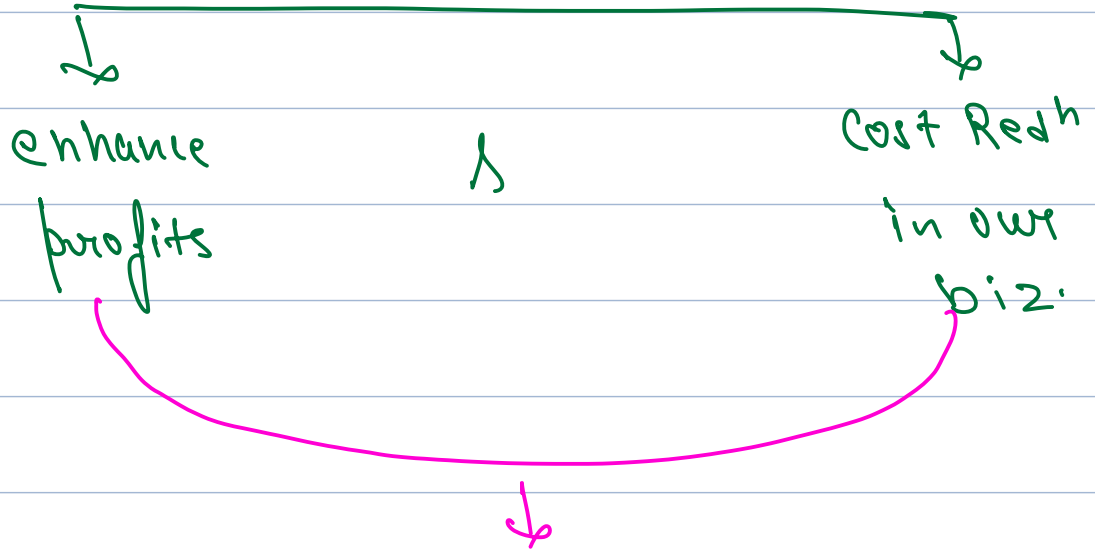
So as to conclude in order to attain Growth

↳ by Diversification

↓

which would lead to



↓

We have thought of having Control over another Biz.

Co. in which I have control ⇒ S Co. which is my co. ⇒ H/P.

AS-21

Consolidation with Sub.

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#1 Introduction :-

HD Ltd in order to attain growth established control over buddy Ltd which would reduce cost of HD Ltd & earn extra profit from Buddy Ltd.

H Co.
(Parent Co.)

Subsidiary Co.

is established by

a) Purchase > 50% of V.P.

+

b) Control over BOD.

H + S ⇒ Group

FIs of group is known as Group a/c

↓

Consolidation

#2 Consolidated FIs.

a) Consolidated BIs (CBS)
b) Consolidated PIL (CPL)

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#3 Exemptions from preparing CFS.

every holding Co. needs to prepare CFIs along-with its Subsidiary

↓

Exceptions

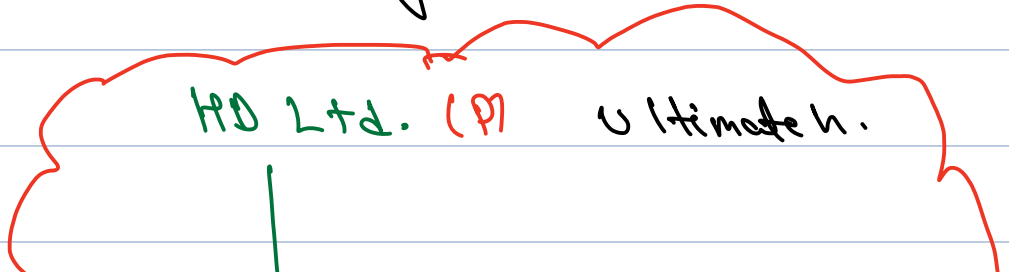
→ if holding gets permission from its members in writing who do. not object holding Co. for not presenting CFIs.

+

→ if holding Co. is not a listed nor in procen of listing.

+

→ if ultimate holding Co. is preparing CFIs then immediate holding Co. is exempt.



Buddy Ltd. (J) immediate holding.

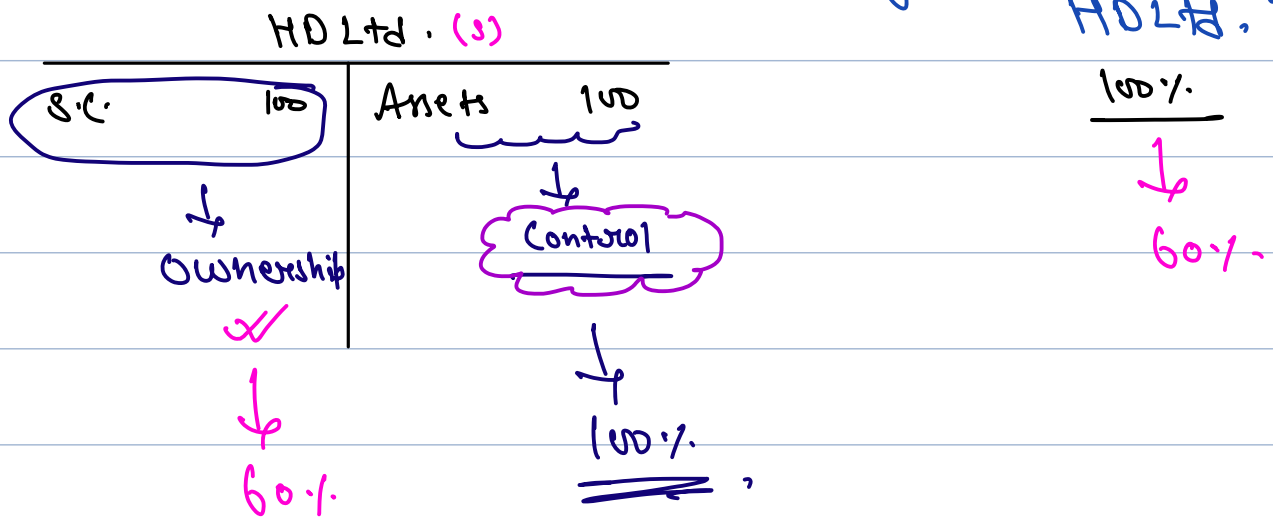
Dr Ltd. (S's) S.'s

#4 Minority interest. (M.I.)

if Parent Co. holds 70% Esh of S then remaining 30% of Esh. not owned by Parent is referred to as M.I.

#5 Concept of Consolidation.

Buddy HO control of HD Ltd.



Control can be there / cannot be there.

if H owns > 50% of Esh of S. it means H has control over all A&L of S.

∴ H should prepare BIs which shows all A/L on which H has control.

↳ i) H's A+L. +
ii) S's A+L

Such BIs is referred to as Consolidated BIs. (CBS).

Eg-1

P		S.	
ESC	NCA.	ESC	NCA.
RSS	CA.	RSS	CA.
NCL	invtin 60% E.Sh. of S.	NCL	
CL		CL	

CFS. (P-) W E

N.A. of S Dr
gw Dr
To invt in S.

To C.R.

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eg-2

H				S			
S.C.	460	PPE	300	S.C.	200	PPE	200
		invtin E.sh of S. of 100%	160				

∴ H has Control over 100% N.A. of S.

here Ownership = 100%

∴ M.I. = 0

eg-3.

H				S.			
S.C.	460	PPE	300	S.C.	200	PPE	200
		invin E.sh of S	160				

Holding stake = $\frac{160}{200} \times 100 = 80\%$

∴ M.I. = 20%

Ownership = 80% & Control = 100%

CBS

ESC (H)	460	PPE	500
M.I.	40	(300+200) H+S	
(20% of N.A of S)			
	=		=

N.A. of S Dr 200
To inv in S 160
To M.I 40

Derecognition of inv. in E.sh of S. is done by recognising all Net assets of S.

N.A. of S Dr
Goodwill Dr (if any)
To invt. in S.
To M.I
To C.R. (if any)

#6 Concept of Cost of Control

N.A. of S = 200

H (70%) | N.I. (30%)

H's share of N.A. ins. 140 | 60

H's paid 150 / 130

g/w / C.R. (10) / +10

H's share in N.A. of S. as on D.O.A. xxx

− H's investment / cost of investment (xxx)

in eq. sh. of S.

(cost − pre acq. Dividend.) xxx

(∵ it is cost recovery)

− ve → g/w

+ ve. → C.R.

Note-1 :- DOA = Date of acquisition i.e. date when > 50% of E.sh of S were purchased by H & H obtained control over S.

Note-2 :- if g/w comes positive then it is

Called C.R.

80% of N.A. of S.	140	140
- investment	160	130
gain	(20)	+10 C.R.

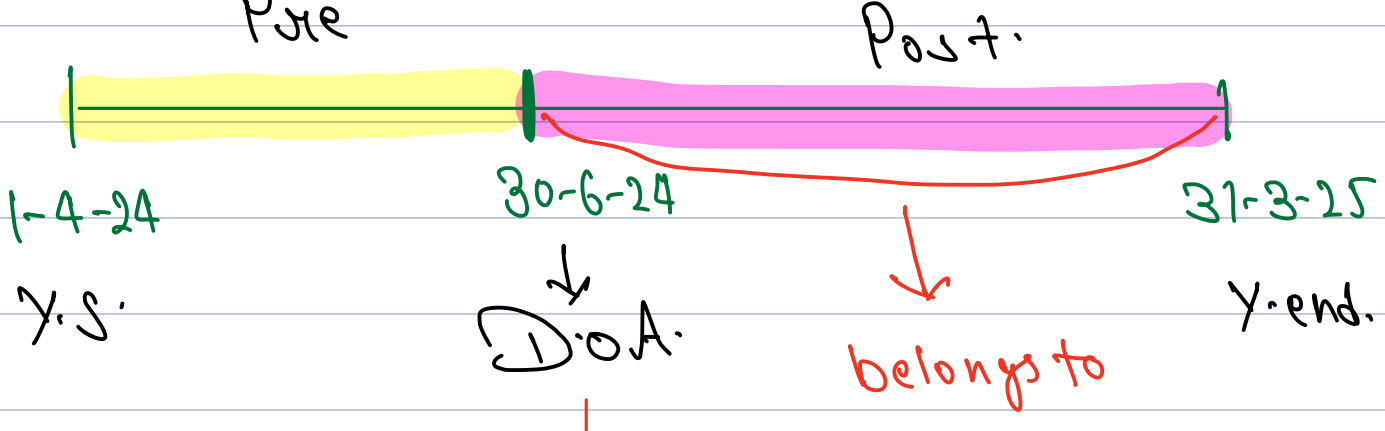
Note-3 Pre acquisition Dividend.

H acquired inv. in E.sh. of S in yr1 but it received dividend on E.sh. of S of yr0. then such dividend received of yr0 in yr1 is known as Pre acq. Dividend.

↓

it should be reduced from Cost of investment as it is cost recovery for H. Co.

#7 Period



P & M.I.

gw / C.R. is calculated by comparing H's share of N.A. of S. as on DoA.

S inv. in E.Sh of S.

H. M.I.

QUESTION:1

	P	S
Non-current Asset		
Property, Plant and Equipment	60,000	70,000
Financial Asset – Investment (100%)	80,000	
Current Asset	60,000	30,000
	2,00,000	1,00,000
Share Capital of ₹10 each	1,00,000	60,000
Retained Earnings (Other Equity)	60,000	20,000
Current Liabilities	40,000	20,000
	2,00,000	1,00,000

Prepare Consolidated Balance Sheet & pass the journal entry for consolidation.

Sol^n :- Cal^n of N.A. as on 31-3-xx

Asset approach.

Liability approach.

N.C.A.	7000	S.C.	6000
+ C.A.	3000	R&S.	2000
− C.L.	(2000)		8000
	8000		

Calculation of C.O.C.

H'ship N.A. of S on Do A.	8000
− Cost of inv.	(8000)
	0

J.E.

N.A. of S Dr 8000
To inv in S 8000

OR

N.C.A.	Dr	7000
C.A.	Dr	3000
To C.L.		2000
To inv. in S.		8000

CBS (P)

ESC (H)	10000	Non C.A (H+S)	13000
R&S (H)	6000	C.A (H+S)	9000
C.L. (H+S)	6000		
	22000		22000

QUESTION: 2

	P	S
Non-current Asset		
Property, Plant and Equipment	70,000	70,000
Investment in 100% ES of S since incorporation	90,000	-
Current Asset	40,000	40,000
	2,00,000	1,10,000
Share Capital of ₹10 each	1,00,000	60,000
Retained Earnings (Other Equity)	60,000	20,000
Current Liabilities	40,000	30,000
	2,00,000	1,10,000

Prepare Consolidated Balance Sheet & pass the journal entry for consolidation.

Soln :-

Step 1 Shareholding pattern

H's take. = 100%

∴ N.I. = 0

Step 2 Period

Y.S. → N.A.

DoA. → Bls date. → Pre → 0

Y.end → Bls date → Post → same day.

Step 3 Analysis of profits of Subsidary - N.A.

Step 4 T.O.A. → N.A.

Step 5 SONA of S.

Statement of Net Assets of S.

ESC 60000

R.E 2000

8000

Step 6 Cost of Control

H's share of N.A. of S as on DOA. (Steps) 8000

— Cost of investment 9000

Goodwill 1000

Step 7 J.E.

N.A. of S Dr 8000

Goodwill Dr 1000

To invt in S. 9000

Step 8 CBS. (P)

EJC (H)	10000	Non C.A. (H+S)	140000
RSS (H)	6000	Goodwill	1000
C.L. (H+S)	7000	C.A. (H+S)	8000
	23000		23000

QUESTION: 3

	P LTD	S LTD
NON CURRENT ASSETS		
1) PROPERTY, PLANT AND EQUIPMENT	80000	60000
2) INVESTMENT IN 80 % EQUITY SHARE OF S LTD ON BALANCE SHEET DATE	90000	
CURRENT ASSETS	40000	40000
TOTAL	210000	100000
EQUITY & LIABILITIES		
SHARE CAPITAL (RS 10 EACH)	100000	40000
RETAINED EARNINGS (OTHER EQUITY)	40000	30000
CURRENT LIABILITIES	70000	30000
TOTAL	210000	100000

Soln :- Step1 :- SHP

H's stake = 80%.

∴ M.I. = 20%.

Step2, 3, 4 → N.A.

Step5 SONA of S.

ESC	40000
R.E.	30000
	70000

Step6 Cost of control

H's sh. of N.A. of S (70000 × 80%)	56000
— Cost of investment.	90000
g/w	34000

Step7 J.E.

N.A. of S	Dr	70000
g/w	Dr	34000
To Inv.		90000
To M.I. (70000 × 20%)		14000

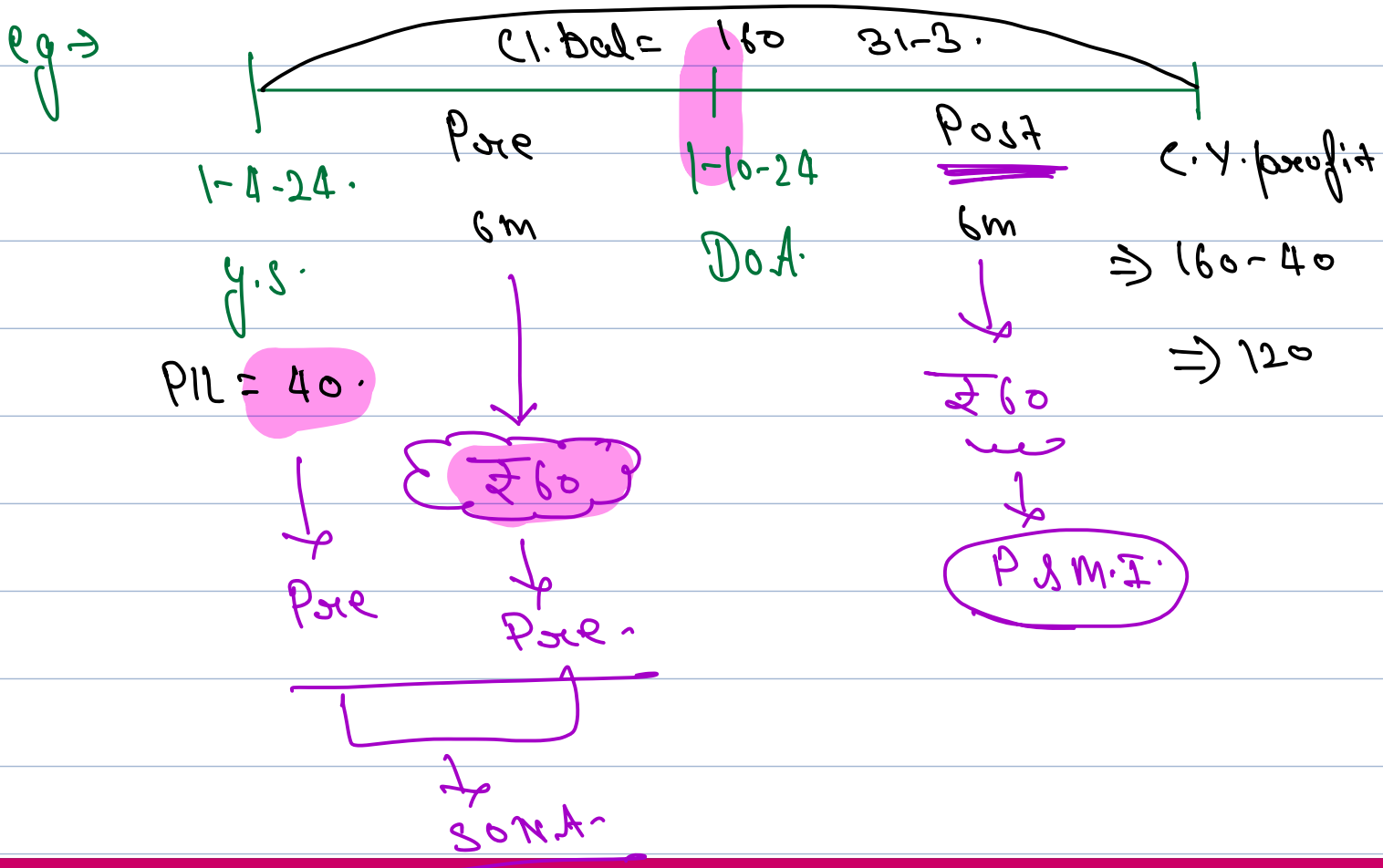
Step8 M.I

M.I. on DoA. 14000
(70000 × 20%)

Step9 CBS (P)

ESC	(H)	100000	Non C.A. (H+S)	140000
RSS	(H)	40000	goodwill (Step6)	34000
M.I	(Step8)	14000	C.A. (H+S)	80000
C.L.	(H+S)	100000		
		254000		254000

#8 Analysis of profits of s



QUESTION: 4

Balance Sheet as on 31.3.90

	P	S
Non-current Asset		
- Property, Plant and Equipment	70,000	70,000
- Investment in ES of S	80,000	-
Current Asset		
- Inventory	50,000	30,000
	2,00,000	1,00,000
Share Capital of ₹10 each	1,00,000	60,000
Retained Earnings (Other Equity)	60,000	20,000
Current Liabilities		
- Trade payables	40,000	20,000
	2,00,000	1,00,000

Other Information

(a) P acquired 4,500 ES of S as on 01/10/89

(b) Balance of Retained Earnings of S as on 01/04/89 was ₹ 8,000

Prepare Consolidated Balance Sheet & pass the journal entry for consolidation.

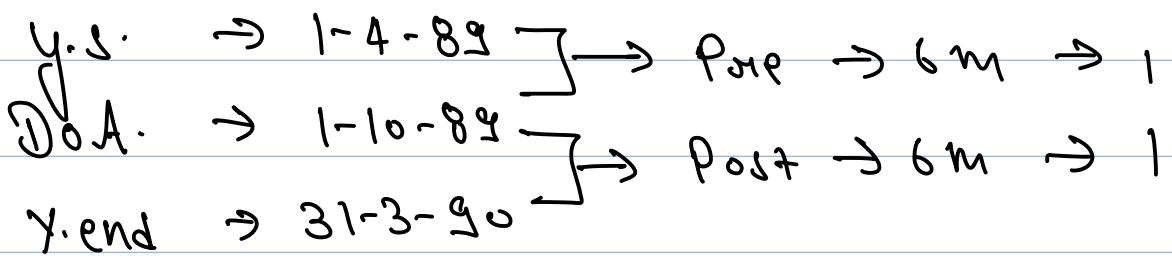
Soln :-

Step 1 SHP

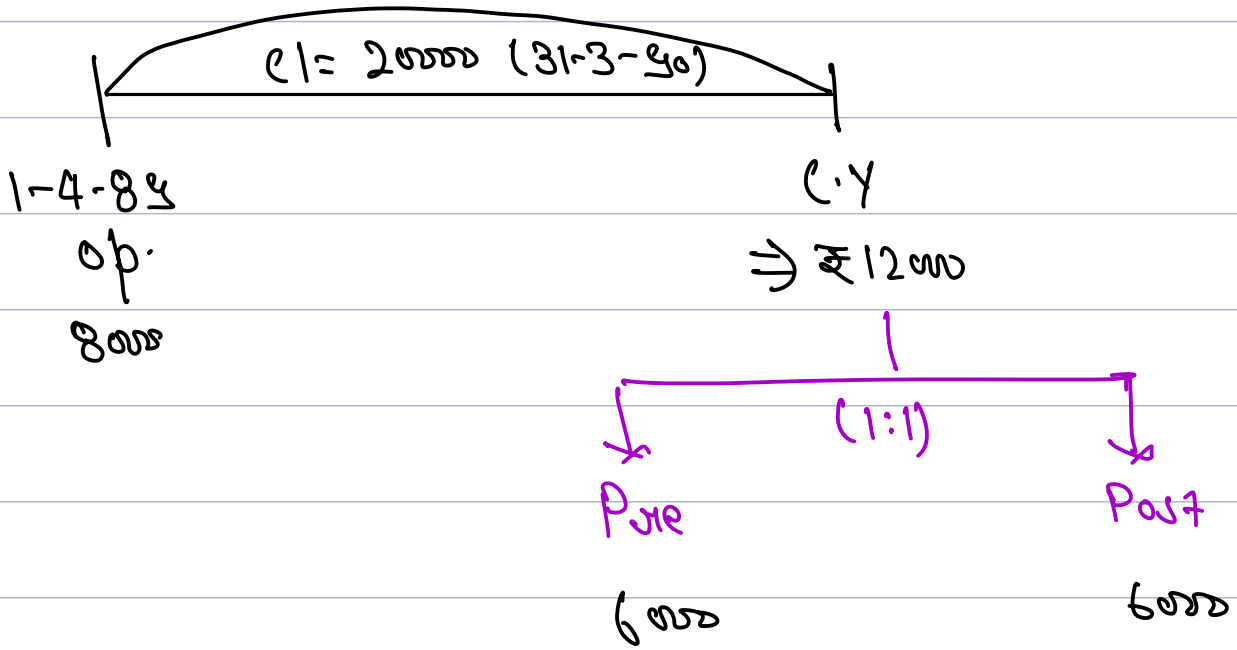
$$P = \frac{4500 \text{ shares}}{6000 \text{ shares}} \times 100 = 75\%$$

∴ Minority Int. = 25%.

Step 2 Period



Step 3 A.O.P. of S.



Pre acq. profit = 8000 + 6000 = 14000

Post acq. profit = 6000

Step 4 T.O.A → N.A.

Step 5 SONA of S.

	DOA	Post	yr. end
Esc	60000	—	60000
Rss (step 3)	14000	6000	20000
	74000	6000	80000
H (75%)	55500	4500	
M.I (25%)	18500	1500	

Step 6 Cost of control

H's share of N.A. of S as on DOA (step 5)		55500
— Cost of investment		80000
	GW	24500

Step 7 J.E. (not to be done in exam)

N.A. of S	Dr	74000	
Goodwill	Dr	24500	
To invt in S			80000
To M.I			18500

Step 8 M.I.

M.I. as on D.O.A.	(Step 5)	18500
M.I of post profit	(Step 5)	1500
		20000

Step 9 Com. R.S.

R.S (H)		60000
+ Sh. of post profit	(Step 5)	4500
		64500

Step 10 CBS

ESC (H)		100000
R.S.	(Step 9)	64500
M.I.	(Step 8)	2000
C.L. (P+S)		6000
		244500
Non CA. (H+S)		140000
goodwill	(Step 6)	2450
C.A. (H+S)		80000
		244500

So ⇒ CBS = S.C (H) + Ass of H.S. – adj. +

g/w/c.R. + M.I + Cons. Rds.

HD Cloud:

QUESTION:6

BIS as on 31-3-24

Liability	H	S	Assets.	H	S
ESC	10,000	8,000	NonCA	5,000	8,000
			invin 80% E.sh. of S. on 1-1-24	11,000	
PIL	6,000	4,000			
NonCL	2,000	1,000			
C.L.	1,000	2,000	C.A.	3,000	7,000
	19,000	15,000		19,000	15,000

Balance of PIL as on 1-4-23 = ₹ 10,000

prepare CBS.

Soln :- step 1 SHP

H'stake = 80%.

∴ M.I. = 20%.

Step 2 Period

Y.S. 1-4-23 → Pre → 9 → 3

DoA. 1-1-24 → Post → 3 → 1

Yrend. 31-3-24

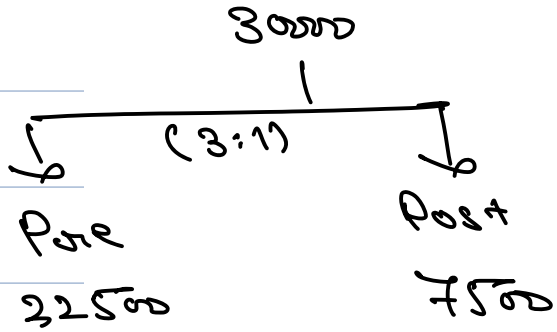
Step 3 A.O.P. of S.

Cl bal = 4,000 (31-3-24)

op. bal. C.Y.

1-4-23

10000



Pre acq. = 10000 + 22500 = 32500

Post acq. = 7500

Step 4 T.O.A → N.A.

Step 5 SONA of S

		DoA	Post	Yr end.
Esc		80000	—	80000
PIL	(Step 3)	32500	7500	40000
		112500	7500	120000
H (80%)		90000	6000	
MI (20%)		22500	1500	

Step 6 Cost of control

H's share in N.A. of S as on DoA. (Step 5) 90000

— Invt in S. 110000

Gw 20000

Step 7 M.I.

M.I. as on DoA. (Step 5) 22500

+ Sh. of p. profit (Step 5) 1500

24000

Step 8 Cons. RSS.

H's P/L 6000

+ Sh. of post profit (step 5) 6000

66000

Step 9 CBS

Esc (H)		100000
Cons. RSS	(step 8)	66000
M.I.	(step 7)	24000
NCL (H+S)		30000
CL (H+S)		30000
		250000
NCA. (H+S)		130000
Goodwill	(step 6)	20000
C.A. (H+S)		100000
		250000

#9 Treatment of Adjustments. (Super-6)

1) Treatment of misc. exps.
2) Contra item.
3) Unrealised profit on stock
4) Reval^n of PPE of s as on DoA.
5) Dividend
6) Bonus.

i) Treatment of misc exps.

- in Bls of s
  - less from total pre profit as on DoA. in SONA.
- in Bls of H
  - less from Cons RSs

ii) Contra items. (amt due b/w H & S)

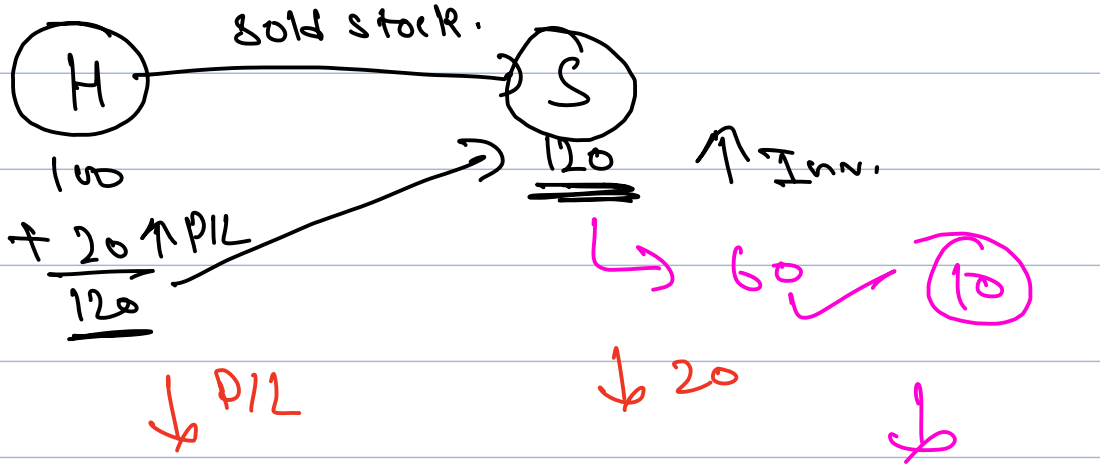
Such contra items should be set off in C.Bls.

B/P / Cr / loan from .. Dr
To B/R / Dr / loan to ...

(Such amount is reduced from both liability

↳ Asset side in CBS.

iii) U.R.P. on stock :-



Sellers PIL Dr
To Buyer's stock.

S → H
Upstream
↓
S's PIL Dr xxx ↓ Lost profit in Sol A.
To H's stock xxx

H → S.
downstream
↓
H's PIL Dr ↓ Cons. P&S.
To S's stock

(↓ from CBS)

(↓ from CBS)

Remember

Δ in S's PIL ⟶ impact SONA.

Δ in H's PIL ⟶ impact Cons. RSS.

HD cloud.

iv) Revaln of PPE of S. as on DoA.

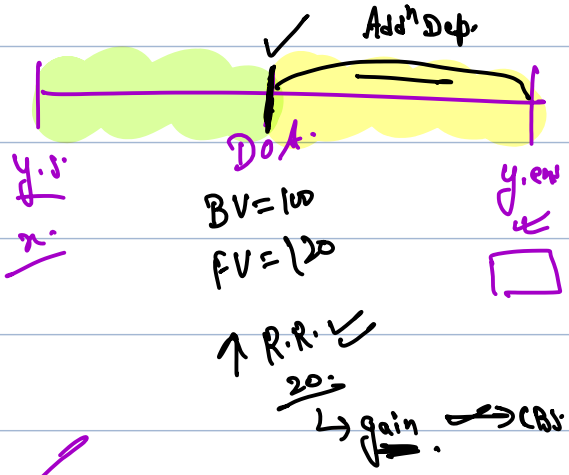
31-3.

H

200

S

100



PPE as on
31-3 = 120 ✓

After Dep.

to solve this issue we follow 3 steps.

Step 1 Calln of. ⟶

B.V. as on y.s. — OR — Dep.%

B.V. as on y.end / 100 − Dep.%

B.V. (y.s.) − B.V. (end) / B.V. (y.s.) × 100

⇒ ₹ ---

⇒ --- %

Step 2 Rev. g/l.

B.V. as on DoA = B.V. (y.s.) − pre period Dep. = xxx

Revalued amount as on DoA. = xxx

xxx

Gain → PPE Dr To s's pre profit. (D.t.)

Loss → s's prep. Dr To PPE

Step 3. Add^{n} / Savings in Dep.

Dep. charged = B.V. (y.s.) × post period Dep. = xxx

Dep. Chargeable = R.A. × post period Dep = xxx / xxx

Addn → S's post profit Dr To PPE

Savings. → PPE Dr To S's post profit.

Question # 15

In balance sheet of S as on 31.3.90

Plant & Machinery 13,500

Other Information - P acquired 60% stake on 30.9.89

Case – 1	Case – 2
a) Depreciation rate is 10%	a) Value of PM as on 1.4.89 was ₹15,000
b) FV as on DOA is 18,000	b) FV as on DOA is 18,000

Calculate revaluation gain/loss and additional or savings in depreciation.

Soln :-

Case 1

Step 1 Op. B.V.

⇒ 13500 / 90%

⇒ 15000

Case 2.

Step 1 Dep. %.

= (15000 − 13500) / 15000 × 100

= 10%.

Step 2. Reval^{n} G/L.

B.V. on DoA = 15000 − (15000 × 10% × $\frac{6}{12}$) = 14250

FV on DoA = 18000

3750

PPE Dr
To S's PL (DoA)

Step 3 Add^{n} Dep.

Dep charged. = 15000 × 10% × $\frac{6}{12}$ = 750

Dep. chargeable = 18000 × 10% × $\frac{6}{12}$ = 900

150

S's PL Dr
To PPE

QUESTION: 7

Balance Sheet as on 31-3-16

Liability	H	S	Assets	H	S
Esc	7000	3000	PPE	2000	18000
P/L	4000	2000	Drs	8000	1000
G/R	1000	12000	inv in E shops	6000	—
Crs	4000	3450	inventory	1000	1050
			Cash	6200	5800

① H acquired 80% E.Sh. in S on 1-1-16.

② Balance of PL of S on 1-4-15 = 5000

③ PPE was revalued on 1-1-16 at ₹ 25000/- Depn on PPE is 10%.

④ inventory of H includes ₹ 4000 from S at a profit of 25% on cost.

⑤ Debtors of H include ₹ 3000 from S.

Prepare CBS.

Soln :-

Step1 SHP.

H Ltd = 80%.

∴ M.I. = 20%.

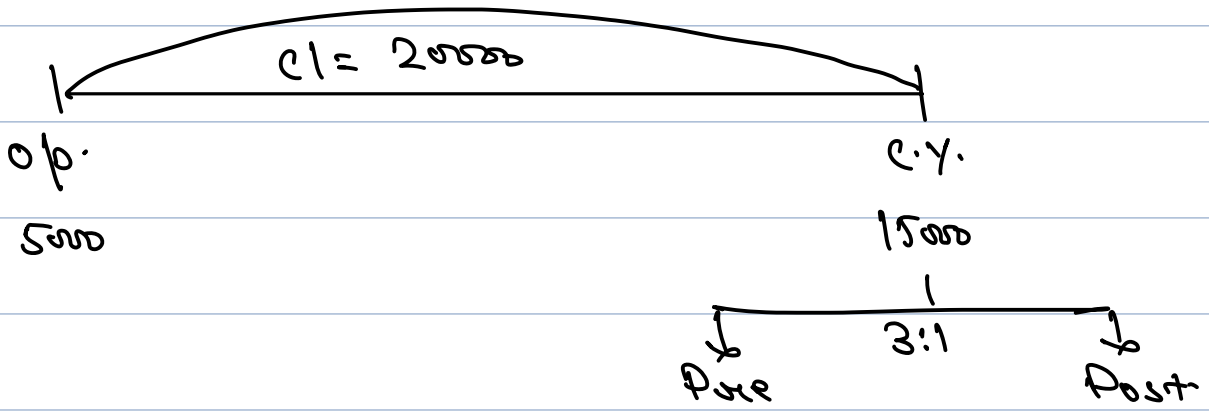
Step2 Period.

Y.S.	1-4-15	⇒ Pre → 9M → 3
DOA	1-1-16	⇒ Post → 3M → 1
Y.end	31-3-16	

3:1

step3 A.O.P. of S Ltd.

PIL.



11250 3750

P/L Pre acq. = 5000 + 11250 = 16250

P/L Post acq = 3750

Step4 ToA.

① Step1 Calⁿ of op. B.V. of PPE

$= \frac{18000}{(100-10)\%} = 20000$

Step2 Rev.

B.V. as on DoA. = $20000 - 20000 \times 10\% \times \frac{9}{12} = 18500$

F V as on DoA. = 25000

Rev gain 6500

PPE Dr

To S's pre prof.

Step3 Addⁿ Dep.

Dep charged = $20000 \times 10\% \times \frac{3}{12} = 500$

Dep. chargeable = $25000 \times 10\% \times \frac{3}{12} = 625$

Addⁿ Dep. 125

S's post profit Dr

To PPE

(2) URP on stock.

S's PIL Dr 800

To H's stock 800

$\left(4000 \times \frac{20}{125}\right)$

(3) Common debt

Cos Dr 3000

To Drs 3000

Step 5 SONA of S Ltd.

	DoA.	Post	Grand.
ESC	30000	–	30000
PIL (Step 3)	16250	3750	20000
G.R.	12000	–	12000
+ Rev. gain (Step 4)	650	–	650
– Add^{n} Dep. (Step 9)	–	(125)	(125)
– URP (Step 4)	–	(800)	(800)
	64750	2825	67575
H (80%)	51800	2260	
N.I. (20%)	12950	565	

Step 6 Cost of Control

H's share of N.A. of S on DoA (Step 5)	51800
– Cost of investment	60000
Goodwill	8200

Step 7 M.I.

Share in N.A. o/s (step5) 12950
Share of post pr. (step5) 565
13515

Step 8 Con. R/S:

H's PIL 40000
H's GIR. 10000
+ Sh. of postp. (step5) 2260
52260

Step 9 CBS

Equity & Liabilities.

SHF.

(1) ESC	70000
(2) Cons. R/S. (step8)	52260
Minority int. (step7)	13515
C.L. (H+S − 3000)	71500
	207275

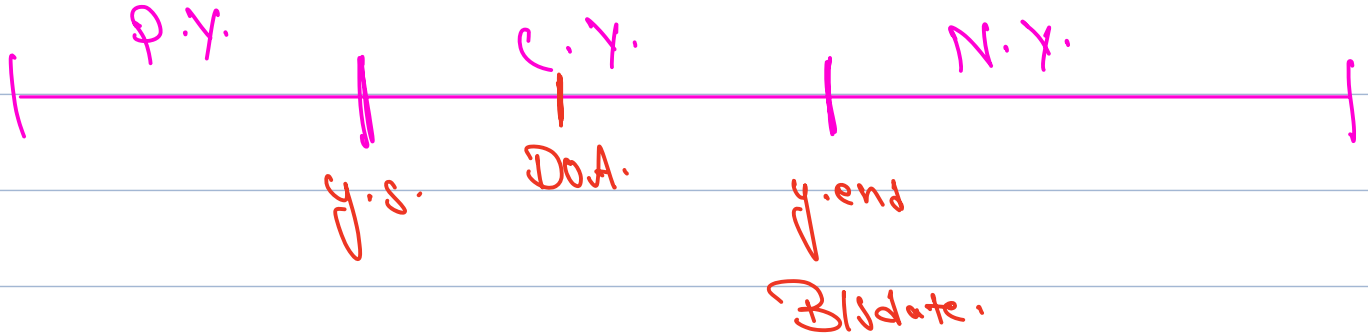
Assets.

PPE (H+S +6500 −125)	44375
goodwill (step6)	8200

C.A.

Inventory (H+S - 800)	19700
TIR (P+S - 3000)	15000
CSCE (P+S)	12000
	207275

V) Dividend.



There are 3 situations.

Situation 1 :- Dividend Declared by H/S.

↓

ignore

Situation 2 :- Final Dividend paid. { LY. Divid. paid in C.Y. }

H → ignore → bcoz Bill given to us was after passing entry of Dividend.

S → In A o P.

Y.S.

PIL xxx

-Dividend. (xx)

x.

Pre.

Y - x.

= xxx

Pre | Post

→ P.Y. Dividend paid by S in C.Y. would be received by H.

→ H would receive H's share of ~~total~~ Such Dividend.

∴ for H such Dividend is pre acq. Dividend.

∴ H should credit such Dividend to Investment a/c as per AS-13.

But if by mistake H has credited such Dividend to PIL then H should pass

rectification entry.

H's PIL Dr xxx → to income RA.

To investment. xxx

↳ Cost of cont

↳ reduce from cost of inv.

QUESTION: 9

(1) H's share = 80%. (2) DOA = 30-9-18

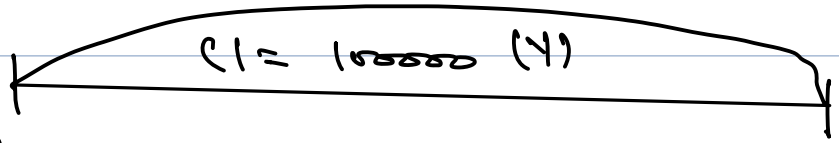
(3) S's PIL Balance on 1-4-18 = 30000

31-3-19 = 100000

(4) S's ESC = 100000

(5) S paid div. for 17-18 @ 10% on 10-10-18 which is wrongly credited by H to its PIL a/c.

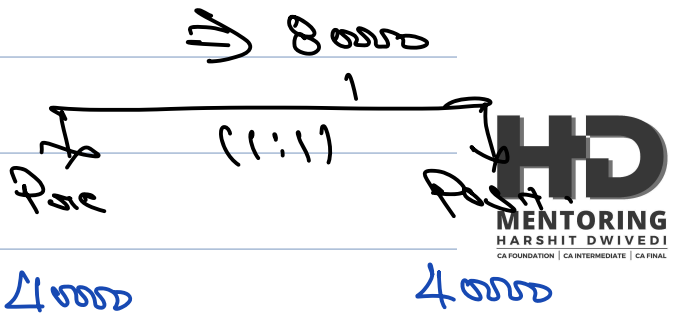
Soln :- Step 3.



O/p. 30000 — Div. (1000)

C.Y. 100000 — 20000 (Y - x)

20000 (x)



$P_{re} = 20000 + 4000 = 60000$

$P_{ost} = 40000$

H's PIL Dr 8000

To Inv. 8000

(10000 × 80%)

QUESTION: 8

BIS as on 31-3-18

Liability	H	S	Assets	H	S
Esc (₹10)	100000	70000	PPE	40000	27000
PIL	30000	40000	invin Eshofs	65000	—
GIR	10000	15000	Debtors	10000	13000
10% Deb	10000	5000	inventory	15000	12000
Crs	20000	25000	Cash	40000	103000

① H acquired 42000 E.sh. of S on 30-9-17.

② Bal. of S. as on 1-4-17 of PIL = 10000
GR = 7000

③ PPE of S whose B.V. on 1-4-17 was 30000 was revalued on 30-9-17 as ₹ 40000.

④ Inventory of H includes stock of ₹60000 from S @ profit of 20% & entire inventory of S is from H @ profit of ₹2000

⑤ Creditor of S includes ₹5000 due to H.

pre bone (BS.

Sol 11:-

Step1 SHP

H's share = $\frac{4000}{7000} \times 100 = 70\%$.

∴ M.I = 30%.

Step2. Period

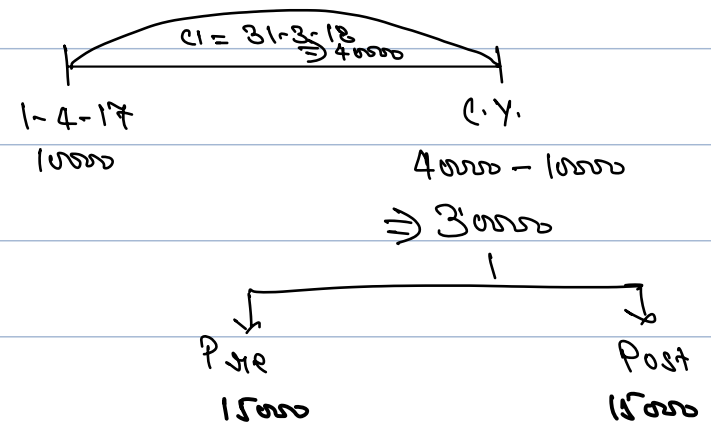
Year starting — 1-4-17 → 6m → Pre

D.O.A. — 30-9-17 → 6m → Post.

year ending — 31-3-18

Step3 Analysis of profits

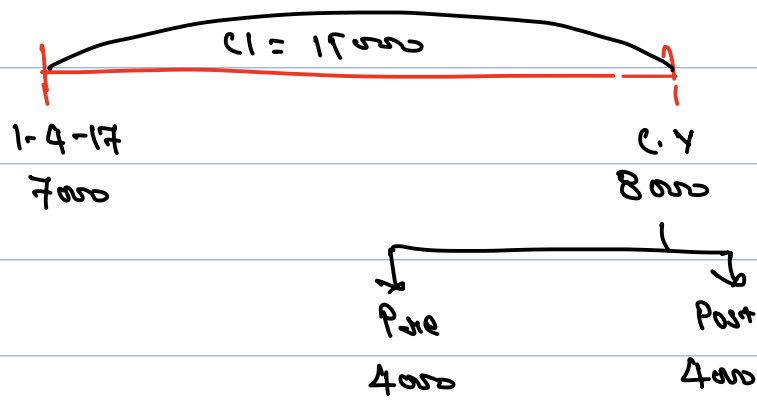
① PIL.



Total pre = 15000 + 10000 = 25000

Post = 15000

② Gr.R.



Total Pre = 7000 + 4000 = 11000

Post = 4000

Step 4 Treatment of Adjustments

① Revaluation.

Step 1 Dep % = $\frac{30000 - 27000}{30000}$

= 10%

Step 2 Rev. gain / Loss.

BV as on DOA ⇒ $30000 - 30000 \times 10\% \times \frac{6}{12}$ = 28500

R.A as on DOA = 40000

Rev. gain. 11500

PPE Dr

To S's pre profit

Step 3. Additional dep.

Charged = $30000 \times 10\% \times \frac{6}{12}$ = 1500

Chargeable = $40000 \times 10\% \times \frac{6}{12}$ = 2000

Add" Dep. 500

S's Post Dr

To PPE

② URP

③ Creditors Dr 5000

To Debtors 5000

To stock 1200

(6000 x 20%)

S.

H's PIL Dr 2000

To stock 2000

Steps SBNA

	DoA	Post	Y.end.
FSC	70000	–	70000
PIL (Step3)	25000	15000	40000
GIR (Step3)	11000	4000	15000
Rev. (Step4)	11500	–	11500
Add^{n} Dep (Step4)	–	(500)	(500)
URP (Step4)	–	(1200)	(1200)
	117500	17300	134800
H (70%)	82250	12110	
MI (30%)	35250	5190	

Step6 CoC

H's share of N.A. as on DoA. (Step5) 82250

– Cost of Investment 65000

C.R. 17250

Step7. MI

Share of N.A. of S. (Step5)	35250
Share of post profit (Step5)	5190
	40440

Step8 Cons RSS:

H's P/L	30000
H's G.R.	10000
Share of post profit (Step5)	12110
URP on stock (Step4)	(2000)
Capital Reserve (Step 1)	17250
	67360

Step9 CBS:

PSC (H)	100000
Cons. RSS. (Step8)	67360
M.I. (Step7)	40440
10% Deb. (H+S)	15000
TIP (H+S − 5000)	4000
Total	261800
PPE (H+S+11500 − 500)	78000
Inventory (H+S−2000−1200)	23800
TIR. (H+S−5000)	18000

CASE (H+S)

	14300
Total.	26280

Situation - 3 Interim Dividend paid. { C.Y. Div. paid in C.Y.

H

↓

ignore

S.

↓

a) amt of I.D. = % of S's S.C. × Y.S. to D.o.P / 12

b) Add I.D. to C.Y. profits. then bifurcate b/w pre & post.

c) Ded. I.D. from pre/post. in ratio of I.D. months.

QUESTION: 10

① H's share = 80%. ② DOA 30-9-18

③ S's ESC = 48000

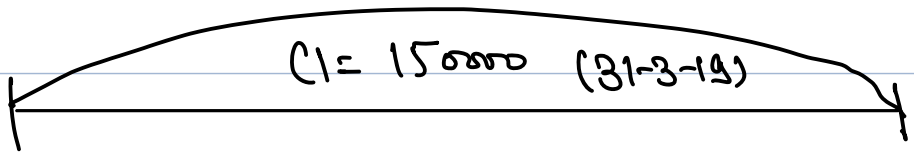
④ S's P/L as on 1-4-18 = 6000
31-3-19 = 15000

⑤ Paid I.D. @ 10% on 1-11-18 by S

Soln :- Step 3.

a) I.D. = 48000 × 10% × $\frac{7}{12}$ = 2800

b)



Op. 6000

9000
+ 2800
11800

1 : 1

Pre	Post
5900	5900
− I.D. (1400)	I.D. (4000)
(2800 in 6:1) 3500	5500

Pre = 6000 + 3500 = 9500

Post = 55000

QUESTION: 11

BIS as on 31-3-18

Liability	H	S	Assets	H	S
ESC	100000	80000	NonCA	40000	80000
PIL	40000	50000	invinEsh. of S.	15000	—
C.L.	60000	20000	CA	10000	70000

① H invested in 80% E.sh. of S on 1-1-18.
② Bal. of PIL on 1-4-17 = 12000
③ Both Co. declared Div. @ 10% for 17-18.
④ S paid Div. @ 10% for 16-17 as on 1-10-17 which is recd. by H but wrongly credited to PIL.
⑤ I.D. paid by S @ 12% on 1-12-17.

Prepare CBS.

Soln :- Step1 SHP

H= 80%

∴ M.I. = 20%

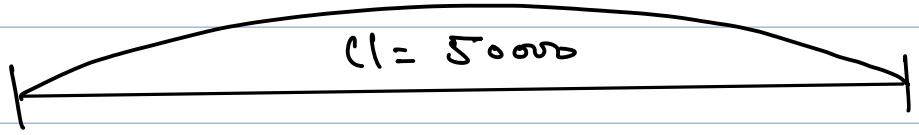
Step2 Period

y.s. 1-4-17 → Pre → 9
DOA. 1-1-18 → Post → 3
y.end 31-3-18

Step3. AOP of S Ltd.

a) I.D. = $80000 \times 12\% \times \frac{8}{12} = 6400$ (Pre)

b) Final Dividend = 80000 × 10% = 8000



Op.	C.Y.
12000	46000
— F.D. (8000)	+ 6400
4000	52400

4 : 3

	Pre	Post.
	32800	13100
— I.O. (entire Pre)	(6400)	—
	32800	13100

Total Pre = 4000 + 32800 = 36800

Post = 13100

Step4 ToA → N.A.

Step5 S O N A.

	DoA.	Post	Yrend.
ESC	8000	—	8000
PIL (Step3)	36800	13100	50000

	11620	13100	13000
H (80%)	93520	10480	
MI. (20%)	23380	2620	

Step6 CoC

H Share of NA of S. (Step5) 93520
— Cost of inv 143600
(150000 − 6400) Gw 50080
↓
Preacq.
(8000 × 80%)

Step7 M.I.

on DoA. (Step5)	23380	
Sh.O.P.P. (Step5)	2620	
	26000	

Step8 Com. Rls.

HPIL	40000
+Sh.OPP (Step5)	10480
− Pre.acq. Div.	(6400)
	44080

Step9 Com. Bls.

ESC (H)	100000
Com. Rls (Step8)	44080
M.I. (Step7)	26000
C.L. (H+S)	80000

	25008
Non C.A. (H+S)	120000
Goodwill (Step 6)	50080
P. A. (H+S)	80000
	250080

vi) Bonus

S.C. ↑
R&S. ↓

- Arising is already done
  - Decl. by H → ignore.
  - Decl. by S. → amount of Bonus should be reduced from op. bal. of PIL / GR.
- Arising is not done.
  - decl. by H → GR / PIL Dr To Esc → + S.C. → Cons. R&S.
  - Dec. by S. → GR / PIL Dr To Esc → + SC → SONA in DOA.

note :- if bonus is declared by S. in Step 1

SHP ⇒ H's share

↳ $\frac{\text{Eqh held by H (incl. bonus)}}{\text{no. of eq. sh. of S. (incl. bonus)}}$

Summary of all advance concept at 1 place

	H	S.
1) misc exps. app. in BIS.	less from Cons. RIS	less from pre profits.
2) Contra item	Cr Dr To Dr	–
3) URP on stock		
① upstream	–	S's Post profit Dr To Stock
② Downstream.	(H'SPIL) Cons RIS. Dr To stock	
4) Revaluation		

I BV (Y.S) = $\frac{\text{B.V. (YE)}}{100 - \text{Dep.\%}}$

Or

Dep.% = $\frac{\text{B.V. (YS)} - \text{BV (Y.E)}}{\text{B.V.(Y.S)}}$

II Rev. g/L.

BOV as on DoA.

- Rev. amount.

—

FA Dr

To s'spre pr.

(gain)

III Add^{n} Dep/saving.

Dep. charged on B.V.

- Dep. chargeable on R.A.

—

S's Post profit

To FA.

(Add^{n}.)

(5) Dividend Declared — —

(6) Dividend paid (final) — Ten from op. bal.

⇒ % x S.C.

If wrongly Cr. to PIL.

↳ H'share ⇒ F.D.x H's share

↓ Cons. RSIDr

To inv.

↓

(7) Interim Div. paid.

a) Add C.Y. profit

% of ESC x Y.S. to D.O.P. / 12

⇒ xxx

—

b) Ven from pre & post profit in ratio of I.D. months.

⑧ Bonus.

↳ Alcing done

↳ Alcing not done.

—

- Com. R.S. G1R/P12 Dr To ESC + S.C.

Ven from op. G1R/P12.

G1R/P12 Dr To ESC + Prop. + Dist.

QUESTION: 12

The following are the Balance Sheets of H Ltd. and S Ltd. as on 31st March, 2012:

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Share Capital			Fixed Assets	4,80,000	2,50,000
Shares of ₹ 100/-each	10,00,000	5,00,000	Investments		
Reserve & Surplus			in S Ltd.	5,00,000	--
General Reserve	1,00,000	1,50,000	Current Assets	7,20,000	7,50,000
Profit & Loss A/c	1,60,000	1,50,000			
Current Liabilities	4,40,000	2,00,000			
	17,00,000	**10,00,000**		**17,00,000**	**10,00,000**

The following further information is furnished:

(1) H Limited acquired 3000 shares in S Limited on 1.7.2011. The Reserves and Surplus position of S Limited as on 1.4.2011 was as under:
   (a) General Reserve ₹ 2,50,000
   (b) P & L A/c. Bal. ₹ 1,20,000

(2) On 1.10.2011 S Limited issued 1 share for every 4 shares held as Bonus Share at a face value of ₹ 100 per share. No entry has been made in the books of H Limited for the receipt of these bonus shares.

(3) On 30.9.2011, S Limited declared a dividend out of its pre-acquisition profits of 25% on its then share capital. H Limited credited the dividend to its Profit and Loss Account.

(4) H Limited owed S Limited ₹ 50,000 for purchase of stock from S Limited. The entire stock is held by H Limited on 31.3.2012. S Limited made a profit of 25% on cost.

(5) H Limited transferred a machinery to S Limited for ₹ 1,00,000. The book value of the machinery to H Ltd. was ₹ 80,000.

Prepare a consolidated Balance Sheet as on 31.3.2012.

Soln :- Step1 SHP.

no. of eq.sh. held by H bef. Bonus = 3000

+ Bonus $\frac{1}{4} \times 3000$ = 750

no. of eq. sh. ind. Bonus. 3750

$\therefore$ H stake = $\frac{3750}{5000} \times 100 = 75\%$.

$\therefore$ M.I. = 25%.

Step2. Period

Y.S. 1-4-11 → Pre 3 → 1

DOA. 1-7-11 → Post 9 → 3

Y. end. 31-3-12

Step3. A.O.P.

Op. + Bonus. = C.Y.S.C.

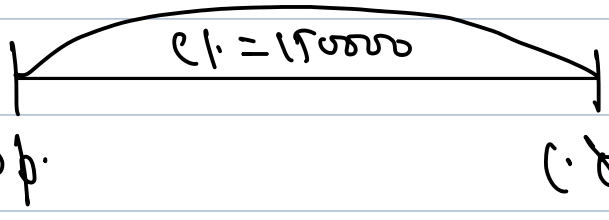
400000 + 100000 = 500000

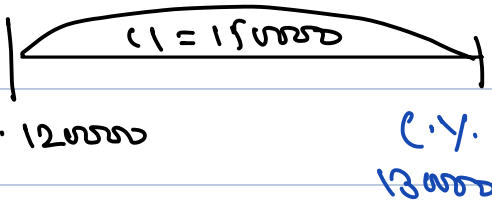
Lets say: 4 + 1 = 5

(1) Gr. R.

(2) PIL.

Div = 4L × 25% = 12.





25000

(10000) (Bonus)

15000

⇒ 30. – Div. (10000) / 20000

Pre 3250 | Post 9750

Pre = 20000 + 3250

= 52500

Post = 9750

Step 4. To A.

(1) Cus Dr 5000
To Drs. 5000

(2) S's PIL Dr 1000
To H's stock 1000
(50000 × 25/125)

(3) H's PIL Dr 2000
To PM 2000

(4) H's PIL Dr 7500
To inv. 7500
(12 × 75%.)

Step 5 SONA. of S Ltd.

	DoA.	Post	Y.end.
Esc	500000	–	500000
GIR (step3)	15000	–	15000
PIL (step3)	5250	9750	15000
URP (step4)	–	(1000)	(1000)
	702500	8750	790000

H (75%)	526875	65625
M.I. (25%)	175625	21875

Step 6 COC.

H'share of N.A. of S.		526875
- Cost of invt. (5L - 75000)	C.R.	425000 / 101875

Step 7. M.I.

As on DoA. (step 5)		175625
Sh. of Postpr. (step 5)		21875
		197500

Step 8 C.R.S.

H's GR	12
H's PIL	1.6L.
- Div.	(75000)
- URP	(20000)
+ sh. of p.p.	65625
+ C.R.	101875
	332500

Step 9 CBS.

1) ESC	(H)	1000000
2) Cons. RIS	(step 8)	332500
3) M.I.	(step 7)	197500
4) Non CL		—

5) C.L. (P+S - 5000) 59000

212000

1) N.C.A. 71000

PPE (P+S - 2000)

2) C.A. (P+S - 1000 - 5000) 141000

212000

QUESTION: 13

From the following Balance sheet of H Ltd. and its subsidiary S Ltd. as on 31st March 2011, and the additional information provided there after prepare consolidated Balance sheet on 31.3.11

Liabilities	H Ltd. ₹	S Ltd. ₹	Assets	H Ltd. ₹	S Ltd. ₹
Share capital(₹10)	25,00,000	5,00,000	Land	5,00,000	1,00,000
			Building	10,00,000	3,00,000
Reserve	2,00,000	----	Machinery	6,00,000	4,50,000
Profit & Loss A/c	3,00,000	4,00,000	Investment	7,50,000	12,000
Current Liabilities	1,60,000	90,000	Current Assets	3,10,000	1,28,000
	31,60,000	**9,90,000**		**31,60,000**	**9,90,000**

Additional Information:

(1) H. Ltd. acquired 40,000 Equity shares of S Ltd. for ₹ 7,00,000 on 1 July 2010.

(2) Land of S Ltd. was revalued as on 30.6.2010 ₹ 5,00,000

(3) S Ltd. declared & paid interim dividend @ 20% p.a. for 6 month ended on 30th September 2010. Dividend received by H Ltd., credited to profit and loss A/c

(4) Profit & Loss A/c of S Ltd. as on 1st April 2010 showed Dr. Balance amounting ₹4,00,000

Soln :- Step 1 SHP

H's share = $\frac{40000}{50000} \times 100 = 80\%$.

∴ M.I = 20%.

Step 2 Period.

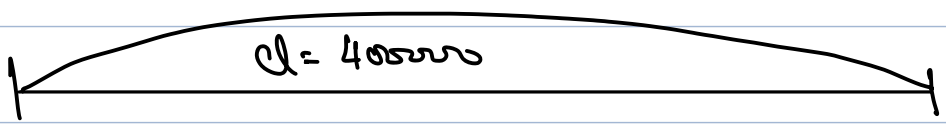
Y.S. → 1-4-2010
DOA → 1-7-2010
Y.end → 31-3-2011

→ Pre → 3 → 1
→ Post → 9 → 3.

Step 3 A. O.P.

a) I.D. = 5L × 20% × $\frac{6}{12}$ = 50000

b)



Op (400000)

C.Y.
800000
+ I.D. (50000)
850000

1:3

Pre
212500
− I.D. (50000) (25000)
in 1:1
187500

Post
637500
(25000)
612500

Total pre = − 400000 + 187500 = (212500)

Post = 612500

Step 4- T.O.A.

① Land Dr 400000

To s's PIL (pre) 400000

② H's PIL Dr ~~400000~~ 200000

To inv. ~~400000~~ 200000

(50000 × 80% × 1/2)

↳ (it is only till DoA.)

Step 5: SONA.

	DoA.	Post	Y.E.
Esc	50000	—	50000
PIL (step3)	(212500)	612500	400000
+ Rev. (step4)	400000	—	40000
	687500	612500	13L.
H (80%)	550000	490000	
NI (20%)	137500	122500	

Step 6 COC

H's share of N.A of S. (3 steps)	550000
− Cost of investment.	600000

(70000 − 20000) g/w 130000

step7 M.I.

as on DoA. (steps) 137500
+ sh. of p. pr. (steps) 122500
26000

step8 Com. R.S.

GIR (H) 2
PIL (H) 3
+ sh. of post profit (steps) 49000
− Dividend (step4) (20000)
97000

step9 C B S.

Equity & Liabilities.
Shareholder funds.
1) S.C. 250000
2) R.S. (step8) 97000
M.I. (step7) 26000
C.L. (H+S) 25000
398000

Assets

Note: PPE

Land
H 500000
S 500000 1000000

Building
H 100000
S 30000 130000

Machinery

Non C.A.

1) PPE — 335000

2) Goodwill (Steps) — 130000

3) Inv. (50000 + 12000) — 62000

C.A. (H+S) — 438000

398000

H 600000

S 450000 105000

335000

QUESTION: 18 *(16 Marks, May, 2004)*

On 31st March, 2017 the summarized Balance Sheets of H Ltd. and its ubsidiary S Ltd. stood as follows:

Liabilities	H Ltd.	S Ltd.
Share Capital		
Authorized	15,000	6,000
Issued and Subscribed		
Equity Shares of ₹ 10 each, fully paid up	12,000	4,800
General Reserve	2,784	1,380
Profit and Loss Account	2,715	1,620
Bills Payable	372	160
Trade Payables	1,461	854
Provision for Taxation	855	394
Dividend payable	1,200	----
Total	**21,387**	**9,208**
Assets	**H Ltd**	**S Ltd.**
Land and Buildings	2,718	---
Plant and Machinery	4,905	4,900
Furniture and Fittings	1,845	586
Investments in shares in S Ltd.	3,000	-----
Stock	3,949	1,956
Trade Receivables	2,600	1,363
Cash and Bank Balances	1,490	204
Bills Receivable	360	199
Sundry Advances	520	----
	21,387	**9,208**

30

The following information is also provided to you:

(a) H Ltd. purchased 180 lakh shares in S Ltd. on 1st April, 2016 when the balances of General Reserve and Profit and Loss Account of S Ltd. stood at ₹ 3,000 lakh and ₹ 1,200 lakh respectively.

(b) On 31st March, 2016, S Ltd. declared a dividend @ 20% for the year ended 31st March, 2016. H Ltd. credited the dividend received by it to its Profit and Loss Account.

(c) On 1st January, 2017, S Ltd. issued 3 fully paid-up bonus shares for every 5 shares held out of balances of its general reserve as on 31st March, 2016.

(d) On 31st March, 2017, all the bills payable in S Ltd.'s balance sheet were acceptances in favour of H Ltd. But on that date, H Ltd. held only ₹ 45 lakh of these acceptances in hand, the rest having been endorsed in favour of its trade payables.

(e) On 31st March, 2017, S Ltd.'s inventory included goods which it had purchased for ₹ 100 lakh from H Ltd. which made a profit @ 25% on cost.

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 2017.

Soln :- Step 1 SHP

H's shares in S = 180 Lakh $\times \frac{3}{5} = 108$

S's shares after B.I. = 480

H's share after B.I. = 180 + 108 = 288

(1)

Op. S.C.	+	Bonus	=	Cl. S.C.
100	+	$\frac{3}{5}$ of 100	=	$100 + \frac{3}{5}$
100	+	60	=	160
??		??	=	480
300		180		

H's stake = $\frac{288}{480} \times 100 = 60\%$

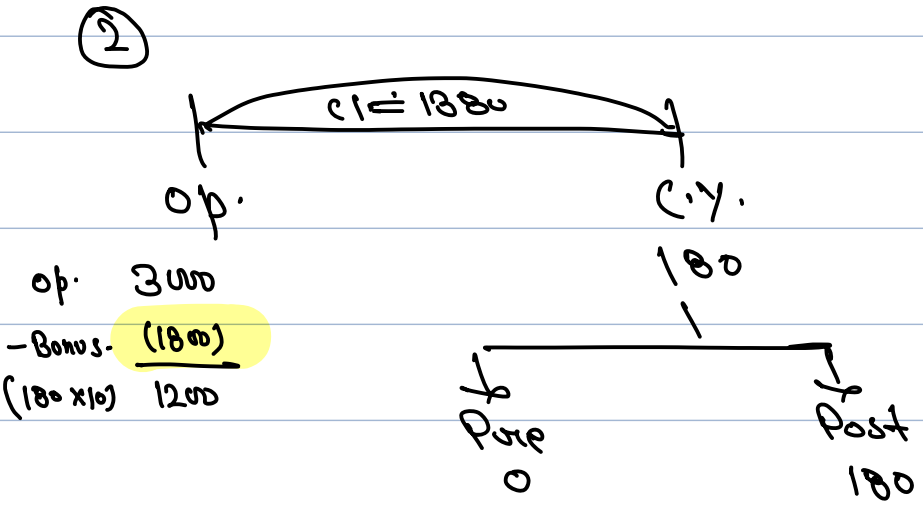
$\therefore$ M.I. = 40%

Step2 Period entire Post.

Step3. AoP

① F.D. = 300 L × 10 × 20%

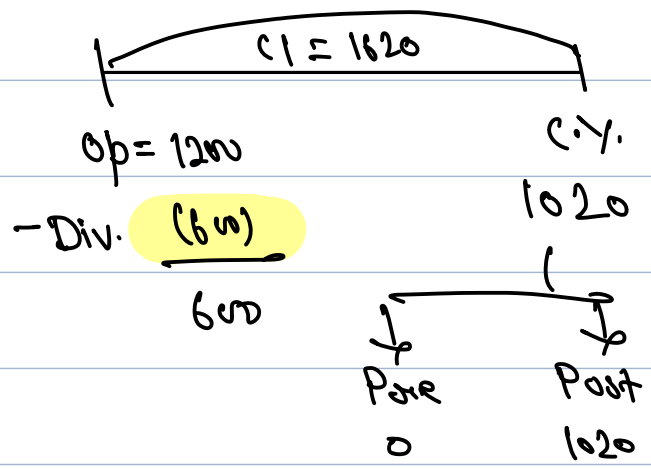
= 600

② 

Pre = 1200

Post = 180

③ P12.



Pre = 600

Post = 1020

Step 4. T.O.A.

i) BIP Dr 45

To BIR. 45

ii) URP.

H's P12 Dr 20

To S's stock 20

(100 L × 25/125)

iii) H's P12 Dr 360

To investment. 360

(600 x 60%)

Step 5 SONA.

	DoA.	Post	Yr. end.
FSC (Step 1)	3000	1800	4800
Gr. R. (Step 3)	1200	180	1380
PIL (Step 3)	600	1020	1620
	4800	3000	7800
H (60%)	2880	1800	
M.I. (40%)	1920	1200	

Step 6 COC

H's share in N.A. of S. (Step 5)		2880
– Investment. (3000 – 360)		2640
	Cap. Res.	240

Step 7 M.I.

as on DoA (Step 5)	1920
Sh. of. Postpr. (Step 5)	1200
	3120

Step 8 com. RIS

H's Gr. R.	2784
H's PIL	2715
– URP (Step 4)	(20)
– Dividend (Step 4)	(360)
+ sh. of postp. (Step 5)	1800

+ C.R. (step 6) 240

7159

Step 9 CBS

1) Esc		12000
2) Cons. RSS (step 8)		7159
3) M.I. (step 7)		3120
4) TIP	1	2802
5) O.C.L.	2	2449
		27530
1) NCA.	3	14954
2) C.A.		
i) invent (HFS-20)		5887
ii) TIR	4	4977
iii) CSCB (HFS)		1694.
iv) S.T. LSA.		520
		27530

Note 3 · NCA.

LSB.

H 2718

PSM

H 4905

S 4900 9805

FSF.

Notes to CPC

Note 1 TIP.

TIP.

H. 1461

S. 854. 2315

BIP

H 372

S 160

— Int. (45) 487

2802

2) O.C.L.

PFT

H 855

S 394 1249

Div. p. (H) 1200

2449

Note-4. TIR.

TIR.

H 2600

S 1363 3963

H 1845. BIR.

S 586 2431 H 360

14964 S 199

- Inter (45) 514.

4477

#10 Consolidated P/L :- eliminate Inter group Income & expense & URP.

QUESTION: 19

The following are the Profit & Loss A/c of H. Ltd. & S. Ltd. for the year ended March 31st, 2011

Particulars	H. Ltd. ₹	S. Ltd. ₹		H. Ltd. ₹	S. Ltd. ₹
To Opening Stock	2,00,000	1,00,000	By Sales	19,80,000	14,00,000
To Purchases	12,00,000	7,50,000	By Closing	2,10,000	60,000
To Carriage	20,000	10,000	Stock		
To Wages	2,10,000	80,000			
To Gross Profit c/d	5,60,000	5,20,000			
	21,90,000	**14,60,000**		**21,90,000**	**14,60,000**
To Salaries	95,000	45,000	By Gross Profit b/d	5,60,000	5,20,000
To Rent	40,000	25,000	By Commission	1,00,000	
To Commission	-	50,000	By Debenture		
To Sundry Expenses	65,000	25,000	Interest S Ltd.	10,000	
To Debentures			By Rent	40,000	
Interest	-	25,000			
To Provision for					
Taxation	1,90,000	1,10,000			
To Net Profit c/d	3,20,000	2,40,000			
	7,10,000	**5,20,000**		**7,10,000**	**5,20,000**
To Preference	----	40,000	By Net Profit B/fd	3,20,000	2,40,000
Dividend					
To Trf. to Reserve	1,05,021	76,690			
To Balance carried					
to					
Balance sheet	3,14,979	1,63,310			
	4,20,000	**2,80,000**		**4,20,000**	**2,80,000**

App.

You are given following additional information:

(1) H. Ltd. acquired 3000 Equity shares in S. Ltd. on 1st April 2010, out of 4000 Equity shares of S. Ltd. However Debentures were acquired on 1st April 2009.

(2) During the year H. Ltd. sold goods to S Ltd. costing ₹ 60,000 for ₹ 80,000. One fourth of the goods remained unsold on March 31st 2011. It is included in closing stock at cost to S. Ltd.

(3) Commission, Rent credited to profit & Loss A/c of H. Ltd. include ₹ 40,000, ₹ 10,000 received from S. Ltd.

Prepare a consolidated profit and Loss A/c for the year ended March 31st 2011.

Soln CPL for year ended on 31-3-11

Particulars	amount.	Note-1	R.F.O.
Revenue from op. (Note-1)	3300000	H	1980000
other income (Note-2)	9000	S	1400000
Total (A)	3390000	-Intm.	(80000)
			3300000
Purchase (3)	1870000		
Δ in stock (4)	35000	Note-2	O.I.
EBE (5)	43000	H's	
Finance Cost (6)	15000	Comm.	100000
Dep. & Amortization	—	Deb. int.	1000
other expr. (7)	185000	Rent.	40000
Total (B)	2535000	- I.T.	
		Comm.	(40000)
		Rent.	(10000)
		Deb. int.	(10000)
			90000
PBT (A-B)	855000		

Note-3 Purchases.

H. 1200000

Note 4 Δ in stock.

S. 75000

I.G. (8000)

187000

Op.

H 20000

S 10000 30000

Cl.

H 21000

S 6000 27000

30000

+ URP. 5000

35000

Notes EBE

wages

H 21000

S 8000 29000

Salary

H 9000

S 4500 14000

43000

{ S.P. 8000
Contd. 6000
2000 × 1/4 = 500 }.

Note-6 Fin. cost.

Deb. int 2500

- (I.G) (1000)

1500

Note-7 other exps.

Carriage.

H 2000

S 1000 3000

Rent.

H 40000

S 2500 6500

Comm. (S) 5000

Sund. exps.

H 6500

S	25000	9000
		23500
— Inter group.		
comm.		(4000)
Rent.		(1000)
		18500

#11 Negative M.I.

↳ are those E.sh. which are having minority shareholding.

and AS-21 states it as liability and ∵ liability cannot be negative.

∴ loss of minority should be borne by H only for alcing purpose.

and as soon as M.I. gets profits. it will be adjusted with H. P/L. sthen it will be shared to M.I.

QUESTION: 24 **(10 Marks) MAY, 2019**

A Ltd. acquired 70% of equity shares of B Ltd. as on 1st January, 2010 at a cost of ₹ 10,00,000 when B Ltd. had an equity share capital of ₹ 10,00,000 and reserves and surplus of ₹ 80,000. Both the companies follow calendar year as the accounting year. In the four consecutive years, B Ltd. fared badly and suffered losses of ₹ 2,50,000, 4,00,000, ₹ 5,00,000 and ₹ 1,20,000 respectively. Thereafter in 2014, B Ltd. experienced turnaround and registered an annual profit of ₹ 50,000. In the next two years i.e. 2015 and 2016, B Ltd. recorded annual profits of ₹ 1,00,000 and ₹ 1,50,000 respectively.

Show the minority interests and cost of control at the end of each year for the purpose of consolidation.

Soln :-

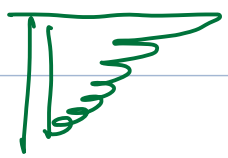
Year	Profit / (Loss)	Minority Interest (30%)	Additional Consolidated P & L (Dr.) or Cr.	Minority's Share of losses borne by H Ltd.		Cost of Control
					Balance	
At the time of acquisition on 1.1.2011		1,62,000 (W.N.)	-			
2011	(1,25,000)	(37,500)	(87,500)			1,22,000 (W.N.)
Balance		1,24,500				
2012	(2,00,000)	(60,000)	(1,40,000)			1,22,000
Balance		64,500				
2013	(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)			
2014	(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)			
2015	25,000	7,500	17,500			1,22,000
	Profit share of Minority Adjusted Against losses of Minority absorbed By Holding Co.	(7,500)	7,500	(7,500)	21,000	
Balance		Nil	25,000			
2016	50,000	15,000	35,000	(15,000)	6,000	1,22,000

		(15,000)	15,000			
Balance		Nil	50,000			
2017	75,000	22,500	52,500	(6,000)	Nil	1,22,000
		(6,000)	6,000			
Balance		16,500	58,500			

Working Note:

Calculation of Minority interest and Cost of control on 1.1.2011

		Share of Holding Co.	*Minority Interest*
	100%	*70%*	*30%*
	(`)	*(`)*	*(`)*
Share Capital	5,00,000	3,50,000	1,50,000
Reserve	40,000	28,000	12,000
		3,78,000	1,62,000
Less: Cost of investment		(5,00,000)	
Goodwill		1,22,000	



Types of Consolidation

- Subsidiary → Full → AS-21
- Associate → Equity → AS-23
- J.V. → Partial → AS-27

eg→ Balance Sheet of P & S as on 31-3-24.

	P	S		P	S
Esc	1000	600	Non C.A.	900	700
R.E.	500	100	C.A.	600	500
C.L.	700	500	Invt in 70% of P & S	700	
	2200	1200		2200	1200

Inv. in S was done on 31-3-24

Soln :- N.A. = 600 + 100 = 700

H share (70%) = 490

M.I = 210

Cost of Cont.

H' share of N.A. of S	490
− Invt.	700
gw	210

Full Cons. (AS 21)

Esc	1000	Non C.A. (900 + 100% of 700)	1600
R.E.	500	gw	210
M.I.	210	C.A. (600 + 100% of 500)	1100
C.L. (700 + 500 ↓ 100% of 500)	1200		
	2910		2910

Partial (AS-27)

Esc	1000	Non C.A. (900 + 70% of 700)	1390
R.E	500	Gw	210
M.I	—	C.A. (600 + 70% of 500)	950
C.L. (700 + 70% of 500)	1050		
	2550		2550

Equity (AS-23)

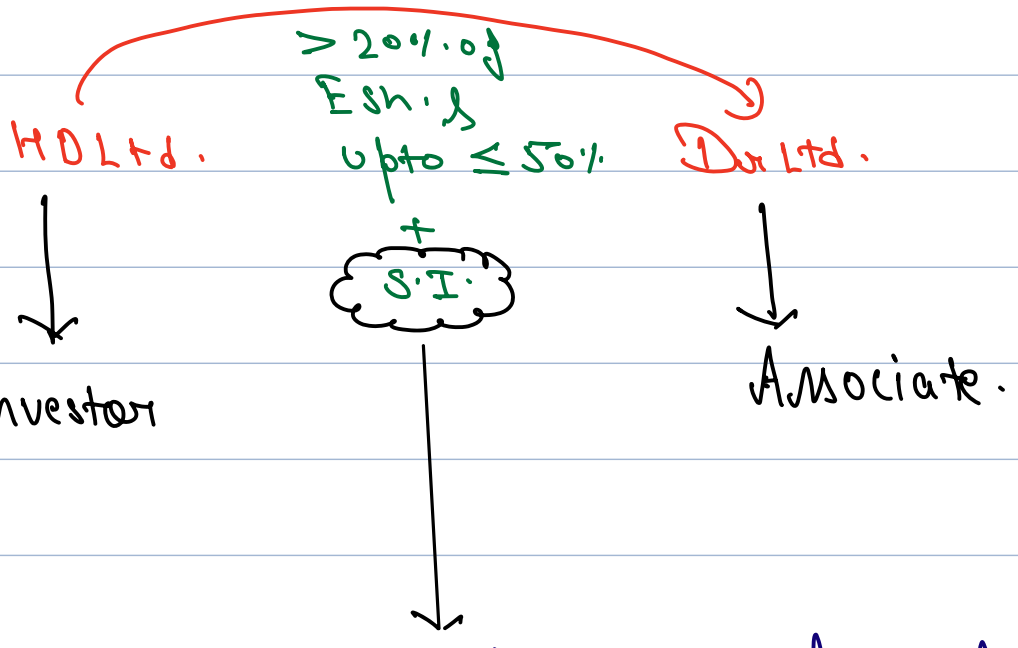
Esc	1000	Non CA	900
R.E	500	C.A.	600
CL.	700	Inv. in A. (70% of N.A. 490 + gw 210)	700
	2200		2200

AS-23.

Investment in Associates.

MENTORING
HARSHIT DWIVEDI
CA FOUNDATION | CA INTERMEDIATE | CA FINAL

#1



Power to participate in operating / & financial policies of Co.

#2. Investor follows Equity method of consolidation.

CBS

Non CA.

Invin A xxx

CPL

Other income

Sh. of post profit xxx

Pre acq. Div red xxx

— trf. to invest (xx) —

Step1 Calⁿ of N.A. of A. as on DoA.

Step2 Calⁿ of glw / C.R.

Sh. of N.A. of A.	xxx
− Inv. in eq. sh. of A.	xxx
↳ − Pre acq. Div.	(xx)
	xxx
glw / C.R.	xxx

Step3. Calⁿ of Inv. in A. in CBS

Sh. of N.A. of A.	xxx
+ glw	xxx
Cost of Inv.	xxx
+ Sh. of post profit	xx
− Dividend received	(xx)
Inv. in A.	xxx

#3 Investors separate FS.

BS.

Inv in A.	xxx
− Pre acq. Div.	(xx)
	xxx

P12.

O. Income.	
↳ Dividend received from Am. out of post profits	xxx

Illustration 1

A Ltd. acquire 45% of B Ltd. shares on April 01, 20X1, the price paid was ₹ 15,00,000. Following are the extracts of balance sheet of B Ltd. as of 1 April 20X1:

Paid up Equity Share Capital	*₹ 10,00,000*
Securities Premium	*₹ 1,00,000*
Reserve & Surplus	*₹ 5,00,000*

B Ltd. has reported net profits of ₹ 3,00,000 and paid dividends of ₹ 1,00,000 for the year ended 31 March 20X2. Calculate the amount at which the investment in B Ltd. should be shown in the consolidated balance sheet of A Ltd. as on March 31, 20X2.

Soln :- Step 1 N.A. of A. as on 1-4-01

ESC	1000000
S.P.	100000
RSS	500000
	1600000
X I's stake	45%
Sh. of Inv. in N.A. of A.	₹ 72000

Step 2. GW / C.R.

Sh. of Inv. in N.A. of A.	₹ 72000
– Cost of investments.	150000
Goodwill	₹ 78000

Step 3 Calc of Inv. in B Ltd as on 31-3-02.

N.A. of B. Ltd.	720000
+ GW.	78000

Cost of investment	150000
+ Sh. of post profit (32 X 45%)	13500
− Dividend (1L x 45%)	(45000)
Inv. in B Ltd.	159000

Bright Ltd. acquired 30% of East India Ltd. shares for ₹ 2,00,000 on 01-06-20X1. By such an acquisition Bright can exercise significant influence over East India Ltd. During the financial year ending on 31-03-20X1 East India earned profits ₹ 80,000 and declared a dividend of ₹ 50,000 on 12-08-20X1. East India reported earnings of ₹ 3,00,000 for the financial year ending on 31-03-20X2 (assume profits to accrue evenly) and declared dividends of ₹ 60,000 on 12-06-20X2.

Calculate the carrying amount of investment in:

(i) Separate financial statements of Bright Ltd. as on 31-03-20X2;

(ii) Consolidated financial statements of Bright Ltd.; as on 31-03-20X2;

(iii) What will be the carrying amount as on 30-06-20X2 in consolidated financial statements?

Soln :-

Step 1 N.A. of A. → N.A.

Step 2 g/w / C.R. → N.A.

Step 3. C.A. of Inv. in A. in CBS. as per A.S. 23.

Cost of Investment	200000
− Dividend (50000 x 30%)	(15000)
C.A. of investment on 31-3-02 for SFS.	185000
+ Sh. of post profit. ($\frac{300000 \times 30\% \times 10}{12}$)	75000

C.A. of invt. on 31-3-02. 26000

- Dividend. (6000 x 30%) (1800)

C.A. of Invt on 30-6-02 24200

Step4. Extract of CBS.

	31-3-02	30-6-02.
Assets.		
1) Non C.A.		
Inv. in A.	26000	24200

Step5. Extract of SFS

	31-3-02.
Assets.	
1) Non C.A.	
Inv. in A.	18500

A Ltd. acquired 25% of shares in B Ltd. as on 31.3.20X1 for ₹ 3 lakhs. The Balance Sheet of B Ltd. as on 31.3.20X1 is given below:

	₹
Share Capital	5,00,000
Reserves and Surplus	5,00,000
	10,00,000
PPE	5,00,000
Investments	2,00,000
II. Current Assets	3,00,000
	10,00,000

During the year ended 31.3.20X2 the following are the additional information available:

(i) A Ltd. received dividend from B Ltd., for the year ended 31.3.20X1 at 40% from the Reserves.

(ii) B Ltd., made a profit after tax of ` 7 lakhs for the year ended 31.3.20X2.

(iii) B Ltd., declared a dividend @ 50% for the year ended 31.3.20X2 on 30.4.20X2.

A Ltd. is preparing Consolidated Financial Statements in accordance with AS 21 for its various subsidiaries. Calculate:

(i) Goodwill if any on acquisition of B Ltd.'s shares.

(ii) How A Ltd., will reflect the value of investment in B Ltd., in the Consolidated Financial Statements?

(iii) How the dividend received for 31.3.20X2 on 30.4.20X2 from B Ltd. will be shown in the Consolidated Financial Statements?

Soln :- Step 1 Inv. N.A. of A. (B Ltd.) as on 31-3-01

ESC 5L

RSS	5L
	10L.
X A's stake	25%.
	250000

Step2. CI(C) / C.R.

Inv. Share in N.A. of B Ltd.		250000
— Investment.	300000	
Dividend. (5L x 40% x 25%)	(5000)	250000
		0.

Step3. C.A. of Inv. in A.

Sh. of N.A.	250000
+ goodwill	0
Cost of investment.	250000
+ Sh. of post profit (7L x 25%)	175000
C.A. of invt. 31-3-02.	425000
- Div. (5L x 50% x 25%)	(62500)
C.A. of invt on 30-4-02	362500

Step4. C.P.L. for yr. end 31-3-02. (Extraord)

0. Income.

Sh. of post profit	175000

Div. Received 50000

– trf. to invt a/c (50000)

As-27.

Joint venture.

#1 Meaning

a contractual agreement whereby 2 or more parties undertake an economic activity which is subject to joint control.

- Power to govern financial & operating policies.
- is known as venturer (it can be individual, AOP, BOI, firm, Co etc.)

#2 Forms of J.V.

- Without separate entity
- With sep. entity
  - J.C.E.

J.C.O.

(Joint controlled operations)

① incurs own expenses

② Raise income individually

③ use same set of assets & employees for J.V. & their business.

④ Alcing

prepare

a) memorandom / Draft. C.P.L. to calculate profit.

b) each venturer prep. J.V. A/C to record its own transactions

↓

Refer III-1.

J.C.A

(Jointly Controlled Assets)

① Venturer owns assets jointly used for generating economic benefit of both.

② Jointly owned assets are shared in agreed ratio

③ exp. on such assets are also shared.

④ incurs own exps.

⑤ Alcing.

↳ prepare

a) CBS.

b) each venturer in its fs records.

Share of JCA.

& sh. of exps.

↓

refer III-2.

(Jointly Controlled entities)

① Venturer form Jointly Controlled J.V. entity

② Alcing prepare for J.C.R.

↳ CPL

↳ CBS.

& BS for Venture

(BS with partial Consolidation)

↓

III 3.4.

Illustration 1

Mr. A, Mr. B and Mr. C entered into a joint venture to purchase a land, construct and sell flats. Mr. A purchased a land for ₹ 60,00,000 on 01.01.20X1 and for the purpose he took loan from a bank for ₹ 50,00,000 @ 8% interest p.a. He also paid registering fees ₹ 60,000 on the same day. Mr. B supplied the materials for ₹ 4,50,000 from his godown and further he purchased the materials for ₹ 5,00,000 for the joint venture. Mr. C met all other expenses of advertising, labour and other incidental expenses which turnout to be ₹ 9,00,000. On 30.06.20X1 each of the venturer agreed to take away one flat each to be valued at ₹ 10,00,000 each flat and rest were sold by them as follow: Mr. A for ₹ 40,00,000; Mr. B for ₹ 20,00,000 and Mr. C for ₹ 10,00,000. Loan was repaid on the same day by Mr. A along with the interest and net proceeds were shared by the partners equally.

You are required to prepare the draft Consolidated Profit & Loss Account and Joint Venture Account in the books of each venturer.

Soln :-

Consolidated P/L (Draft)

To land (A)	6000000	By sales.	
To reg. fees (A)	60000	A 40L.	
To material (B) (4.5L+5L)	950000	B. 20L	
		C. 10L.	7000000
To other exps (C)	900000	By flat. 10	
To int. on loan. (50L×8%×6/12)	200000	A 10L	
		B 10L	
To Profit. (1:1:1)	1850000	C 10L	3000000
A	616666		
B	616666		
C	616666		

In the books of A.

J.V.

In the books of B

J.V.

To land (loan) 500000	By bank (sale) 4000000	To purch. (M.) 4.5L	By B. (sale) 2000000
To Bank (land) 100000	By L.B (flat) 1000000	To Bank (M) 5L	By P&M (B) 100000 (flat)
To Bank (reg.) 6000	By Bank	To P/L 6 300000	
To Bank (int) 200000 (5cr × 8% × 6/12)	B 14 20000	To bank 1420000 (tr/f to A) (B/f)	
To P/L 630000	C 470000		

In the books of C.

To bank (exps) 90000	By Bank (sales) 1000000
To P/L 630000	By L.B (flat no) 1000000
To Bank (B/f) 470000 (tr/f to A)	

Illustration 2

A Ltd., B Ltd. and C Ltd. decided to jointly construct a pipeline to transport the gas from one place to another that was manufactured by them. For the purpose following expenditure was incurred by them: Buildings ₹ 12,00,000 to be depreciated @ 5% p.a., Pipeline for ₹ 60,00,000 to be depreciated @ 15% p.a., computers and other electronics for ₹ 3,00,000 to be depreciated @ 40% p.a. and various vehicles of ₹ 9,00,000 to be depreciated @ 20% p.a.

They also decided to equally bear the total expenditure incurred on the maintenance of the pipeline that comes to ₹ 6,00,000 each year.

You are required to show the consolidated balance sheet and the extract of Statement of Profit & Loss and Balance Sheet for each venturer.

Soln:- Statement of J.C.A.

	L & B	P/M	Computer	Vehicle	Total
Cost	12,00,000	6,00,000	3,00,000	9,00,000	84,00,000
- Dep.	(5%) (60,000)	(15%) (90,000)	(4%) (12,000)	(20%) (180,000)	(126,000)
	114,00,000	51,00,000	18,00,000	72,00,000	714,00,000

All J.C.A. should be distributed to A, B & C in 1:1:1 ⇒ i.e. 238,00,000 each to A, B & C

$\left(\frac{₹14,00,000}{3}\right)$

Statement of Joint exps.

	Total	A	B	C
Maintenance	6,00,000	2,00,000	2,00,000	2,00,000
Dep.	126,00,000	42,00,000	42,00,000	42,00,000

In the books of Venturers.

S.P.L (Extract)

	A	B	C.
Dep. & Am.	42,00,000	42,00,000	42,00,000
other exps.	2,00,000	2,00,000	2,00,000

B/S.

1) SHF.

a) S.C. (Bal) 714000

714000

2) Non CA.

a) PPE 714000

714000

Illustration 3

A Ltd. a UK based company entered into a joint venture with B Ltd. in India, wherein B Ltd. will import the goods manufactured by A Ltd. on account of joint venture and sell them in India. A Ltd. and B Ltd. agreed to share the expenses & revenues in the ratio of 5:4 respectively whereas profits are distributed equally. A Ltd. invested 49% of total capital but has equal share in all the assets and is equally liable for all the liabilities of the joint venture. Following is the trial balance of the joint venture at the end of the first year:

Particulars	**Dr. (₹)**	**Cr. (₹)**
Purchases	*9,00,000*	
Other Expenses	*3,06,000*	
Sales		*13,05,000*
Property, Plant and Equipment	*6,00,000*	
Current Assets	*2,00,000*	
Unsecured Loans		*2,00,000*
Current Liabilities		*1,00,000*
Capital		*4,01,000*

Closing inventory was valued at ₹ 1,00,000.

You are required to prepare the Consolidated Financial Statement.

Soln:- CP2.

Revenue from op. 1 1305000

O.I. - -

	(A)	1305000
Purchases	2	900000
Δ in Inv.		(100000)
other exps.	3	306000
	(B)	1106000
Profit (A-B)		199000

CBS

1) SHF.
   a) S.C. — 4 — 401000
   b) RSC (CPL) — 199000
2) NON C.L.
   a) LTB. — 5 — 200000
3) C.L. — 6 — 100000
   900000

1) Non CA.
   a) PPE — 7 — 600000
2) CA.
   a) inv. — 8 — 100000
   b) o.c.A. — 9 — 200000
   900000

(Refer Notes to all from S.M.)

Illustration 4

A Ltd. entered into a joint venture with B Ltd. on 1:1 basis and a new company C Ltd. was formed for the same purpose and following is the balance sheet of all the three companies:

Particulars	A Ltd.	B Ltd.	C Ltd.
Share Capital	10,00,000	7,50,000	5,00,000
Reserve & Surplus	18,00,000	16,00,000	12,00,000
Loans	3,00,000	4,00,000	2,00,000
Current Liabilities	4,00,000	2,50,000	1,00,000
Property, Plant and Equipment	30,50,000	26,25,000	19,50,000
Investment in JV	2,50,000	2,50,000	-
Current Assets	2,00,000	1,25,000	50,000

Prepare the balance sheet of A Ltd. and B Ltd. under proportionate consolidation method.

Soln :- Step 1 SONA of C Ltd as on DoA.

S.C.	500000
R&S	0
	500000
A's share (1:1)	250000
B's share (1:1)	250000

Step 2 gtw/ C.R.

	A	B
Share in N.A. of C	250000	250000

– Invt in F.Sh of C. 25000 25000
0 0

Step 3 BIS of Alts.

Equity & Liabilities.

1) SHF.

a) E.S.C.		100000
b) RAS.	1	240000
2) NCL	2	400000
3) CL	3	450000
Total		425000

Assets.

1) Non Current Assets.

a) PPE.	4	402500
b) C.A.	5	22500
Total		425000

Note 1 RAS

A = 182.
+ Sh. of PP 6L.
(12L × 50%) 24L.

Note 2 NCL

Loan 3L.
+ 50% of 2L : 1L. 4L.

Note-3. C.L.

C.L. 4L.
+ Sh. of P.P. 0.50
4.5L

Note 4. PPE

A. 305000
+ Sh. of P.P. 97500
(195000 × 50%) 402500

Note-5. C.A.

A = 20000
+ Sh. of P.V. = 2500
(5000 × 50%) 22500

H.W. prep. BS of B Ltd.