

**AS 21: CONSOLIDATED FINANCIAL STATEMENTS****ICAI MCQs**

1. Minority interest should be presented in the consolidated balance sheet
  - a) As a part of liabilities.
  - b) As a part of equity of the parent's shareholders.
  - c) Separately from liabilities and the equity of the parent's shareholders.
  - d) As a part of assets.
2. Minority of the subsidiary is entitled to
  - a) Capital profits of the subsidiary company.
  - b) Revenue profits of the subsidiary company.
  - c) Both capital and revenue profits of the subsidiary company.
  - d) Neither capital nor revenue profits of the subsidiary.
3. In consolidation of accounts of holding and subsidiary company \_\_\_\_\_ is eliminated in full.
  - a) Current liabilities of subsidiary company.
  - b) Reserves and surplus of both holding and subsidiary company.
  - c) Mutual indebtedness.
  - d) Nothing.
4. In consolidated balance sheet, the share of the outsiders in the net assets of the subsidiary must be shown as
  - a) Minority interest.
  - b) Capital reserve.
  - c) Current liability.
  - d) Current assets.
5. Provision for Tax made by the subsidiary company will appear in the consolidated balance sheet as an item of
  - a) Current liability.
  - b) Revenue profit.
  - c) Capital profit.
  - d) Current assets.
6. Dividend paid by subsidiary to its parent, out of capital profits, should be credited by the parent company in its
  - a) Profit and loss account
  - b) Dividend account
  - c) Shares invested in subsidiary account
  - d) Capital reserve
7. Goodwill is equal to
  - a) Cost of Investment less Parents share in the equity of the subsidiary on date of investment.
  - b) Cost of investment less Parents share in the debentures of subsidiary on date of investment.
  - c) Parents share in the equity of subsidiary on date of investment less Cost of investment.
  - d) Parents share in the debentures of subsidiary on date of investment

8. Issue of bonus shares by the subsidiary company out of capital profits will
- Decrease Goodwill or increase capital reserve.
  - Increase Goodwill or decrease capital reserve.
  - Have no effect on Goodwill or capital reserve.
  - Have no effect on Goodwill.
9. If there remains any unrealized profit in the inventory, of any of the Group Company,
- Unrealized profit is added to value of inventory to compute consolidated profit.
  - Unrealized profit is reduced from value of inventory to compute consolidated profit.
  - No adjustment needs to be done.
  - Unrealized profit is added to revenue profit.
10. If the subsidiary company follows weighted average method for valuation of inventories and the holding company follows FIFO method, then while consolidating,
- Financial statements of subsidiary company should be restated by adjusting the value of inventories to bring the same in line with the valuation procedure adopted by the holding company.
  - Financial statements of holding company should be restated by adjusting the value of inventories to bring the same in line with the valuation procedure adopted by the subsidiary company.
  - Financial statements of both companies may continue as per the basis followed by them.
  - No changes are required to be done for consolidation purposes.

### ADDITIONAL MCQs

11. A single set of financial statements that combines the separate sets of financial statements of a parent and its subsidiaries is known as
- equity financial statements
  - condensed financial statements
  - consolidated financial statements
  - interim financial statements
12. ABC Limited acquired 70% of the shares of PQR Limited directly from the owners of those shares. The shares were purchased on the market for ₹400000 in total. PQR Limited must?
- recognize the inflow of cash of ₹400000 and an increase in issued capital of ₹400 000.
  - recognize an investment of ₹400000 and an increase in equity of ₹400000.
  - de-recognize share capital amounting to ₹400000.
  - not make an accounting entry as the transaction is between ABC Limited and the individual shareholders of PQR Limited.
13. The method adopted in combining the separate sets of financial statements of entities in a group to form a set of consolidated financial statements is
- set-off all assets and liabilities and recognize a single net investment.
  - line-by-line recognition of the elements of financial statements.
  - combine the cash balances of the separate entities into one-line and aggregate the remaining net assets into one item.
  - combine all assets and liabilities into one net assets item and combine all profits and losses into one profit or loss item.

14. A group of entities comprised of All Limited, Night Limited and Long Limited have the following cash balances:  
All Limited ₹2,000, Night Limited ₹5,000, Long Limited ₹10,000.  
All Limited is the parent entity. The consolidated financial statements show the following amount as the consolidated cash balance?
- ₹2,000
  - ₹7,000
  - ₹15,000
  - ₹17,000
15. If consolidated financial statements are required to be prepared
- they are additional to the separate financial statements of the entities in the group.
  - there is no need to prepare separate financial statements for the entities in the group.
  - the need to prepare separate financial statements for the parent entity is redundant.
  - it is not necessary to prepare separate financial statements for the subsidiary entities of the group.
16. Pre-acquisition profit in subsidiary company is considered as:
- Revenue profit.
  - Capital profit.
  - Goodwill
  - Cost of control
17. Subsidiary company in relation to any other company (that is to say the holding company), means a company in which the holding company -.....
- Controls the composition of the Board of Directors
  - Exercises or controls more than 50% of the total voting power either at its own or together with one or more of its subsidiary companies
  - Either (A) or (B)
  - Neither (A) nor (B)
18. Which section of the Companies Act, 2013 requires the preparation of consolidated financial statements
- Section 127
  - Section 128
  - Section 130
  - Section 129
19. Holding company's share in revenue profits of subsidiary company is adjusted in:
- Cost of control
  - Shown on assets side of balance sheet
  - Profit and loss account of holding company
  - Capital profits of holding company
20. If cost of acquisition of shares in the subsidiary company is less than intrinsic value of the shares of subsidiary company on the date of acquisition then resultant figure will be:
- Minority interest
  - Capital Reserve
  - Goodwill
  - Significant cost

21. Dividend received out of pre-acquisition profits of subsidiary
- It should be treated as revenue income and credited to the Profit and Loss A/c.
  - Added while calculating 'cost of control'.
  - Should be treated as capital receipt and credited to Investment A/c
  - Will increase the Goodwill while calculating cost of control.
22. If cost of acquisition of shares in the subsidiary company is more than intrinsic value of the shares of subsidiary company on the date of acquisition then resultant figure will be:
- Minority interest
  - Capital Reserve
  - Goodwill
  - Significant cost
23. Which of the following treatment is correct for mutual debts with regard to purchase and sale of goods between holding and subsidiary company
- Amount of mutual debt will be added to the Debtors and Creditors on asset side and liability side respectively while preparing the consolidated balance sheet.
  - Amount of mutual debt will be ignored as it is not asset or liability.
  - Amount of mutual debt will be deducted from the Debtors and Creditors on asset side and liability side respectively while preparing the consolidated balance sheet.
  - Amount of mutual debt will require adjustment on debtors figure on asset side only.
24. H Ltd. acquires 70% of the equity shares of S Ltd. on 1.1.2023. On that date, paid-up capital of S Ltd. was 10,000 equity shares of ₹ 10 each; accumulated reserve balance was ₹ 1,00,000. H Ltd. paid ₹ 1,60,000 to acquire 70% interest in the S Ltd. Assets of S Ltd. were revalued on 1.1.2023 and a revaluation loss of ₹ 20,000 was ascertained. Which of the following is correct in relation to cost of control of group consolidated financial statement.
- Capital Reserve — ₹ 34,000
  - Goodwill — ₹ 34,000
  - Capital Reserve — ₹ 1,26,000
  - Goodwill — ₹ 1,26,000

### Answers:

1: (c)	2: (c)	3: (c)	4: (a)	5: (a)	6: (c)	7: (a)	8: (c)
9: (b)	10: (a)	11: (c)	12: (d)	13: (b)	14: (d)	15: (a)	16: (b)
17: (c)	18: (d)	19: (c)	20: (b)	21: (c)	22: (c)	23: (c)	24: (b)