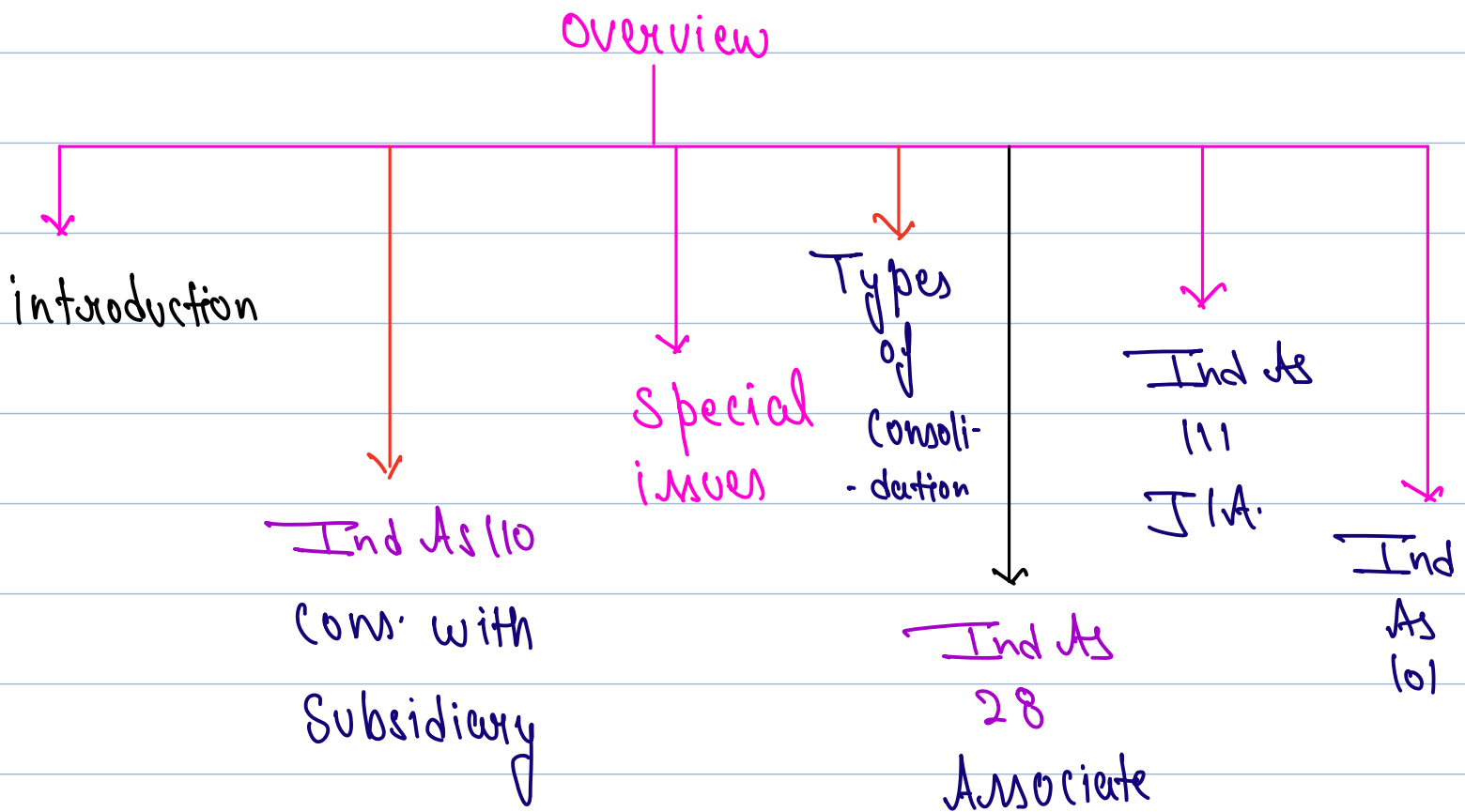




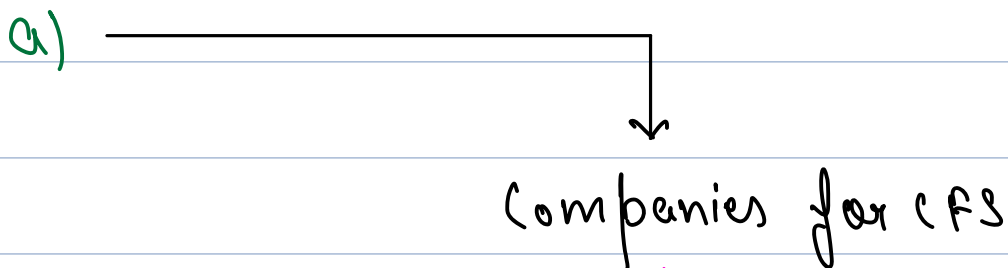
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 इंटरमिडिएट
 इंग्लिश भाषा



Consolidation



1 Introduction





Parent

↳

Sub.



HD Ltd holds > 50% of E.sh. & has control of Buddy Ltd.

↳ Subsidiary

↳ Parent

Ind AS 110

Inv.

↳

Associ.



HD holds > 20% but up to ≤ 50% of E.sh. & has S.I. over

Dr. Ltd.

↳ Investor

↳ Associate.

IND AS 28

Joint

arrangement.



HD Ltd & Buddy Ltd Jointly carry on Business

↳ Co-ventures.

IND AS 111

b) Financial statements.

Individual fs of entity which.

FLS which gives us information



does not
have JV/S/A.
↓
Standalone FIS.

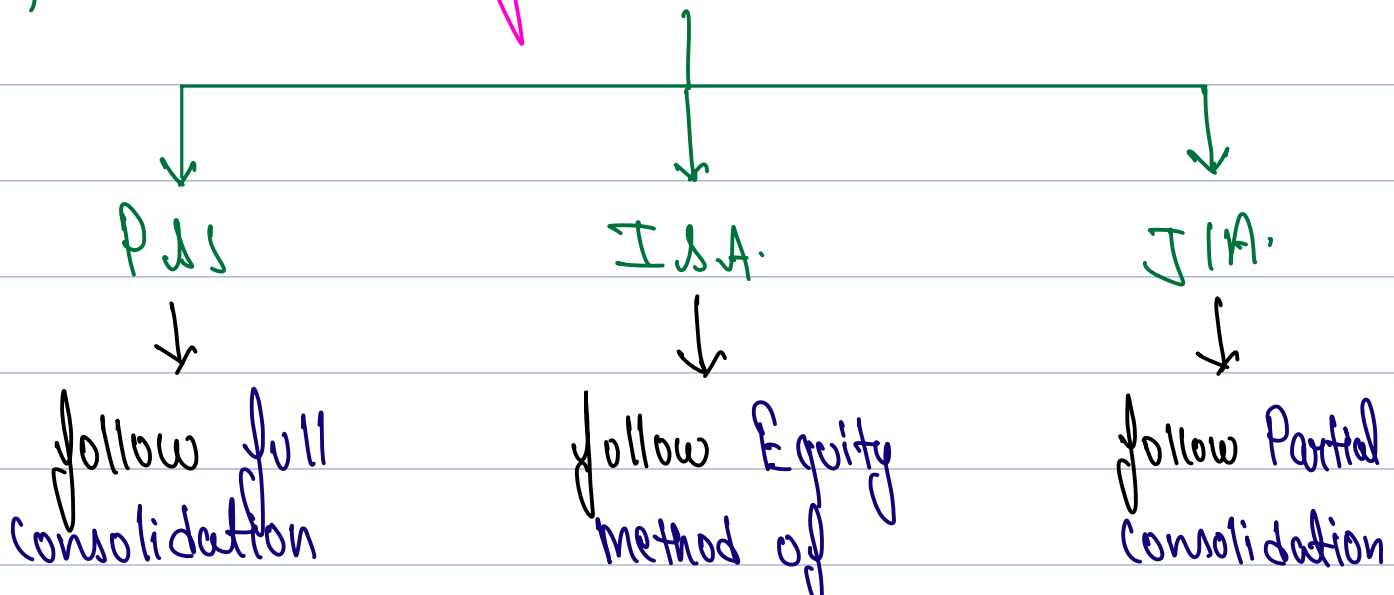
have JV/
A/S.
↓
S.F.S.
↓
INDAS 27

about any entity
along with its
JV/S/A.
(group co.)
about.

biz. activities
Economic activities
financial position
financial results.
of entire
group as a
whole known
as Cons. FIS.

↓
Ind As 28/110/111.

c) Framework for CFS.





method under
IND AS 110.

Consolidation
as per IND
AS 28

method as
per IND
AS 111

d) Exemptions from consolidation

→ Parent is a subsidiary of another entity & its owners are informed & they don't object for non presentation of CFS.

Co. A Ltd.
↓
HD

↓
Buddy

eg →

Dr Ltd is parent of HD Ltd.
HD Ltd is parent of Buddy Ltd.
∴ Exemption = HD Ltd.

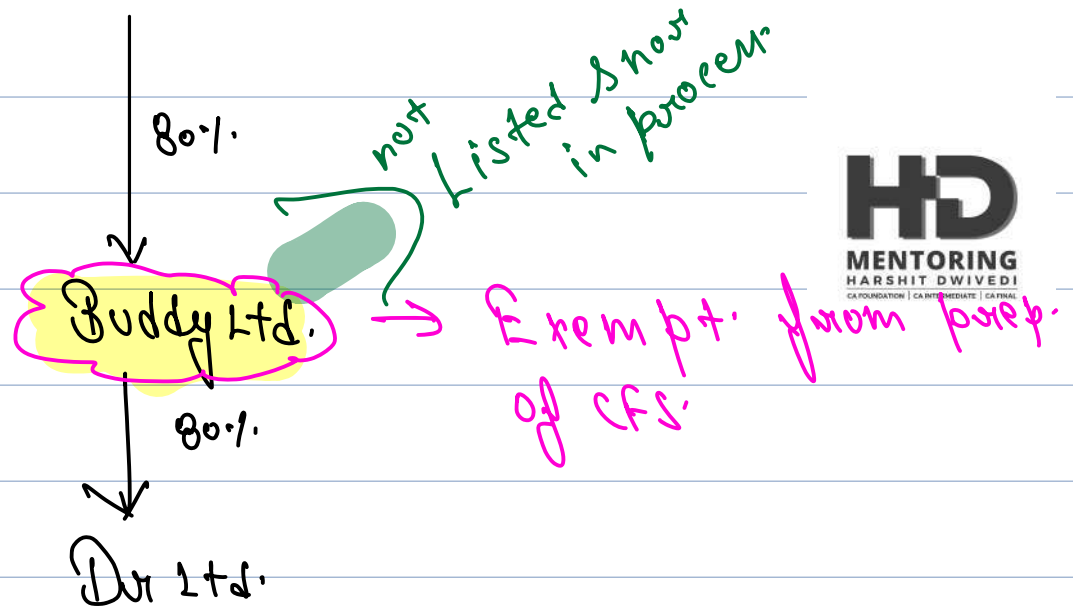
∴

→ Securities of Parent are neither listed nor in process of listing in/outside India.

→ Its ultimate parent (holding) is preparing CFS in accordance with applicable A.S. & filling it with RoC.

eg →

HD Ltd ✓ ✓ ✓ CFS ✓



IND AS.

→ Parent is investment co. & it acted for investment in subsidiary under FVTPL method.

#2 Consolidation with subsidiary

↓
IND AS 110

↓
Full consolidation method.

↓
CFS under full consolidation method should be prepared if equity holding > 50% + control should exist.

↓
includes potential equity shares.



i) Consolidated BS :- (Basic principles of CBs)



Question # 3

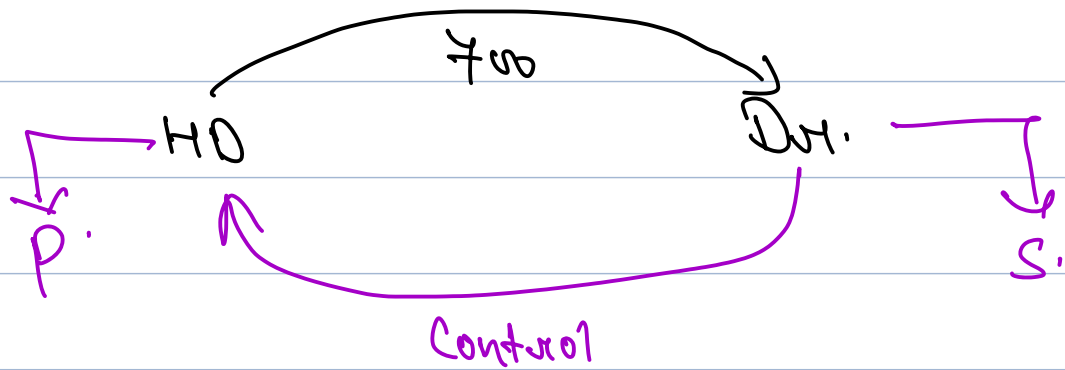
BALANCE SHEET OF HD LTD ON 31-03-2023			
EQUITY SHARE CAPITAL	1000	NON CURRENT ASSET	900
RETAINED EARNINGS	500	INVESTMENT IN EQUITY SHARES OF DR. LTD ON 31-3-2023	700
CURRENT LIABILITIES	700	CURRENT ASSETS	600
TOTAL	2200	TOTAL	2200

BALANCE SHEET OF DR. LTD ON 31-03-2023			
EQUITY SHARE CAPITAL	600	NON CURRENT ASSET	700
RETAINED EARNINGS	100	CURRENT ASSETS	500
CURRENT LIABILITIES	500		
TOTAL	1200	TOTAL	1200

Gives 100% control over all assets & liabilities of DR. LTD.

PREPARE CONSOLIDATED BALANCE SHEET.

Soln :-



↓
NATO of Dr Ltd.

Liability point of view

Assets Pov.

N.A. as on 31-3-23.



N.A. on 31-3-23

E.S.C.	600
R.F.	100
	<u>700</u>

N.A.	700
C.A.	500
- C.L.	(100)
	<u>700</u>

(preferred)

a) entry for consolidation.

N.A. of s. Dr
To invt ins.

→ ∴ Investments in Dr Ltd (subsidiary) gives 100% control over net assets of Co. Dr Ltd.

→ ∴ Derecognise the investments in subs. i.e. Dr Ltd. while preparing CFS by parent.

→ CBS is prepared in Parent books. (HOLDING) becoz it shows those A/L on which parent has control.

Cons. B/S.

E.S.C. (P)	1000	N.A. (P+S)	1600
O.F. (R.F.) (P)	500	C.A. (P+S)	1100
C.L. (P+S)	1200		

2700

2700

Question # 4

	P	S
Non-current Asset		
Property, Plant and Equipment	60,000	70,000
Financial Asset – Investment	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.

Solⁿ :- Step 1 Share holding pattern

P = 100%

∴ NCI = 0

Step 2 Date of acquisition → N.A.

Step 3 Statement of N.A. of S

	DoA.	Post	yr. end.
Esc	6000	—	—
R.S	<u>2000</u>	—	—
	<u>8000</u>		

Step 4. Calc of gain or loss on B.P.

N.A. as at DoA	8000
— P.C. (invt in S)	<u>8000</u>
	<u>0</u>

Step 5 J.E for cons.



N.A. of S Dr 8000
To invt 8000



Steps CBS

Assets.

NCA.

PPE (P+S)	13000
CA. (P+S)	<u>9000</u>
	<u>22000</u>

Equity & Liability

Esc (P)	10000
O.E. (P)	6000
C.L. (P+S)	<u>6000</u>
	<u>22000</u>

b) Concept of goodwill or Gain on B.P.

N.A. of S. as on DOA.		xxx
- int. inv.	xx	
- NCI	<u>xx</u>	<u>xxx</u>
		<u>xxx</u>

g/w / g.on. B.P.

if $N.A > inv + NCI$ if $inv + NCI > N.A$



N.A.

↓
Goodwill

Gr. O. B. P. / C.R.

usually
C.R.

But in
Case of
distress sale
↓
Gr on BIP.

CA FOUNDATION | CA INTERMEDIATE | CA FINAL

Question # 5

Prepare consolidated balance sheet & pass Journal entries

BALANCE SHEET OF P LTD			
EQUITY SHARE CAPITAL	1000	PROPERTY, PLANT AND EQUIPMENT	900
RETAINED EARNINGS	500	INVESTMENT IN S LTD ON BALANCE SHEET DATE	820
CURRENT LIABILITIES	700	CURRENT ASSETS	480
TOTAL	2200	TOTAL	2200

BALANCE SHEET OF S LTD			
EQUITY SHARE CAPITAL	600	PROPERTY, PLANT AND EQUIPMENT	700
RETAINED EARNINGS	100	CURRENT ASSETS	500
CURRENT LIABILITIES	500		
TOTAL	1200	TOTAL	1200

Solⁿ :-

Step 1 SHP

$P = 100\%$

$\therefore NCI = 0$

Step 2 DoA = N.A.

Step 3 S.O.N.A. of S.

DoA Post Yr.

Step 4 grw / gon B.P

NA of S on on DoA 700

Inv. 820

Step 5 grw 120

Journal.

ES	600
R.E	100
	<hr/>
	700



N.A. of s Dr 700
g/w Dr 120
To Invts. 820

Step 6 CBS

Assets

NCA.

PPE (P+S) 1600

g/w (Step 4) 120

C.A. (P+S) 980

2700

Eq. & Liabilities.

ESC 1000

R/S 500

C.L. (P+S) 1200

2700

Question # 6

	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.



c) Non Controlling interest. (IND AS 103)

→ it means those share holders / members who does not have control over the entity

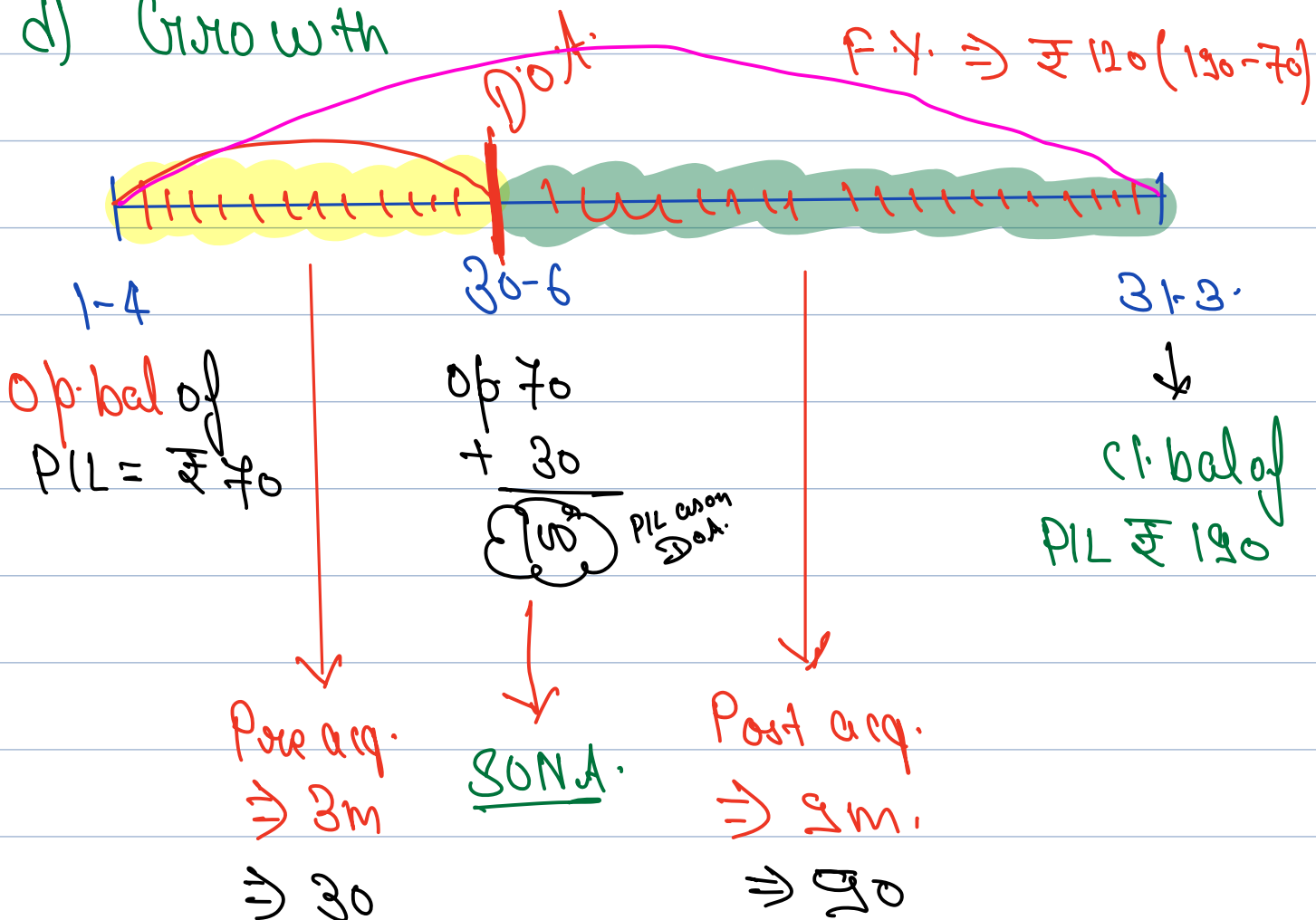


→ It means share of N.A. of sub. which is not owned by parent

→ it should be at PSNA OR P.V.

→ if Q.R.S. ⇒ use PSNA method.

d) Growth



Soln :-



Step 1 Share holding pattern = 70% of P
 \therefore NCI = 30%

Step 2 D.O.A = 1-4-2022

year starting 1-4-22
D.O.A. 1-4-22
year ending 31-3-23

0 \rightarrow Prep
12 \rightarrow Post

Step 3 Analysis of profits of S.

$C = 200$

1-4-22
Op. ₹ 50

C.Y.
 \Rightarrow 150
 \downarrow
Post

Pure acq. profit = ₹ 50



Step 4 SONA of S Ltd.

	DoA	Post	Yr end.
ESC	600	—	600
Ret. E. (Step 3)	<u>50</u>	<u>150</u>	<u>200</u>
	<u>650</u>	<u>150</u>	<u>800</u>

P's share in post profit = $150 \times 70\% = 105$
NCI in post profit = $150 \times 30\% = 45$

Step 5 GIW / Gr on B.P.

N.A. of S. as on DoA.		650
- invt in S.	700	
- NCI @ PSNA.	<u>195</u>	<u>895</u>
(650 x 30%)	GIW	<u>245</u>

Step 6

JIE			
N.A. of S	Dr	650	
Goodwill	Dr	245	
	To	inv ins	700
	To	NCI	195



Step 7 NCI

NCI @ PSNA (step 5)	145
+ share of post profit (step 4)	<u>95</u>
	<u>240</u>



Step 8 Cons. O.E.

Parent O.E.	500
+ share of post profit (step 4)	<u>105</u>
	<u>605</u>

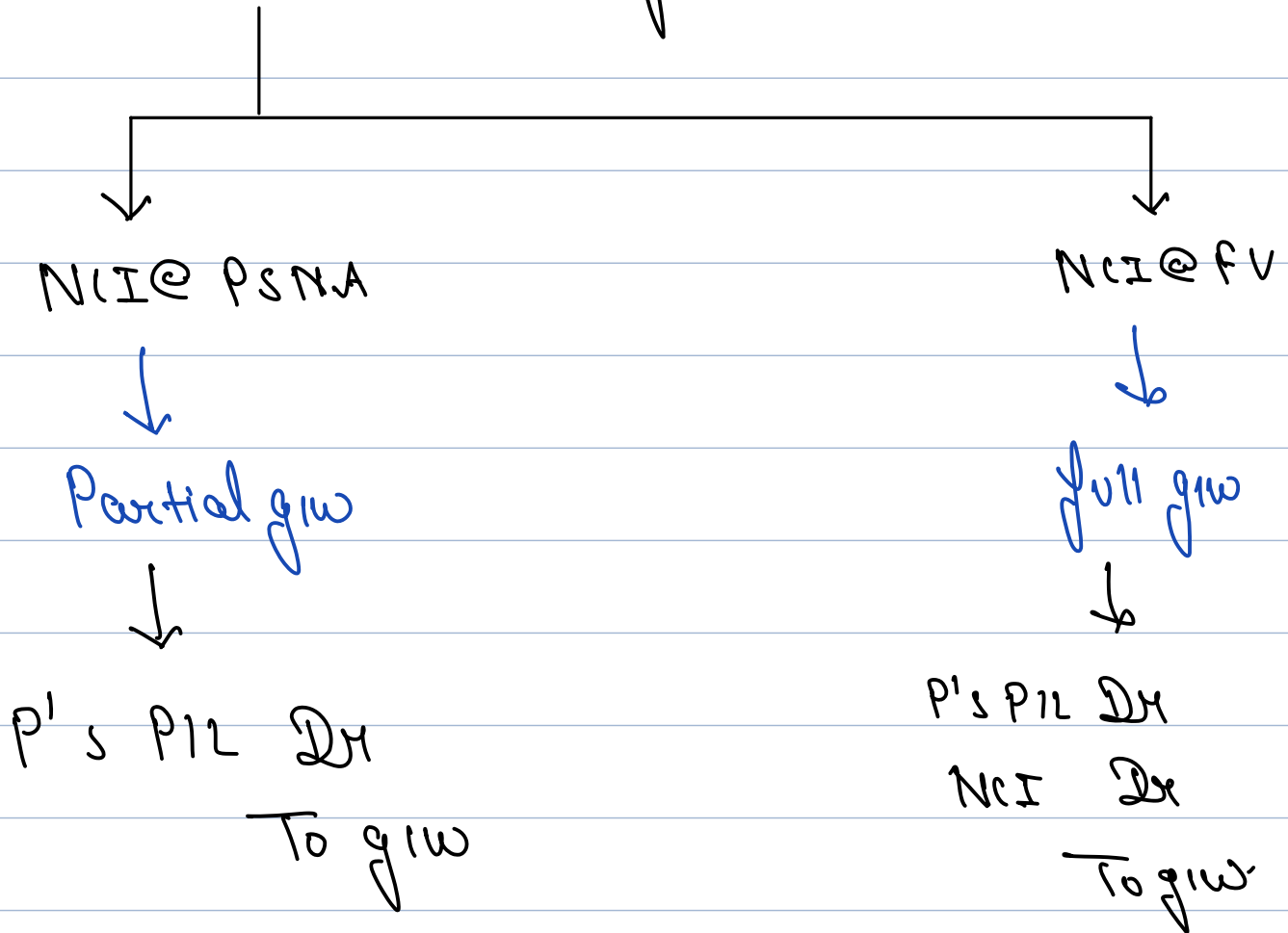
Step 9 C.B.s.

NC.A. (PFS)	1600
Goodwill (step 5)	245
C.A. (PFS)	<u>1200</u>
	<u>3045</u>
ESC	1000
O.E. (step 8)	605
NCI (step 7)	240
C.L. (PFS)	<u>1200</u>
	<u>3045</u>



e) Impairment of goodwill

Redⁿ in value of assets



Question # 8

BALANCE SHEET OF P LTD & S LTD AS ON 31-03-23.

	P LTD	S LTD
NON CURRENT ASSETS	70000	80000
INVESTMENT IN EQUITY SHARE OF S LTD	<u>60000</u>	
CURRENT ASSETS	20000	40000
TOTAL	150000	120000
EQUITY & LIABILITIES	80000	65000
OTHER EQUITY	<u>40000</u>	<u>39000</u>
CURRENT LIABILITIES	30000	16000
TOTAL	150000	120000

1) Investment in 70% of equity shares was made on 01-07-2022 when fair value of Non controlling interest was Rs 30000.

2) Balance of retained earnings was Rs 15000 of S LTD on 01-04-2022.

3) Impairment goodwill by 10%

Prepare consolidated balance sheet.

Solⁿ :-

Step 1 SHP



P stake = 70%

∴ NCI = 30%



Step 2 Period.

Yr. starting

1-4-22

→ 3m → Pre period

D.O.A.

1-7-22

→ 9m → Post period

Yr. ending

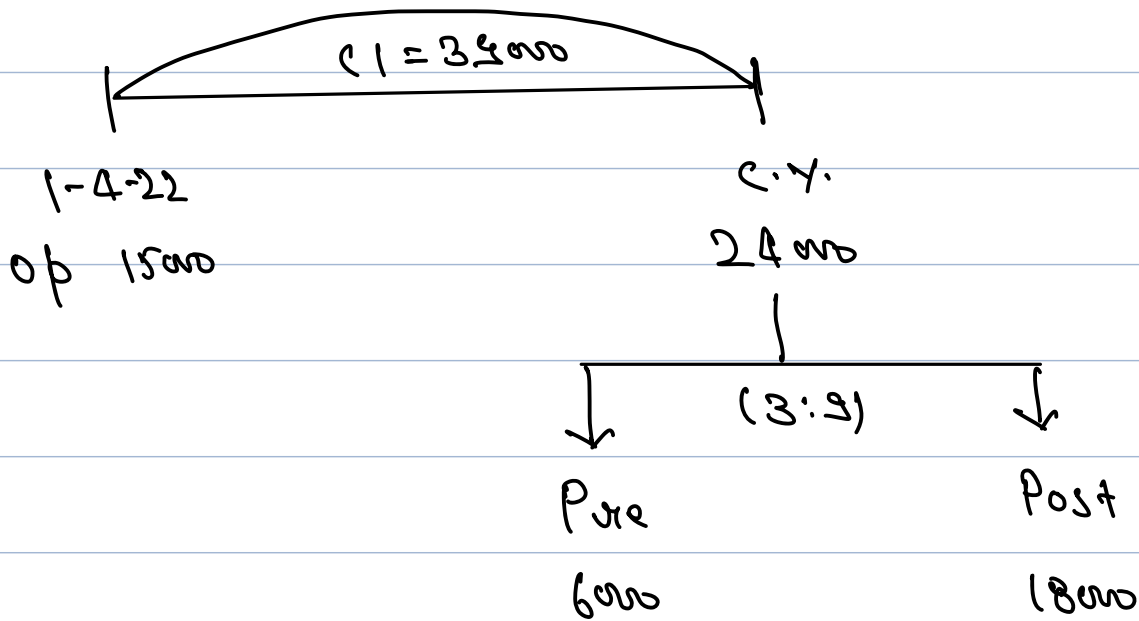
31-3-23

Step 3 A.O.P. of S Ltd.

Step 4 Treatment of Adjustm.

↓

N.A.



Pre acq. profit = 15000 + 6000 = 21000

Post acq. profit = 18000

Step 5 SONA of S Ltd.

Post

Post

Yr end.



P.S.C	65000	-	65000
O.E. (Step 3)	21000	18000	39000
	<u>86000</u>	<u>18000</u>	<u>104000</u>

P share in post = $18000 \times 70\% = 12600$
 NCI share in post = $18000 \times 30\% = 5400$

Step 6 g/w / Cr on B.P.

N.A. on DoA (Steps)	86000
- inv. in s.	65000
- NCI @ FV	<u>30000</u>
	<u>95000</u>
	<u>4000</u>
- imp. <u>g/w</u>	<u>(4000)</u>
	<u>36000</u>

entry →

PPIL	Dr	280	
NCI	Dr	120	
	To	g/w	400

Step 7 J.E.

N.A. of	s	Dr	86000
Goodwill		Dr	4000
	To	inv + ins.	65000



To NCI

3000



Step 8

NCI

NCI @ FV	30000
+ share of post profit (step 5)	5400
- imp. of g/w (step 6)	<u>(120)</u>
	<u>35280</u>

Step 9 Cons. O.E.

P's O.E.	40000
+ sh. of post p. (step 5)	12600
- imp. of g.w. (step 6)	<u>(280)</u>
	<u>52320</u>

Step 10

CBs

NCA (P+S)	15000
Goodwill (step 6)	3600
CA (P+S)	<u>6000</u>
	<u>21360</u>

E & C (P)	8000
Cons. O.E. (step 9)	52320
NCI (step 8)	35280



NCA.

~~2013~~



NDLTA

NCL

~~2015~~

Amount payable & Receivable within the group.
These items should be eliminated

N.C.A.

C.A.

eg →

in P's BIS

in P's BIS

Inv in Deb
of S. 120000 → f.v.

TIP: 6000
(5000 is due from S Ltd)

S's BIS

S's BIS

10% of Deb of ₹ 100
₹ 30000

TIP: 7000
(4000 is due to
PLTA)

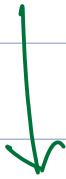


TIP Dr 40000
 CIT / GIT Dr 10000 (Bif)
 To TIR 5000

10% Deb Dr 100000

P's plz. Dr 20000 (Bif)

To inv in Deb 120000
 of S.



loss to group &
 Dr in P's plz.

note \Rightarrow if CIT
 \downarrow
 Cash in Transit
 TIR \uparrow & Liab \downarrow
 if GIT \Rightarrow goods in
 Tr.
 inv \uparrow & Liab \downarrow

Question # 9

Balance sheet as on 31-03-2023

Particulars	P	S
NON CURRENT ASSETS	100000	120000
INVESTMENT IN S LTD		
- IN 10% ^{75%} EQUITY SHARES	70000	
- IN 100% DEBENTURES		
CURRENT ASSTES	40000	
	10000	20000 ✓
TOTAL	220000	140000
EQUITY SHARE CAPITAL	100000	75000
OTHER EQUITY	70000	13000
NON CURRENT LIABILITY		
- 10% DEBENTURE	40000	30000
CURRENT LIABILITIES		
- TRADE PAYABLE	10000	22000
	200000	100000

1. P Purchased equity shares in S on 01-10-22. \rightarrow Dot.
2. Trade Receivable of P includes 5000 due from S.
3. Balance of Retained Earnings of S on 01-04-22 Rs 1000.
4. Impair goodwill by 10%

PREPARE CONSOLIDATED BALANCE SHEET.

Solⁿ :- Step 1 SHP

Step 2 Period



\therefore Parent stake = 75%

Y.S. 1-4-22

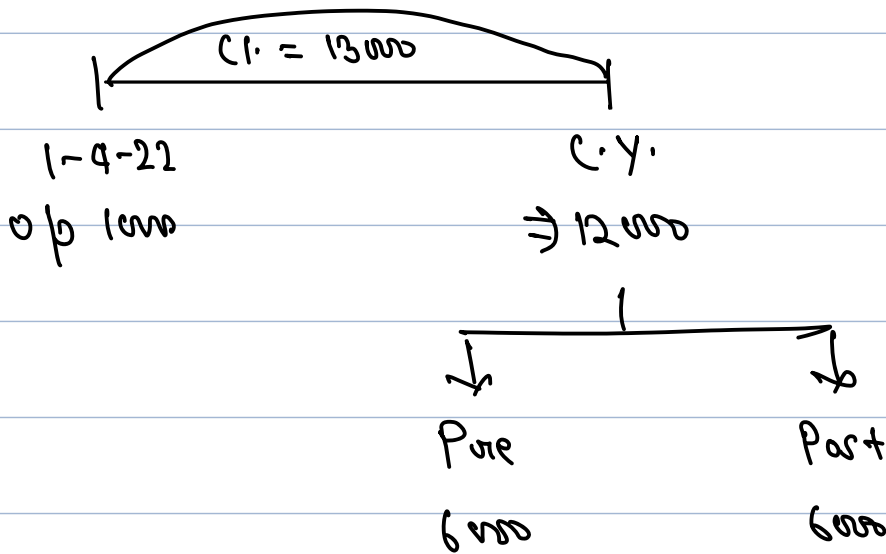
\therefore NCI = 25%

D.O.A. 1-10-22

Y.E. 31-3-23



Steps A.O.P. of S.



Pure acq. = 6,000 + 1,000 = 7,000

Post acq. = 6,000

Step 4 Treatment of Adjustments:

1) T.P. of S Dr 5,000
To T.R. of P.Ltd 5,000

2) 10% Deb Dr 3,000
P's PIL Dr 10,000 (Bf)

To invt ins. Deb. 4000



Steps SONA of SLtd.



	DOA	Post	Gov. Cont
ESC	75000	—	75000
R.F. (Step 3)	7000	6000	13000
	<u>82000</u>	<u>6000</u>	<u>88000</u>

$$P's \text{ share in Post} = 6000 \times 75\% = 4500$$

$$NCI's \text{ share in Post} = 6000 \times 25\% = 1500$$

Steps g/w / gain on b. P.

N.A. of S. as on DOA (Step 5)	82000
- invt ins.	7000
- NCI @ PSNA, (82000 x 25%)	<u>20500</u>
	<u>8500</u>
→ imp. of g/w	<u>(850)</u>
g/w after imp	<u>7650</u>

J.E.

P's P/L Dr 850
To g/w 850

Step 7 NCI.



Post profit share (step 5)	1500
+ NCI @ PSNA. (step 6)	20500
	<u>22000</u>



Step 8 Cons. O.E.

P' of Equity	70000
+ share in post profit (step 5)	4500
- invt in Deb of S. (step 4)	(10000)
- g/w imp. (step 6)	(850)
	<u>63650</u>

Step 9 Cons. BLS.

Assets.

Non C.A. (P+S)	220000
goodwill (step 6)	7650
C.A. (P+S-5000)	<u>2500</u>
	<u>252650</u>

Equity & liabilities

Esc	100000
O.E. (step 8)	63650
NCI (step 7)	22000
N(L) → Deb. (P+S-3000)	40000
C.L. → TIP (P+S-5000)	27000

Question # 10

Balance sheet as on 31-03-2017

Particulars	P	S
NON CURRENT ASSETS		
PROPERTY, PLANT AND EQUIPMENT	100000	75000
INVESTMENT IN 8000 EQUITY SHARE OF S SINCE S'S INCORPORATION	95000	
INVESTMENT IN 70% DEBENTURES OF S	12000	
CURRENT ASSETS		
INVENTORY	13000	11000
TRADE RECEIVABLE FROM P		15000
TRADE RECEIVABLE FROM OTHERS	20000	30000
TOTAL	240000	131000
SHARE CAPITAL (RS 10 EACH)	100000	80000
RETAINED EARNINGS (OTHER EQUITY)	40000	20000
NON CURRENT LIABILITY		
- 12% DEBENTURE	50000	15000
CURRENT LIABILITIES		
- TRADE PAYABLE TO S	13000	
- OTHER TRADE PAYABLE	37000	16000
	240000	131000

PREPARE CONSOLIDATED BALANCE SHEET.

Solⁿ :- SH Pattern. Step 2 Period Step 3 A.O.P. of S
 P's Stake = 100% N.A.
 ∴ NCI = 0
 Pre = 0
 Post = 12m.

Step 4 :- Treatment of Adjustments.

- 1) 12% Deb. Dr 10,500 (15,000 x 70%)
 P's P/L Dr 1,500 (Bif)
 To invt in Deb 12,000
- 2) TRP to S Dr 13,000
 G.I.T. Dr 2,000 (Bif)
 To TIR adj from P 15,000

Step 5 :- SONA of SLTD
 Do Post Amend.

ESC	80000	—	80000
R.F.	—	20000	20000
	<u>80000</u>	<u>20000</u>	<u>100000</u>

↓
P's share:

Step 6 gw or gain on BIP.
 N.A. of s as on DoA. (steps) 80000
 — Invt in s. 65000
 gw. 15000

Step 7 JIE

N.A. of s Dr 80000
 Goodwill Dr 15000
 To Inv. in s. 95000

Step 8 Cons. Off

R.E of P. 40000
 — invt in Deb (step 4) (15000)
 + P's share in post profit (steps) 20000
58500

Step 9 C.B.S.



Assets

1) NCA

PPE (P+S)

175000

goodwill (step 6)

15000

2) CA.

Inventory (P+S + 2000)

26000

TIR (P+S)

50000

Total

266000

Equity and liabilities

1) Esc

100000

2) O.E. (step 8)

58500

3) NCL:

12% Deb (P+S (30% of 15000))

54500

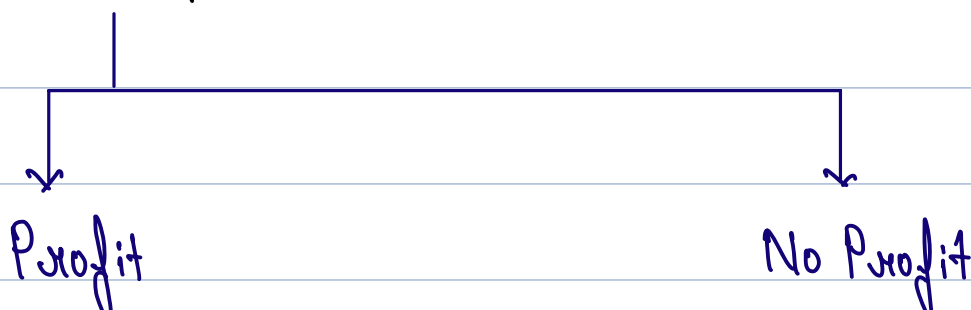
4) C.L.

TIP. (P+S)

53000

266000

(a) Dividend :-





- i) loss set off
- ii) Dep w/off.

xxx

Part of profit distributed as dividend.

Still Dividend



Comply with s.123 of co. Act 2013.

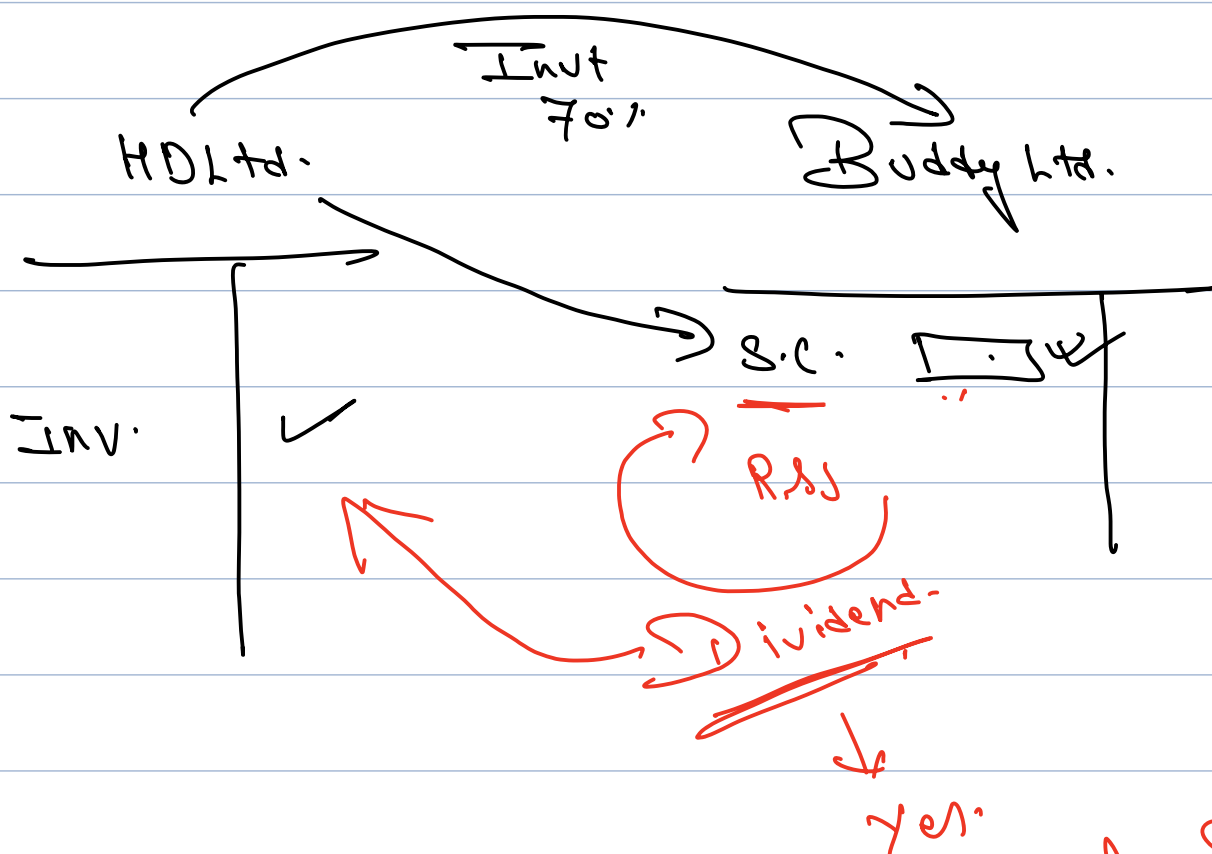
3 conditions

Complied

not comp.

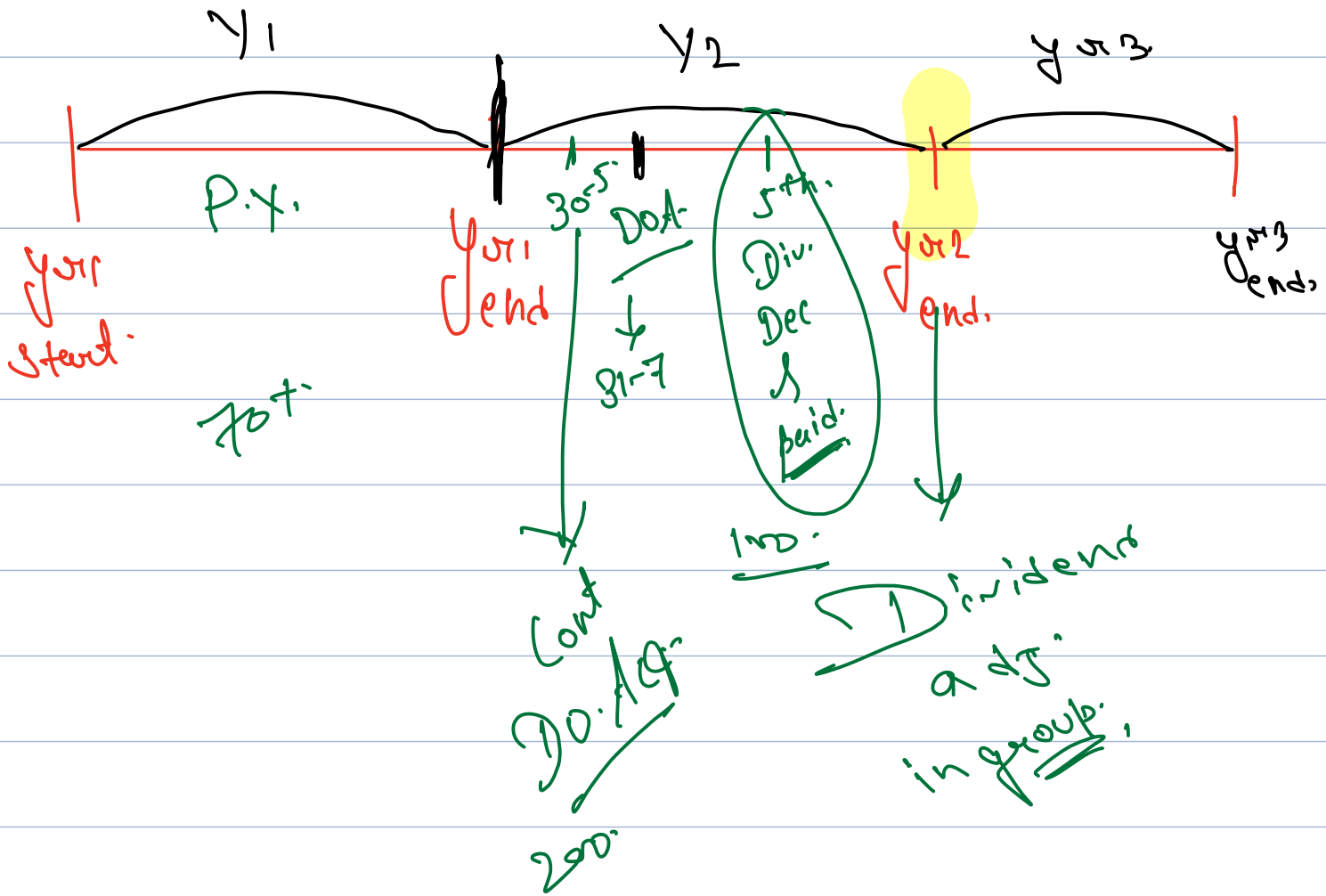
dist. Dividend

Do not dist. Div.





How to calculate Dividend



- 1) Dividend is calculated as a % of PUC
- 2) J.E. for Dividend (interim or final)

→ P/L Dr
 To Div. payable

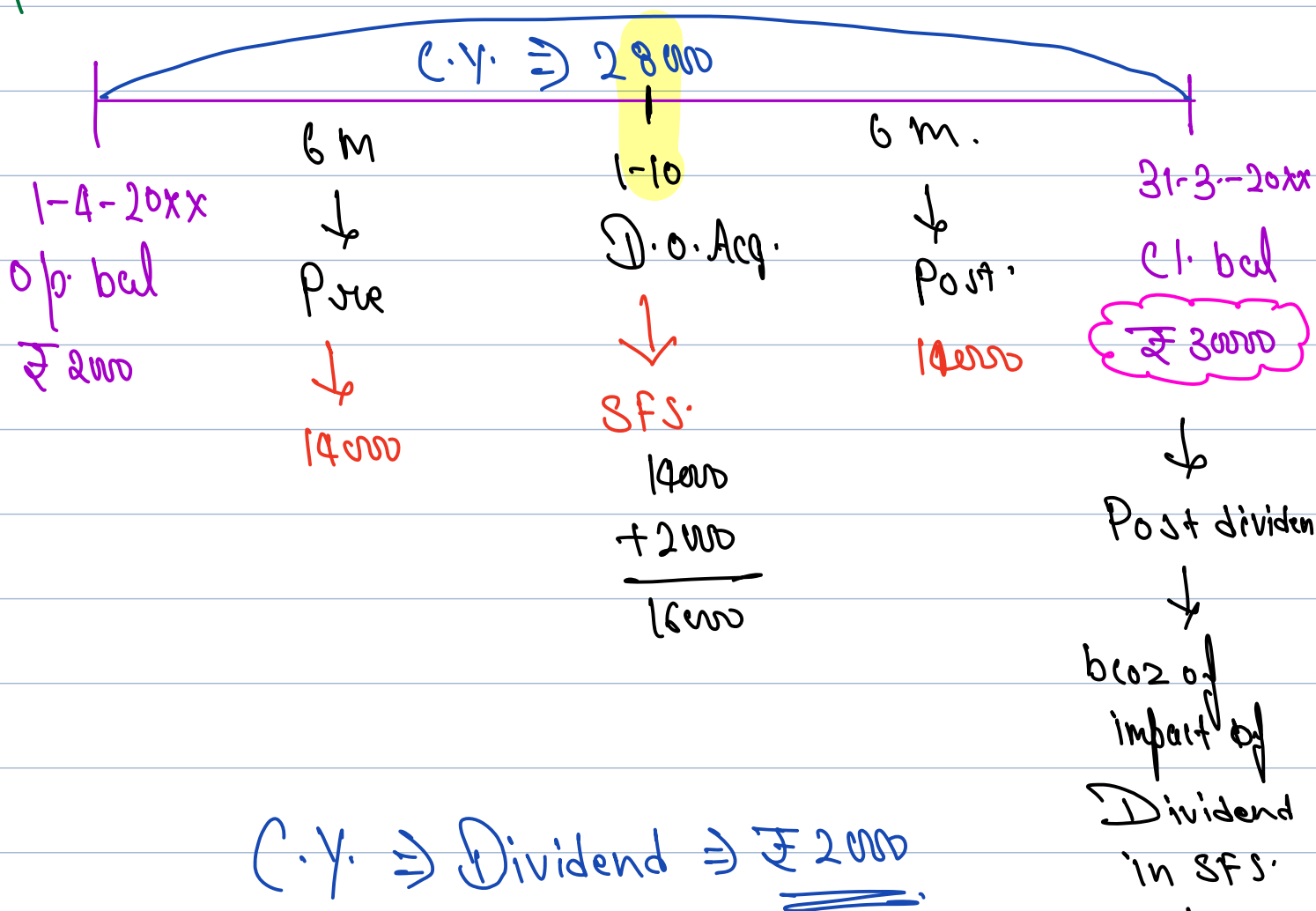


3) Any Dividend (interim/final) declared & paid by any Co. (Pers) should be ignored in CBS.



∴ individual BLS given in Q. is after impact of Dividend paid in C.Y.

eg:-



we will ignore Dividend.

∴ we need to Add dividend to reduce impact

S
→ P
PBT



— Tax

PAT

— Div.

Earnings.

+ Div.

of Dividend.



4) When P.Y. Dividend is paid in C.Y., in such cases:

↳ Dividend is already reduced from S's P/L bal. in B/S.

↳ Such Dividend is reduced by P. but P was not shareholder of S in P.Y., P should reduce (credit) such dividend from Subs. Cost of investment as per aq.

↳ but as per IND AS 27 SFs, P's investment in S Ltd should be at cost. Any dividend received by P from S should be credited to P/L.

∴ IND AS does not have concept of Pre aq. Dividend.

↳ So Dividend received by P should be cr. to



PIL is not investment in s.

Ind AS 110
↓
ignore.



5) Dividend is present in 3 places

i) Total Div. in P's BS.

ii) P's share of Div. in P's P/L

iii) NCI share of Div in net.

we will remove Dividend from all 3 places.

a) Calⁿ amount of Dividend = % of ESC.

b) Add Dividend to C.Y. profit of s. then
Calⁿ Pre & post post (step 3)

c) less P's share of Div. from P's P/L (step 9)

d) less NCI share of Div. from from NCI
(step 8)

Note:- this problem was in INDIA only becoz
of 2 Reasons



Love for Div. Treat.

Love for AS-21

Question # 11

Share Capital of Sas on 31-3-17 = 500000 ✓

Balance of Retained Earnings of S as on 01-04-16 is 60000 & 31-03-17 is 480000.

Balance of Retained Earnings of Pas on 31-03-17 is 90000.

P purchased 80% Equity Shares of S as on 30-09-16 for Rs 480000.

Non Controlling Interest is valued on P.S.N.A

SLTD paid dividend of 2015-16 ~~15%~~ 10%.

SLTD paid Interim Dividend @ 15%

Solⁿ:-

Step 1 SHP

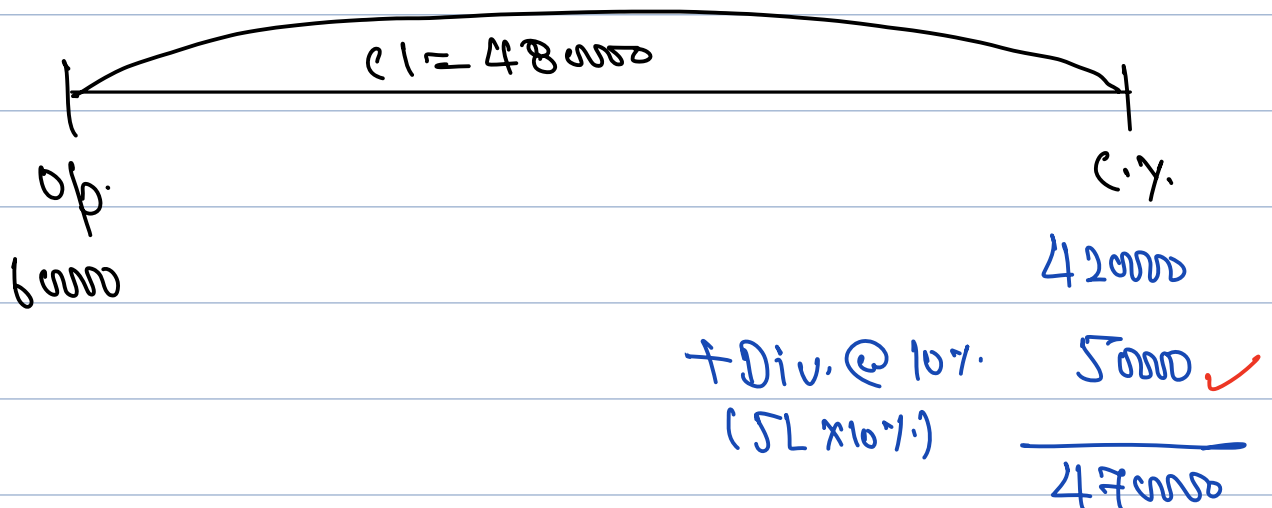
P = 80%.

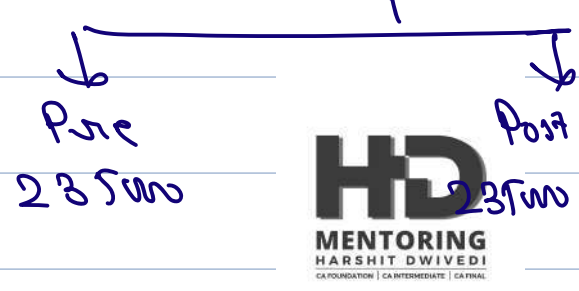
∴ NCI = 20%.

Step 2 Period.

y.s.	1-4-16	} → 6m → Pre
D.O.A.	30-9-16	
y.end	31-3-17	} → 6m → Post

Step 3. Analysis of profit of S





Pre acq. profit = 60000 + 235000 = 295000
 Post acq. profit = 235000

P's share in Dividend = 50000 × 80% = 40000

NCI share in Dividend = 50000 × 20% = 10000

Step 4 T.O.A. ⇒ N.A.

Step 5 SONA of S

	DOA.	Post	Yr end.
ESC	50000	-	50000
R.E. (step 3)	295000	235000	530000
	<u>795000</u>	<u>235000</u>	<u>1030000</u>

P's share in post profit = 235000 × 80% = 188000

NCI sh. " " " = 235000 × 20% = 47000

Step 6 g/w / Cr on B.P.

N.A. of S. as on DOA 795000
 - Inv. in S. 480000



— NCI @ PSNA
(790000 × 20%)

159000

C.R.

639000

156000



Step 7 NCI

NCI @ PSNA 159000

— NCI sh. of Div. (Step 3) (10000)

+ Post pr. of NCI (Step 5) 47000
196000

Step 8 Con o.E.

P' R.E. 9000

— P's in Div. (Step 3) (40000)

+ Post pr. (Step 5) 188000
238000

Note → i.D. should also be ignored as No impact bcoz its paid & dec. in c.y. only.

Question # 12

Given below are balance sheet of P and Q as on 31.3.2001 (in lacs)

	P	Q
Non-Current Asset		
- Property, Plant and Equipment	1,07,000	44,000
Financial Asset		-
- Non-current Investments	5,000 0	1,000
- Loans to S	10,000	-
CURRENT ASSET		
Inventories	20,000	10,000
Financial Asset		
- Trade receivable	8,000	10,000
- - Cash	38,000	1,000
	<u>1,88,000</u>	<u>66,000</u>

EQUITY AND LIABILITIES		
- Share capital of ₹10 each	20,000	10,000
- Other Equity	1,20,000	40,000
NON-CURRENT LIABILITIES		
Financial liabilities		
- Long term liabilities ✓	30,000	10,000
Deferred tax liabilities	5,000	1,000
Long term provision	5,000	1,000
CURRENT LIABILITIES		
Financial Asset		
- Trade receivable Payable.	6,000	2,000
- Short term provision	2,000	2,000
	1,88,000	66,000

Other Information:

- (1) On 1.4.01, P acquired 70% equity shares of Q for ₹36,000 lacs.
 - (2) Company has a policy to measure NCI at fair value and compute full goodwill.
 - (3) Market price per share of Q as on 1.4.2001 is ₹55.
 - (4) Entire long-term borrowings of Q is from P limited.
 - (5) The fair value of net assets is at ₹50,000 lacs
- Prepare Consolidated Balance Sheet.

Step 1 SHP

P Ltd = 70%

Net = 30%

Step 2 Period.

Y.S. - 31-3-01

DoA. - 1-4-01

Y. end - . . .

Step 3

↓

N.A.

Since we do not have sufficient information in relation to year end. So we will assume all O.F. as of Pure period.

Step 4 Treatment of Adjustments:

Inv + in Q DR 36000

To Cash 36000



L.T.B of Q Dr 10000

To Loan to S 10000



Steps SONA of Q Ltd.
DOA Post

S.C.

10000

R.E

40000

50000

Step 6 give or gain on B.P.

N.A. of Q. as on DOA (Steps) 50000

→ Invst. in S. 36000

→ NCI @ FV 16500 52500

$\left(\frac{10000}{10} \times 30\% \times 70\right)$ Gain 2500

Step 7 NCI @ FV (Steps) 16500

Step 8 Cons. o.f

o.f. of P. 120000

Step 9 Cons. BIS.
Assets

NCA.



PPE (P + Q)	15000
GLW (step 6)	2500
Non C. Inv. (P + Q)	6000



C.A.

Inventories (P + Q)	30000
TIR. (P + Q)	18000
CSCE (P + Q - 36000)	<u>3000</u>
	<u>210500</u>

Equity & Liabilities.

ESC	20000
O.P. (step 8)	120000
NCI (step 7)	16500

NCL.

LTB (P + Q - 10000)	30000
LTP. (P + Q)	6000
DTL	6000

(L.

TIP (P + Q)	8000
STP (P + Q)	<u>4000</u>

210500

H)

Unrealised profit on stock



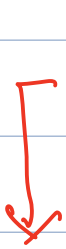
HD Ltd. (H)

Dr Ltd. (S)



Cost 100
SP 120

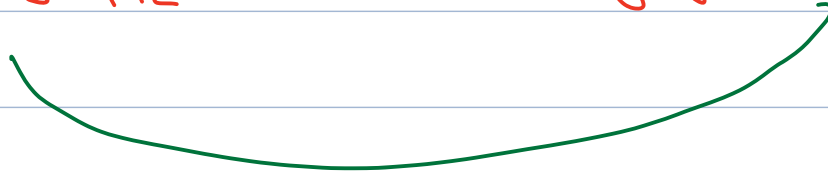
₹120



Profit of ₹20 lying in HD's P/L

if Dr Ltd did not sale it & it is

lying in stock @ ₹120



∴ HD & Dr are grp. Co.



then



i) ∴ goods are still lying i.e. are not sold outside the group,

∴ group cannot acc for profit of ₹20 which is included in P/L i.e. HD's P/L.

∴ ↓ HD P/L by ₹20

ii) ∴ Cost to group = ₹100

∴ Stock should be shown at ₹100 instead



of ₹ 20 lying in subsidiary books i.e. Dr Ltd.



∴ ↓ Dr Ltd inventory by ₹ 20

Journal

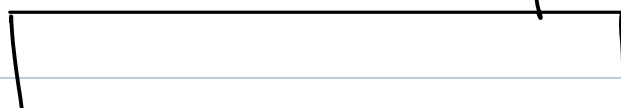
HD's PIL Dr 20 seller
 To Dr Ltd inv. 20 Buyer.

iii) ∴ Parent Co. (HD Ltd) profit ↓ ₹ 20
 Suppose tax rate = 30%

∴ DTA should be created
 = 20 × 30%
 = ₹ 6

DTA Dr 6
 To HD PIL. 6
 ↓
 Seller's PIL.

i) seller PIL Dr xxx
 To buyers inventory xxx





P's PIL

S's PIL

Cons. O.F.
(Step 8)

SONA of S.
(Step 5)

ii) DTA Dr xx
 To sellers PIL xx
 (URP x T.R)

Question # 13

Balance Sheet as on 31.3.90

	P	S
Non-current Asset		
- Property, Plant and Equipment	1,80,000	2,40,000
- Investment in ES of S	1,80,000	-
- Investment in 80% Debentures of S	40,000	-
Current Asset		
- Trade Receivable	40,000	1,00,000
	4,40,000	3,40,000
Share Capital of ₹10 each	2,00,000	1,25,000
Retained Earnings (Other Equity)	80,000	1,30,000
Non current liabilities		
- 12% debentures	40,000	40,000
Current Liabilities		
- Trade payables	1,20,000	45,000
	4,40,000	3,40,000

Other Information:

- (1) P purchased 10,000 ES of S on 1.1.90, when FV of NCI is ₹1,00,000
- (2) TR of P includes ₹10,000 due from S whereas TP of S include ₹7,000 due to P 3000 GRT
- (3) Balance of RE as on 1.4.89 is ₹60,000.
- (4) S paid ₹14,000 as Interim Dividend of CY. (ignore)
- (5) S paid ₹20,000 as dividend of 88-89 out of LY's profit on 1.2.90. ✓
- (6) Impair goodwill by 10%

Solⁿ: Step 1 Share holding Pattern

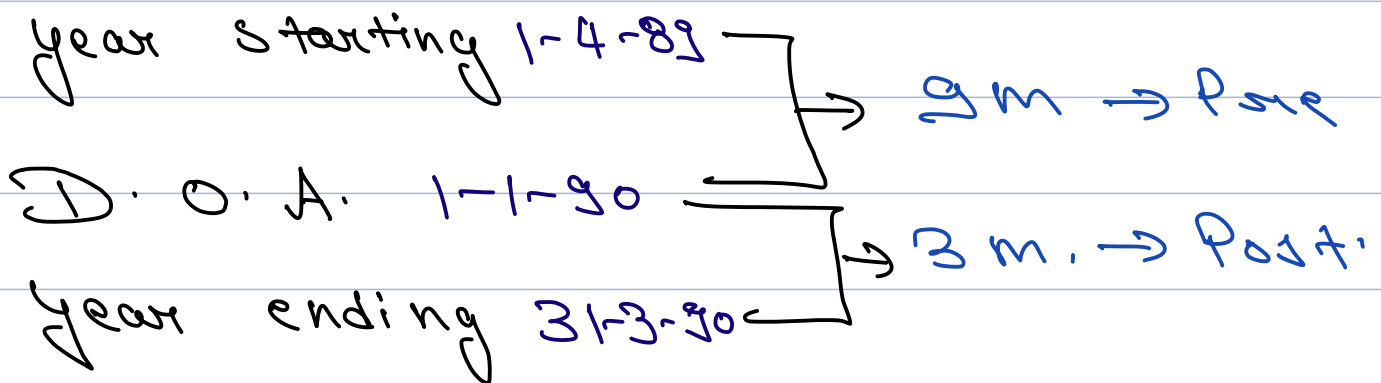


$$P \text{ stake} = \frac{10000}{12500} \times 100 = 80\%$$

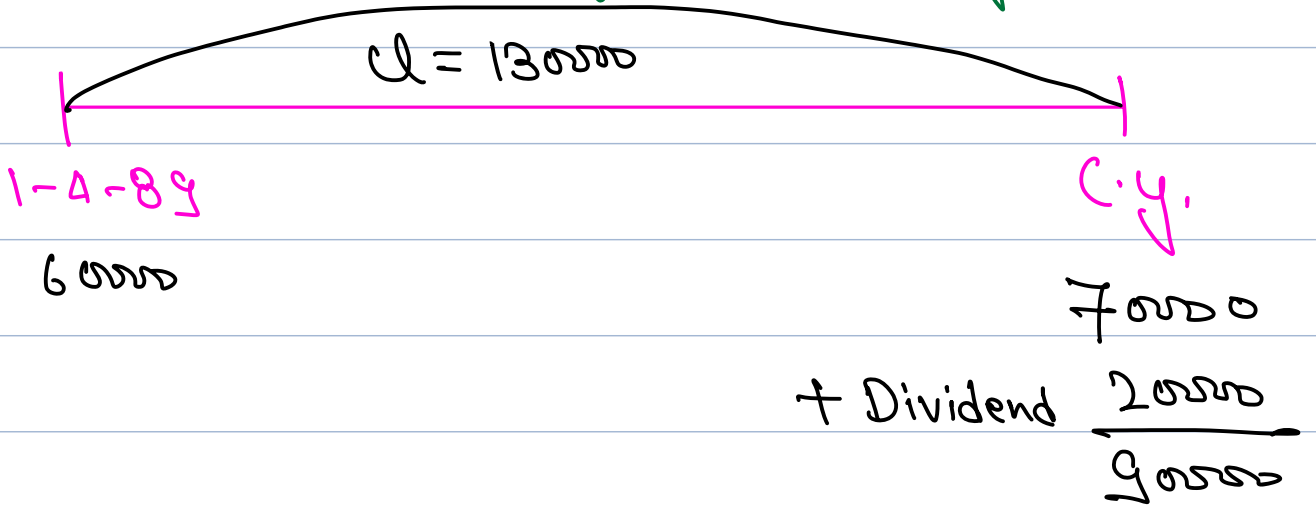
$$\therefore \text{NCI} = 20\%$$



Step 2 Period of Acquisition

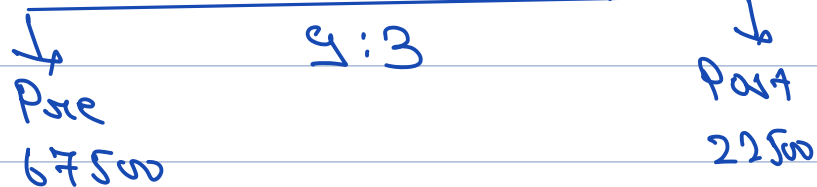


Step 3 Analysis of profits of S Ltd.



$$P_{pre} = 60000 + 67500 = 127500$$

$$P_{post} = 22500$$



$$P's \text{ share in Div.} \Rightarrow 20000 \times 80\% \\ \Rightarrow 16000$$

$$\text{NCI share in Div.} \Rightarrow 20000 \times 20\% \Rightarrow 4000$$

Step 4 Treatment of Adjustments



TP of S Dr 7000
 Goods in Transit Dr 3000 (Bif)
 To TR. of P. 10000

2) P's P/L Dr (80%) 2200
 NCI Dr (20%) 550

To goodwill 2750

3) 12% Deb Dr 32000 (40000 x 80%)
 P's P/L Dr 8000 (Bif)
 To invt in Deb 40000

Step 5 SONA of SLTs

	DoA	Post	yr. end.
ESC	125000	—	125000
R.E. (Step 3)	<u>127500</u>	<u>22500</u>	<u>180000</u> + 20000
	<u>252500</u>	<u>22500</u>	
		↓	

P's share in post profit $\Rightarrow 22500 \times 80\% = 18000$
 NCI share in post profit $\Rightarrow 22500 \times 20\% = 4500$

Step 6 Gain or Grain on B.P.

Net assets of S as on DoA (Step 5) 252500



Investment in Eq. of S.

NCI @ FV

	180000
	<u>100000</u>
	<u>280000</u>
Goodwill	<u>27500</u>
- impair @ 10%	<u>(2750)</u>
GW after imp.	<u>24750</u>

Step 7 JIE of Cons.

N.A. of S. Dr	252500
Goodwill Dr	27500
	To Invest in S. 180000
	To NCI 100000

Step 8 NCI

NCI @ FV	100000
- Share of Dividend (step 3)	(4000)
+ Post profit share (step 5)	4500
- Goodwill imp. (step 4)	(550)
	<u>99950</u>

Step 9 Cons. O.E.

R.E. of P Ltd.	80000
- Share of Dividend (step 3)	(16000)
+ Post profit share (step 5)	18000
- Goodwill imp. (step 4)	(2200)

- loss in invt in Deb' (step 4) (8000)

71800

HD
MENTORING
HARSHIT DWIVEDI
CA FOUNDATION | CA INTERMEDIATE | CA FINAL



Step 10 Cons. B/S.

Assets.

Non Current Assets.

i) PPE $(180000 + 240000)$	420000
ii) Goodwill (Step 6)	24750

Current Assets.

i) Trade Receivable $(40000 + 100000)$	130000
ii) Inventory (step 4) -10000	3000
<u>Total</u>	<u>577750</u>

Equity and Liabilities.

1) E S C	200000
2) Other Equity (step 9)	71800
3) NCI (step 8)	99900
4) NCL	
12% Deb. $(40000 + 40000 - 32000)$	48000
5) C.L.	
TIP. $(120000 + 45000 - 7000)$	158000