Total 577750

i) FV adjustment of stock of subsidi on DoA

**Upward**

10000 → 12000

↑ 2000

J.E.

Inv. Dr 2000
  To S's P/L 2000

↑ SoNA of S Ltd.
(Preprofit i.e. DoA)

**Downward**

10000 → 8500

↓ 1500

J.E.

S's P/L Dr 1500
  To invent. 1500

↓ SoNA of S Ltd.
(Preprofit i.e. DoA)

Stock.

URP

1) Sellers P/L Dr
To buyers stock

2) DTA Dr
To sellers P/L

FV adj. of s.

Incr.
Inv Dr
To S's P/L

Decr.
S's P/L
To Inv.

HDCloud

J) F.V. adjustment of PPE of S as on DoA.

| y.s. | Pre | DoA. | Post | yr.end |
|---|---|---|---|---|
| 1-4 | | 31-7 | | 31-3 |

B.V. — B.V. – Dep upto D.O.A — xx. → BV of PPE. → F.V.

₹2L.

FV – Dep. till y.end.

Cl. 18000

$\frac{20000}{200000} \times 100$

$= 20\%$.

in exam / Q. we either might find Dep % or B.V. of PPE at yr. starting.

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

Then we follow 3 steps.

Step 1 Calculation of

Dep Rate.

B.V. at yr end = xxx
B.V. at yr. start = xxx
Dep. xx

$$\text{rate} = \frac{\text{Dep}}{\text{B.V. at yr. st.}} \times 100$$

Op. B.V.

$$\frac{\text{B.V. at yr end}}{100 - \text{Dep. Rate}}$$

$\Rightarrow$ op. B.V.

Step 2. Calⁿ of Rev. amount

| | | |
|---|---|---|
| | B.V. as on DoA (Op. BV − Dep. upto DoA) | xxx |
| − | FV as on DoA | xxx |
| | Rev. profit | xxx |

Upward

PPE Dr
To pre acq. profit of S Ltd. (S's P/L)
+ SONA of S Ltd. on DoA

Downward.

Pre acq. profit of S Dr (S's P/L)
To PPE
— from SONA of S Ltd as on DoA.

Step 3 :- Addn Dep. in post period.

Dep. charged in post period xxx
(op x Dep. rate x post period)
or
(B.V. at yr. end − B.V. as on DoA.)
B.V. at yr. start. − Dep till DoA.

Dep. chargeable in post period. xxx
(FV x Dep. x Post period)

Savings | Add$^n$ Dep.

xxx

PPE Dr
To s'sP/L
↑ SONA.
(Post period)
in steps

s'sP/L Dr
To PPE
↓ SONA.
(Post period)
in steps

**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.

Sol$^n$

Step 1 Op. B.V.

$= \frac{13500}{100-10\%} = 15000$

Step 2.

B.V. as on DoA. 14250
$\left(15000 - 10\% \times \frac{6}{12}\right)$
FV as on DoA 18000

Step 1

$\frac{(15000 - 13500)}{15000} \times 100$

$\Rightarrow 10\%$

Step 2 Di.do.

Rev. profit 3750

Step 3. Add/Saving in Dep.

Dep. charged 750

(1500 x 10% x $\frac{6}{12}$)

Dep. chargeable 900

(1800 x 10% x $\frac{6}{12}$)

Add$^{n}$ 150

Step 3 sum

## ADJUSTMENT – 5 – IMPACT OF CHANGE IN FV OF LIABILITY of S.

(a) Increase in the value of liability would Decrease the NA of S as on DOA

(b) Decrease in the value of liability would Increase the NA of S as on DOA

(c) Such change in liability should be reflected in CBS also

**Question # 18** TYK Q. 4 SM ICAI , {Adopted MAY – 2018}

DEF Ltd acquired 100% ordinary shares of ₹100 each of XYZ Ltd on 1.10.2001.

On 31.3.2002 the summarised balance sheet of the two companies were given below

| | P | S |
|---|---|---|
| Land and Building | 15,00,000 | 18,00,000 |
| Plant and Machinery (P/M) | 24,00,000 | 13,50,000 |
| Investment in XYZ | 34,00,000 | - |
| Inventory | 12,00,000 | 3,64,000 |
| Trade Receivables | 5,98,000 | 4,00,000 |
| Cash | 1,45,000 | 80,000 |
| | 92,43,000 | 39,94,000 |
| Equity share capital | 50,00,000 | 20,00,000 x10% |
| Reserves | 24,00,000 | 10,00,000 |
| Retained Earnings | 5,72,000 | 8,20,000 |
| Bank Overdraft | 8,00,000 | - |
| Trade payable | 4,71,000 | 1,74,000 |
| | 92,43,000 | 39,94,000 |

22

Other Information:

(1) The retained earnings of XYZ Ltd showed a credit balance of ₹3,00,000 on 1.4.2001, out of which dividend of 10% was paid on 1.11.2001. DEF ltd has credited dividend received to retained earnings account.

(2) FV of P/M as on 1.10.2001 was ₹20,00,000 and depreciation rate on P/M is 10%.

(3) Following were changes in FV as per respective Ind AS from book value as on 1.10.2001, which is to be considered in balance sheet.

- Trade Payables ₹ 1,00,000
- Land and Building ₹ 10,00,000
- Inventories ₹ 1,50,000

Prepare CBS

Solⁿ:- Step 1 SHP.

DEF Ltd stake = 100%.

∴ NCI = 0

Step 2 Period of acquisition

| | | | |
|---|---|---|---|
| year starting | - | 1-4-2001 | → Pre → 6m |
| Date of acq. | - | 1-10-2001 | → Post → 6m |
| year end | - | 31-3-2002 | |

Step 3 Analysis of profits of S

C/R.E. = 820000

op 300000

C.Y. 520000

+ Dividend (20L × 10%) 200000

720000

Pre 360000      Post 360000

Pre acq = 300000 + 360000 = 660000

Post acq. = 360000

Dividend share in P = 200000

## Step 4 Treatment of Adjustments

1) FV adj. of P&M.

### Step 1 Calⁿ of op. B.V.

$$\Rightarrow \frac{\text{Cl. B.V. of P\&M.}}{100 - \text{Dep\%}} = \frac{1350000}{100-10\%} = 1500000$$

### Step 2 Revaluation

| | |
|---|---|
| B.V. as on DOA [(15L − (1500000 × 10% × $\frac{6}{12}$))] | 1425000 |
| FV as on DOA. | 2000000 |
| Rev. | 575000 |

### Step 3 Addⁿ Dep.

| | |
|---|---|
| Dep. charged (1500000 × 10% × $\frac{6}{12}$) | 75000 |
| Dep. chargeable (2000000 × 10% × $\frac{6}{12}$) | 100000 |

Addⁿ Dep. 25000

Step 5 SONA of S Ltd.

| | DoA | Post | Yr end. |
|---|---|---|---|
| ESC | 2000000 | — | 2000000 |
| R.E. (Step 3) | 660000 | 360000 | 1020000 |
| Reserves | 1000000 | — | 1000000 |
| Rev. of PIM (Step 4) | 575000 | — | 575000 |
| Addⁿ Dep. (Step 4) | — | (25000) | (25000) |
| +/- FV ch. | | | |
| Land | 1000000 | — | 1000000 |
| Inventories | 150000 | — | 150000 |
| TP | (100000) | — | (100000) |
| | 5285000 | 335000 | 5620000 |

DEF share of post profit = 335000

Step 6 g/w / G.R. on BIP.

| | |
|---|---|
| N.A. of DEF as on DoA. | 5285000 |
| − invt. in S. | 3400000 |
| Capital Reserve. | 1885000 |

Step 7 Cons. O.E.

Other Res. 2400000

Retained earnings 572000

− Dividend (step3) (200000)

+ Share of post pr. (step5) 335000

+ Capital Res. (step6) 1885000

4992000

Step 8 Cons. B/S.

Assets.

i) Non C.A.

i) PPE

L&B (15L + 18L + 10L) 4300000

P&M (24L + 13.5L + 57500 − 2500) 4300000

ii) C.A.

i) Invent. (1200000 + 364000 + 150000) 1714000

ii) T/R (598000 + 400000) 998000

iii) C&CE (145000 + 80000) 225000

11537000

Equity & Liabilities

1) SHF

i) ESC 5000000

ii) Other eq. (Step 7) 4992000

2) C.L.

i) TIP· (471000+174000+1L) 745000

ii) O·C·L· (Bank O·D) 800000

1153700

**Question # 19** **{Adopted - MAY – 2019}TYK Q.5**

Ram Ltd acquired 60%% ordinary shares of `100 each of Krishna Ltd on 1.10.2001.
On 31.3.2002 the summarised balance sheet of the two companies were given below

| | P | S |
|---|---|---|
| Land and Building | 3,00,000 | 3,60,000 |
| Plant and Machinery (P/M) | 4,80,000 | 2,70,000 |
| Investment in Krishnan Ltd | 8,00,000 | - |
| Inventory | 2,40,000 | 72,800 |
| Trade Receivables | 1,19,600 | 80,000 |
| Cash | 29,000 | 16,000 |
| | 19,68,600 | 7,98,800 |
| Equity share capital | 10,00,000 | 4,00,000 |
| Reserves | 6,00,000 | 2,00,000 |
| Retained Earnings | 1,14,400 | 1,64,000 |
| Bank Overdraft | 1,60,000 | - |
| Trade payable | 94,200 | 34,800 |
| | 19,68,600 | 7,98,800 |

Other Information

(1) The retained earnings of Krishna Ltd showed a credit balance of ₹60,000 on 1.4.2001, out of which dividend of 10% was paid on 1.11.2001. DEF ltd has credited dividend received to retained earnings account.

(2) FV of P/M as on 1.10.2001 was ₹4,00,000 and depreciation rate on P/M is 10%.

(3) Following were changes in FV as per respective Ind AS from book value as on 1.10.2001, which is to be considered in balance sheet

- Trade Payables ₹20,000
- Land and Building ₹2,00,000
- Inventories ₹30,000

Prepare CBS

Solⁿ :- Step1 SHP

∵ Ram Ltd stake = 60%.

∴ NCI = 40%.

Step2 Period of acq.

Y.S. 1-4-11 ⇒ Pre ⇒ 6m

DoA. 1-10-11 ⇒ Post ⇒ 6m

Y.end. 31-3-11

## Step 3 Analysis of profits

CI = 164000

Op. 60000

C.Y.
104000

+Div. (4L×10%) 40000

144000

Pre 72000

Post. 72000

Pre acq. = 60000 + 72000 = 132000

Post acq = 72000

Div. share in Ram = 40000 × 60% = 24000

Div. share in NCI = 40000 × 40% = 16000

## Step 4 Treatment of Adjustments.

Step 1 Cal$^n$ of op. B.V. $= \frac{270000}{100-10\%} = 300000$

Step 2 Reval$^n$

BV as on DoA. 285000

$\left(300000 - \left(3L \times 10\% \times \frac{6}{12}\right)\right)$

FV as on DoA 400000

115000

Step3 Addⁿ| sav. in Dep.

Dep. charged $(3L \times 10\% \times \frac{6}{12})$ 15000

Dep. chargeable $(4L \times 10\% \times \frac{6}{12})$ 20000

Addⁿ Dep 5000

Step 5 SONA of S

| | DoA. | Post | Yr end. |
|---|---|---|---|
| ESC. | 400000 | — | 400000 |
| O. Res. | 200000 | — | 200000 |
| R.E (step3) | 132000 | 72000 | 204000 |
| Rev. of PIM (step4) | 115000 | — | 115000 |
| Addⁿ Dep. (step4) | — | (5000) | (5000) |
| +/- F.V. changes | | | |
| + inv. | 30000 | — | 30000 |
| + L&B. | 200000 | — | 200000 |
| − TIP. | (20000) | — | (20000) |
| | 1057000 | 67000 | 1124000 |

Ram share in post profit = 67000 × 60% = 40200

NCI Share in post profit = 67000 × 40% = 26800

Step6 g/w | G on B.P.

| | | |
|---|---|---|
| N.A. of Krishna as on DoA. | | 1057000 |
| − invt in Krish. | 800000 | |
| − NCI @ PSNA. | 422800 | 1222800 |
| (1057000 × 40%. | G/w | 165800 |

Step7 NCI

| | |
|---|---|
| NCI @ PSNA (step6) | 422800 |
| + share of post profit (step5) | 26800 |
| − Div. share of NCI (step3) | (16000) |
| | 433600 |

Step8 Cons. O.E.

| | |
|---|---|
| O. Reserves. | 600000 |
| R.E. | 114400 |
| + share of p. profit (step5) | 40200 |
| − Div. sh. of P. (step3) | (24000) |
| | ₹ 730600 |

Step9 Cons. B/S.

Assets.

NCA

i) PPE

| | |
|---|---|
| a) L&B (P+S+ 2L) | 860000 |
| b) P&M (P+S +115000 − 5000) | 860000 |

ii) I.T.A.

a) goodwill (step 6) 165800

C.A.

i) Inventory (P+S+30000) 342800

ii) T/R. (P+S) 199600

iii) C & CE (P+S) 45000

247320

Equity & Liabilities

1) SHF

a) ESC 1000000

b) Con. O.E. (step 8) 730600

c) NCI (step 7) 433600

2) C.L.

a) T/P. (P+S-20000) 149000

b) OCL (Bank O D) 160000

247320

**Question # 17** {Adopted from Dip. In IFRS}

From following Balance Sheet as on 31.3.17, prepare CBS

| | P | S |
|---|---|---|
| Non-current Asset | | |
| - Property, Plant and Equipment | 10,00,000 | 8,00,000 |
| - Investment in ES of S | 6,00,000 | - |
| - Investment in 90% Debentures of S | 2,10,000 | - |
| Current Asset | | |
| - Trade Receivable | 60,000 | 50,000 |
| - Inventory | 50,000 | 40,000 |
| - Bank | 80,000 | 70,000 |
| | 20,00,000 | 9,60,000 |
| Share Capital of ₹100 each | 10,00,000 | 5,00,000 |
| Retained Earnings (Other Equity) | 4,00,000 | 2,00,000 |
| Non current liabilities | | |
| - 12% debentures | 3,00,000 | 2,00,000 |
| Current Liabilities | | |
| - Trade payables | 3,00,000 | 60,000 |

180000

| | | |
|---|---|---|
| | | |
| | 20,00,000 | 9,60,000 |



Other Information:

(1) P purchased 4,000 ES of S on 01.10.16 and the market price of the share on that day was ₹125 per share.

(2) Balance of RE of S as on 01.04.16 were ₹80,000, out of which 10% dividend of 15-16 was paid by S and S paid interim dividend of 15% in 16-17 → ignore.

(3) Trade receivable of S includes ₹10,000 due from P whereas trade payable of P includes ₹8,000 due to S.

(4) P sold inventory for ₹10,000 at a profit of 25% on cost, half of which is still lying with S.

(5) S's inventory of ₹5,000 was valued at ₹6,000 on the date of Acquisition and 60% of it is sold till the year end.

(6) S sold inventory of ₹10,000 to P at ₹12,000, 25% of which is still lying with P

(7) S's PPE includes PPE of book value ₹2,40,000 whose FV as on DOA is ₹4,00,000. Depreciation 20%.

(8) Trade payables of S had FV of ₹75,000 as on DOA.

(9) Land of S include in PPE is revalued upward by ₹50,000 on DOA.

Prepare CBS

Solⁿ :- Step 1 SHP

$$P's\ stake = \frac{4000}{5000} \times 100 = 80\%$$

$$\therefore NCI = 20\%$$

Step 2 Period

Y.S. 1-4-16 ] → Pre → 6m

DoA. 1-10-16 ] → Post → 6m

Yr. end 31-3-17

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

31-3-17
CI = 200000

1-4-16 — C.Y.

80000 — 120000

+ Dividend (5L×10%) 50000

170000

Pre 85000 | Post 85000

Pre acq. profit = 80000 + 85000 = 165000

Post acq. profit = 85000

Div. share of P = 50000 × 80% = 40000

Div. share of NCI = 50000 × 20% = 10000

Step4 T.O.A.

1) 12% Deb Dr 180000 (2L×90%)

P's P/L Dr 30000 (B/f)

To Inv. in Deb of S 210000

2) TIP Dr 8000

GIT Dr 2000 (B/f)

To TIR 10000

3) P'P/L Dr 1000

To inventory (S) 1000

(10000 × 20% × $\frac{1}{2}$)

4) Inv. Dr 1000

To S's P/L 1000

*****

S's P/L Dr 600

To Invent. 600

(Impact so NA)

$$\begin{array}{ccc} 5000 & \xrightarrow{+1000} & 6000 \\ \times 60\% & & \times 60\% \\ \hline 3000 & \xrightarrow{+600} & 3600 \end{array}$$

5) S's P/L Dr 500 ((12K-10K) × 25%)

To Invent. 500

6) Step1 op. B.V. of PPE = $\frac{240000}{80\%}$ = 300000

Step2 Rev.

B.V. as on DoA = 300000 - 10% or 20% × $\frac{1}{2}$ = 270000

FV as on DoA = 400000

Rev. 130000

Step3 Addl Savings in Dep.

Dep. charged = 300000 × 20% × $\frac{6}{12}$ = 30000

Dep. chargeable = 400000 × 20% × $\frac{6}{12}$ = 40000

Addn Dep ⇒ 10000

7) S's P/L Dr 15000
To P 15000

8) Land Dr 50000
To S's P/L 50000

Step 5 SONA of S.

| | DoA | Post | Yr end |
|---|---|---|---|
| ESC | 500000 | — | 500000 |
| R.E. (Step 3) | 165000 | 85000 | 250000 |
| FV of stock (Step 4) | 1000 | — | 1000 |
| increase in COGS (Step 4) | — | (600) | (600) |
| URP (Step 4) | — | (500) | (500) |
| Rev. of PPE (Step 4) | 130000 | — | 130000 |
| Addn Dep. (Step 4) | — | (10000) | (10000) |
| FV inc. in T.P. (Step 4) | (15000) | — | (15000) |
| FV inc. in Land (Step 4) | 50000 | — | 50000 |
| | 831000 | 73900 | 904900 |

P' share of post profit = 73900 x 80% = 59120
NCI share of post profit = 73900 x 20% = 14780

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

N.A. as on DoA. (Step 5) 831000
− Inv in S. 600000

| | | |
|---|---|---|
| − NCI @ FV (1000 sh × ₹125) | 125000 | 725000 |
| C.R. | | 106000 |



## Step7 NCI

| | | |
|---|---|---|
| NCI @ FV | (step6) | 125000 |
| + share of post profit | (step5) | 14780 |
| − Div. share of NCI | (step3) | (10000) |
| | | 129780 |

## Step8 Cons. O.E.

| | | |
|---|---|---|
| R.E. of P. (B/S) | | 400000 |
| share of post profit | (step5) | 59120 |
| − share of Dividend | (step3) | (40000) |
| − loss on inv in Deb. | (step4) | (30000) |
| − URP on stock | (stock4) | (1000) |
| + capital Reserve | (step6) | 106000 |
| | | 494120 |

## Step9 Cons. B/S

Assets

Non C.A.

PPE (P+S+ 130000 − 10000 + 50000) 197000

C.A.

inventory. (P+S + 2000 − 1000 − 500 + 1000 − 600) 90900

GIT

TIR. (Pts. − 10000) 100000

Cash (Pts) 150000

2310900

Equity & Liabilities.

SHF

i) ESC 1000000

ii) other equity (Step 8) 494120

iii) NCI (Step 7) 129780

NCL

a) LTB.

12% Deb (P+8 − 180000) 320000

C.L.

a) TIP. (Pts − 8000 + 15000) 367000

2310900

**Question # 21** PQ. 12 ICAI SM {RTP Nov '23}

Ishwar Ltd. holds investments in Vinayak Ltd. The draft balance sheets of two entities at 31st March, 20X4 were as follows:

| | Ishwar Ltd. ₹ in '000s | Vinayak Ltd. ₹ in '000s |
|---|---|---|
| Non-current Asset | | |
| - Property, Plant and Equipment | 26,20,000 | 18,50,000 |
| - Investment | 21,15,000 | - |
| Current Asset | | |
| - Inventory | 6,00,000 | 3,75,000 |
| - Trade Receivable | 4,50,000 | 3,30,000 |
| - Cash and Cash Equivalents | 75,000 | 60,000 |
| TOTAL ASSETS | 58,60,000 | 26,15,000 |
| Equity and Liabilities | | |
| Equity | | |
| Share Capital (₹ 1 shares) | 7,00,000 | 5,00,000 |
| Retained Earnings | 28,65,000 | 10,50,000 |
| Other Components of Equity | 12,50,000 | 50,000 |
| Non-current Liabilities | | |
| Provisions | 6,250 | - |

LAB

PPE

450 mill.

| | | |
|---|---|---|
| Long-term Borrowings | 4,13,750 | 4,50,000 |
| Deferred Tax | 2,25,000 | 1,40,000 |
| Current Liabilities | | |
| Trade and Other Payables | 3,00,000 | 2,50,000 |
| Short-term Borrowings | 1,00,000 | 1,75,000 |
| Total Current Liabilities | 4,00,000 | 4,25,000 |
| TOTAL EQUITY AND LIABILITIES | 58,60,000 | 26,15,000 |



Additional Information:

Ishwar Ltd.'s investment in Vinayak Ltd.

On 1st April, 20X1, Ishwar Ltd. acquired 400 million shares in Vinayak Ltd. by means of a share exchange of one share in Ishwar Ltd. for every two shares acquired in Vinayak Ltd. On 1st April, 20X1, the market value of one share of Ishwar Ltd. was ₹ 7.

Ishwar Ltd. appointed a professional firm for conducting due diligence for acquisition of Vinayak Ltd., the cost of which amounted to ₹ 15 million. Ishwar Ltd. included these acquisition costs in the carrying amount of the investment in Vinayak Ltd. in the draft balance sheet of Ishwar Ltd. There has been no change to the carrying amount of this investment in Ishwar Ltd.'s own balance sheet since 1 st April, 20X1.

On 1st April, 20X1, the individual financial statements of Vinayak Ltd. showed the following balance

Retained Earnings ₹750 million

Other components of Equity ₹25 million

The directors of Ishwar Ltd. carried out a fair value exercise to measure the identifiable assets and liabilities of Vinayak Ltd. at 1st April, 20X1. The following matters emerged:

- Property having a carrying amount of ₹ 800 million (land component ₹350 million, buildings component ₹ 450 million) had an estimated fair value of ₹ 1,000 million (land component ₹ 400 million, buildings component ₹ 600 million). The buildings component of the property had an estimated useful life of 30 years at 1st April, 20X1.
- Plant and equipment having a carrying amount of ₹ 600 million had an estimated fair value of ₹ 700 million. The estimated remaining useful life of this plant at 1st April, 20X1 was four years. None of this plant and equipment had been disposed of between 1st April, 20X1 and 31st March, 20X4.
- On 1st April, 20X1, the notes to the financial statements of Vinayak Ltd. disclosed contingent liability. On 1st April, 20X1, the fair value of this contingent liability was reliably measured at ₹ 30 million. The contingency was resolved in the year ended 31st March, 20X2 and no payments were required to be made by Vinayak Ltd. in respect of this contingent liability.
- The fair value adjustments have not been reflected in the individual financial statements of Vinayak Ltd. In the consolidated financial statements, the fair value adjustments will be regarded as temporary differences for the purposes of computing deferred tax. The rate of deferred tax to apply to temporary differences is 20%.

The directors of Ishwar Ltd. used the proportion of net assets method when measuring the non-controlling interest in Vinayak Ltd. in the consolidated balance sheet.

Impairment review of goodwill on acquisition of Vinayak Ltd.

No impairment of the goodwill on acquisition of Vinayak Ltd. was evident when the reviews were carried out on 31st March, 20X2 and 20X3. On 31st March, 20X4, the directors of Ishwar Ltd. carried out a further review and concluded that the recoverable amount of the net assets of Vinayak Ltd. at that date was ₹ 2,000 million. Vinayak Ltd. is regarded as a single cash generating unit for the purpose of measuring goodwill impairment.

C.A > R.A
↓
impaire
I.L

Provision

On 1st April, 20X3, Ishwar Ltd. completed the construction of a non-current asset with an estimated useful life of 20 years. The costs of construction were recognised in property, plant and equipment and depreciated appropriately. Ishwar Ltd. has a legal obligation to restore the site on which the non-current asset is located on 31st March, 2X43. The estimated cost of this restoration work, at 31st March, 2X43 prices, is ₹ 125 million.The directors of Ishwar Ltd. have made a provision of ₹ 6.25 million (1/20 x ₹ 125 million) in the draft balance sheet at 31st March, 20X4.

0.312

An appropriate annual discount rate to use in any relevant calculations is 6% and at this rate the present value of ₹ 1 payable in 20 years is 31.2 paise.

Prepare the consolidated balance sheet of Ishwar Ltd. at 31 st March, 20X4. Consider deferred tax implications

Solⁿ :- Step1 SHP.

Ishwar Ltd stake = $\frac{400}{500} \times 100$ = 80%

∴ NCI = 20%

Step2 Period

yr. starting 1-4-03

DOA. 1-4-01

yr. ending 31-3-04

Since D.O.A. is 2 years back

∴ entire Period is Post period.

Step3 A.o.P.o.f.s.

∵ No preacq. period

∴ N.A.

Step4 Treatment of Adjustments

a) Calⁿ of Tax as on 1-4-01 on DoA

| | C.A. (F.V.) | T.B. (C.A.) | T.D. |
|---|---|---|---|
| Land | 400 | 350 | 50 T |
| Buildings. | 600 | 450 | 150 T |
| Equipment. | 700 | 600 | 100 T |
| Contin. Liability | 30 | — | 30 D. |
| | | | 270 T. |
| | | × T. Rate | ×20%. |
| | | DTL | ₹ 54 |

b) Calⁿ of D.T. as on 31-3-04 on B/S date (C.F.U)

| | C.A. | T.B. | T.D. |
|---|---|---|---|
| ① Land | 400 | 350 | 50 T |
| ② Buildings. $\left(600 - 150 \times \frac{3}{30}\right)$ | 585 | 450 | 135 T |

note:- Building C.A on 1-4-01 in S's books is 450

∴ Sub. would have charged Dep. on ₹450 till 31-3-04.
hence we need to charge dep. on 1-4-01 to 31-3-04 only on extra ₹150 (600-450)

| | | | |
|---|---|---|---|
| ③ Equipment $\left\{700 - 100 \times \frac{3}{4}\right\}$ | 625 | 600 | 25 T |
| | | | 210 T |
| | | X T.R. | 20 % |
| | | DTL. | 42 |

ⓒ Prov. for DSR during 2003-04. (IND AS 16)

① Asset Dr 39
To prov. for DSR. 39
(125 × 0.312)

(2) P/L Dr 1.950
To Asset. 1.950
(39 × 1/20)

(3) P/L Dr 2.340
To provision (39 × 6%) 2.340

(4) Provision (old) Dr 6.250
To P/L. 6.250

Net impact := $\underbrace{6.250}_{P.} - \underbrace{1.950}_{Dep.} - \underbrace{2.340}_{prov. for Dism.} \Rightarrow \boxed{1.960}$ ↑ in P/L.

Step 5 SONA of Vinayak Ltd.

| | DoA. | Post | Yr end. |
|---|---|---|---|
| ESC | 500000 | — | 500000 |
| R.E. | 750000 | 300000 (B/f) | 1050000 |
| Other comp of Eq. | 25000 | 25000 (B/f) | 50000 |
| DTL. (Step 4) | (54000) | 12000 (B/f) | (42000) |
| Cont liab. (Step 4) | (30000) | 30000 (B/f) | 0 |
| Rev. gain (Step 4) | | | |
| → land. | 50000 | — | 50000 |
| → Building. | 150000 | — | 150000 |

| | | | |
|---|---|---|---|
| ⇒ Dep addn on Building | — | (15000) | (15000) |
| ⇒ Plant & Eq. | 100000 | — | 100000 |
| ⇒ Dep. on P & E | — | (75000) | (75000) |
| | 1491000 | 277000 | 1768000 |

Ishwar stake in Post = 277000 × 80% = 221600

NCI stake in Post = 277000 × 20% = 55400

Step 6 Goodwill or Cr. on BIP.

| | | |
|---|---|---|
| N.A of Vinayak as on DoA. | | 1491000 |
| − Invt in Vinayak. | 1400000 | |
| {400000 × $\frac{1}{2}$ × ₹7 } | | |
| − NCI @ PS N.A (14L × 20%) | 298200 | 1698200 |
| | Gr.W. | 207200 |
| | − I.L. (Note 1) | (21600) |
| | | 185600 |

Note-1 I. Loss of g/w (IND AS 36)

| | |
|---|---|
| N.A. of S on 31-3-24 | 1768000 |
| + g/w ( $\frac{207200}{80\%}$ ) | 259000 |

C.A. of S's N.A. 2027000

R.A. 2000000

I.L. 27000

g/w w/off.
Ist pref.

P (80%) 21600

P. → Cons. P/L.

P/P/L Dr 21600
To g/w. 21600

NCI (20%) —

(∵ it is group CBS & NCI is valued @ PSNA)

O.A&L.
in ratio of their C.A.

Step 7 NCI

| | |
|---|---|
| NCI @ PSNA. | 298200 |
| + sh. of P.P. | 55400 |
| | 353600 |

Step 8 Cons. O.E.

| | |
|---|---|
| P.R.E. | 2865000 |
| P.O.E. | 1250000 |

| | | |
|---|---|---|
| − | Cost of D.D. (given) | (15000) |
| + | inc. in P. for DSR. (step 4) | 1960 |
| + | sh. of P.P. (step 5) | 221600 |
| − | imp. of g/w (step 6) | (21600) |
| | | 4301960 |

Step 9 Cons. B/S

Assets

NCA

| | | |
|---|---|---|
| PPE | (Note-2) | 4717050 |
| g/w | (step 6) | 185600 |
| Investments | (Note-3) | 700000 |

C.A

| | | |
|---|---|---|
| Inventories | (P+S) | 975000 |
| T/R. | (P+S) | 780000 |
| C&CE | (P+S) | 135000 |
| | Total | 7492650 |

Equity & Liabilities

SHF

| | | |
|---|---|---|
| 1) ESC | | 700000 |
| 2) O.E. | (step 8) | 4301960 |
| 3) NCI | (step 7) | 393600 |

NCL.

| | | |
|---|---|---|
| 1) Provisions | (6150 − 6250 + 39000 + 2340) | 41340 |
| 2) L.T.B. | (P+S) | 863750 |
| 3) DTL | (365000 + 42000) | 407000 |

C.L.

| | | |
|---|---|---|
| 1) T.P. | (P+S) | 550000 |
| 2) STB | (P+S) | 275000 |
| | Total | ₹492650 |

Note-2 PPE

| | | |
|---|---|---|
| Ishwar Ltd. | | 2620000 |
| Vinayak Ltd | 1850000 | |
| + Rev. gain | | |
| Land | 50000 | |
| Building | 150000 | |
| Equipment | 100000 | |
| − Dep. | | |
| Building | (15000) | |
| Equipment | (75000) | |
| Prov. for DSR | 39000 | |
| Add$^n$ prov. on DSR. | (1950) | 2097050 |
| | | 4717050 |

## Note-3 Investments

| | |
|---|---|
| Ishwar Ltd. | 2115000 |
| – Cost of D.O. | (15000) |
| – Invt in Vinayak | (1400000) |
| | 700000 |

Q. 20 & 22 was H.W.

**Question # 22** — **NOV 24 EXAM**

The balance sheets of Ltd. and Las as on 31 March, 2024 were as follows

| | H LTD | S LTD |
|---|---|---|
| Non-current Asset | | |
| - Property, Plant and Equipment | 14800 | 6000 |
| - Investment in S ltd | 5800 | - |
| - 1000 debentures in s ltd | 1500 | - |
| Current Asset | | |
| - Trade Receivable (due from s ltd) | 4000 | 3000 |
| - Dividend recievable | 320 | - |
| - Inventory | 2600 | 2000 |
| - Cash and cah equivalents | 500 | 2000 |
| | 29520 | 13000 |
| Equity and Liabilities | | |
| Equity | 10000 | 4000 |
| Equity Share Capital (10 per share | 16320 | 5000 |
| Other Equity (Retained Eamings | | |
| Non-current LiabilitiesNon current liabilities | | 3000 |
| - 13% debentures of 100 each | | |
| Current Liabilities | | |
| - Trade payables | 1700 | 600 |
| - Dividend payable | | 400 |
| - Other liabilities | 1500 | |
| | 29520 | 13000 |

Additional information:

(i) On 1 April, 2023, S Ltd. had 400 lakh shares of 10 each and 3,000 lakh in its Retained Earnings in Other Equity. H Ltd. acquired 80% share of S Ltd. on 1 April, 2023 at a consideration of 5,800 lakh in cash.

(ii) The following changes in book value of identifiable net assets of S Ltd. as on 1" April, 2023 are to be considered for arriving the fair value of identifiable net assets and to record the changes in their fair value on the said date. These changes in fair values are to be considered while drawing consolidated Financial Statement of the Group.

| ASSETS | BOOK VALUE | FAIR VALUE |
|---|---|---|
| PPE | 2,500 LAKHS | 2,800 LAKHS |
| INVENTORY | 500 LAKHS | 200 LAKHS |

The rate of depreciation on PPE is 10% p.a.

(iii) NCI was to be measured at fair value based on purchase consideration.

(iv) Goodwill was impaired by 100 lakh

(v) H Ltd. sold goods worth 200 lakh to 5 Ltd. on credit at a profit of 20% on sales. 50% of the goods were still lying unsold

(vi) 5 Ltd. issued a cheque of 40 lakh in favour of H Ltd. as a part payment of the goods purchased from it in March, 2024. The cheque is yet to be received by H Ltd.

(vii) Dividend payable represents the dividend deciared out of pre-acquisition profit. H Ltd. credited its share of dividend from 5 Ltd. to its profits.

Prepare the Consolidated Balance Sheet of the Group as at 31 March, 2024,

**Answer**

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

| | Notes No. | ₹ in lakhs |
|---|---|---|
| ***Assets*** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 1 | 21,070 |
| Goodwill | 2 | 150 |
| **Current assets** | | |
| Inventory | 3 | 4,275 |
| Financial assets | | |
| Cash and cash equivalents | 4 | 2,540 |
| Trade receivables | 5 | 6,840 |
| Dividend receivable | 6 | Nil |
| **Total** | | **34,875** |
| ***Equity and Liabilities*** | | |
| **Equity** | | |
| Share capital - Equity shares of ₹ 10 each | | 10,000 |
| Other equity | 7 | 16,292 |
| Non-controlling interest (W.N.4) | | 1,824 |
| **Non-current liabilities** | | |
| Financial liabilities | | |
| Borrowings- 13% Debentures | 8 | 2,999 |
| **Current Liabilities** | | |
| Financial liabilities | | |
| Trade payables | 9 | 2,180 |
| Dividend payable | 10 | 80 |
| Other liabilities | | 1,500 |
| **Total** | | **34,875** |

**Notes to Accounts**

**1. Property, Plant and Equipment** — ₹ in lakhs

| Particulars | | ₹ | ₹ |
|---|---|---|---|
| H Ltd. | | 14,800 | |
| S Ltd. | 6,000 | | |
| *Add:* Fair value gain | 300 | | |
| *Less:* Additional depreciation due to fair value gain | (30) | 6,270 | 21,070 |

**2. Goodwill** — ₹ in lakhs

| Particulars | ₹ | ₹ |
|---|---|---|
| Goodwill on acquisition of S Ltd. (Refer W.N.3) | 250 | |
| *Less:* Impairment | (100) | 150 |

**3. Inventory** — ₹ in lakhs

| Particulars | | ₹ | ₹ |
|---|---|---|---|
| H Ltd. | | 2,600 | |
| S Ltd. | 2,000 | | |
| *Less:* Fair value loss | (300) | | |
| *Less:* Unrealised gain (200/80% x 20% x 50%) | (25) | 1,675 | 4,275 |

**4. Cash and cash equivalent** — ₹ in lakhs

| Particulars | ₹ | ₹ | ₹ |
|---|---|---|---|
| H Ltd. | 500 | | |
| *Add:* Cheque in Transit | 40 | 540 | |
| S Ltd. | | 2,000 | 2,540 |

**5. Trade Receivable** — ₹ in lakhs

| Particulars | | ₹ | ₹ |
|---|---|---|---|
| H Ltd. | 4,000 | | |
| *Less:* Mutual transaction | (160) | 3,840 | |
| S Ltd. | | 3,000 | 6,840 |

**6. Dividend Receivable** — ₹ in lakhs

| Particulars | ₹ | ₹ |
|---|---|---|
| H Ltd. | 320 | |
| *Less:* Mutual transaction | (320) | Nil |

**7. Other Equity (Retained Earnings)** — ₹ in lakhs

| Particulars | ₹ | ₹ |
|---|---|---|
| H Ltd. | 16,320 | |
| *Less:* Share of pre-acquisition dividend (400 x 80%) | (320) | 16,000 |
| Post acquisition RE of S Ltd. (W.N.1) | 2,370 | |
| *Less:* Share of NCI in post-acquisition RE of S Ltd. (2,370 x 20%) | (474) | 1,896 |
| *Less:* Impairment of goodwill (100 x 80%) | | (80) |
| *Less:* Loss on cancellation of debentures (mutual holding) (W.N.5) | | (1,499) |
| *Less:* Unrealised gain (W.N.6) | | (25) |
| | | 16,292 |

**8. Borrowings (13% Debentures)** — ₹ in lakhs

| Particulars | ₹ | ₹ |
|---|---|---|
| S Ltd. | 3,000 | |
| *Less:* Mutual holding by H Ltd. (1,000 Debentures x ₹ 100) | (1) | 2,999 |

**9. Trade Payables** — ₹ in lakhs

| Particulars | | ₹ | ₹ |
|---|---|---|---|
| H Ltd. | | 1,700 | |
| S Ltd. | 600 | | |
| *Less:* Mutual transaction | (120) | 480 | 2,180 |

**10. Dividend Payables** ₹ in lakhs

| Particulars | ₹ | ₹ |
|---|---|---|
| S Ltd. | 400 | |
| *Less:* Mutual transaction | (320) | 80 |

**Working Notes:**

**1. Analysis of Retained Earnings of S Ltd.** ₹ in lakhs

| | |
|---|---|
| Closing balance as on 31st March, 2024 | 5,000 |
| *Less:* Pre-acquisition Retained Earnings as on 1st April, 2023 (3,000 – 400) | (2,600) |
| | 2,400 |
| *Less:* Additional depreciation | (30) |
| Post-acquisition Retained Earnings | 2,370 |

**2. Computation of net worth (net identifiable assets) as on 1st April, 2023** ₹ in lakhs

| | |
|---|---|
| Share Capital of S Ltd. | 4,000 |
| Pre-acquisition Retained Earnings | 3,000 |
| Fair value gain on PPE (2,800 – 2,500) | 300 |
| Fair value loss on inventory (500 - 200) | (300) |
| Net Worth or Net Identifiable Assets | 7,000 |

**3. Computation of Goodwill on acquisition date of S Ltd.** ₹ in lakhs

| | |
|---|---|
| Purchase consideration | 5,800 |
| NCI (by fair value method) as on 1st April, 2023 [(5,800/80%) x 20%] | 1,450 |
| | 7,250 |
| *Less:* Net worth or Net Identifiable Assets (W.N.2) | (7,000) |
| Goodwill as on 1st April, 2023 | 250 |

**4. Non-Controlling Interest as on 31st March, 2024** ₹ in lakhs

| | |
|---|---|
| NCI (by fair value method) as on 1st April, 2023 | 1,450 |
| *Less:* Share of pre-acquisition dividend (400 x 20%) | (80) |
| Post-acquisition Retained Earnings (2,370 x 20%) | 474 |
| *Less:* Share of impairment of Goodwill (100 x 20%) | (20) |
| NCI as on 31st March, 2024 | 1,824 |

**5. Loss on settlement of Debentures held by H Ltd.** ₹ in lakhs

| | |
|---|---|
| Investment in Debentures by H Ltd. | 1,500 |
| *Less:* Nominal value of debentures held by H Ltd. (1,000 x ₹ 100) | (1) |
| Loss on settlement of investment in Debentures | 1,499 |

**6. Computation of unrealised gain by H Ltd. on sale of goods to S Ltd.**

₹ in lakhs

| | |
|---|---|
| Cost price of the goods sold | 200 |
| Sales price of the goods sold (200/80%) | 250 |
| Profit on sale of such goods | 50 |
| Unrealized gain on 50% unsold goods (50 x 50%) | 25 |

# #3 Special Issues

a) Sale of Stake by parent

Rather i should say Sale of stake it should be Δ of stake

SFS

Bank Dr xxx
To invt. xxx
(Diff = P/L)

CFS

| | C.I | C.II |
|---|---|---|
| P = 70% | 60% | 40% |
| NCI = 30% | 40% | X |

C.I. Lost.

Bank Dr.
~~Invt Dr~~
NCI Dr
To G/w
To N.A.

NA Dr
G/w Dr
To Invt
To NCI

| No loss of Control | loss of Control |
|---|---|
| ↓ | ↓ |
| Increase NCI | Derecognise Subsi. |

**Increase NCI**

Bank Dr xxx → Money recd.

To NCI xxx → Value of Business × Stake % Sold

Value of Business → N.A. of S as on Date of sale + G/W as on DoA.

**Derecognise Subsi.**

Invt Dr → Retained

Bank Dr → money recd.

NCI Dr → CA

To NA of S → CA

To G/W → DoA

To O.E. (B/f)

eg:

| | DoA | 1-4-24 |
|---|---|---|
| NA of S. | 100000 | 160000 |
| G/W | ?? | 40000 |

a) inv in S for 70% = ₹ 90000

b) NCI is valued @ PSNA. DoA.

1) Cal^n of G/W

| | | |
|---|---|---|
| NA of S as on DoA. | | 100000 |
| − inv in S. (70%) | 90000 | |
| − NCI @ PSNA. | 30000 | 120000 |
| G/W. | | 20000 |

2) JE (cons.)

| | | |
|---|---|---|
| NA of S | Dr | 100000 |
| G/W | Dr | 20000 |
| To NCI | | 30000 |

To Inv. 9000

# D.O.S.

a) Post profit = N.A. of S on Date of sale − N.A. as on DOA.

= 160000 − 100000

= 60000

Parent (70%) 42000

NCI (30%) 18000

b) NCI as on 1-4-24.

| | |
|---|---|
| NCI as on DOA | 30000 |
| + Sh. of post pr. | 18000 |
| | 48000 |

c) 1-4-2024

**Case-1**

P purchased further 15% stake for ₹ 9000

(prop. payment to NCI)

SFS → Inv Dr 9000
To Bank 9000
(normal purchase)

CFS → NCI = 30% → 4800

∴ 15% → ??

$\boxed{2400}$

NCI Dr 2400
To Bank 9000
To O.E. 1500

**Case-2**

P sold 15% stake for ₹ 4000

(incr. of NCI)

SFS.

Inv 70% → 90000

∴ 15% → ??

$\boxed{19286}$

Bank Dr 40000
To Inv. 19286
To P/L 20714

CFS

| | |
|---|---|
| N.A. of S | 160000 |
| G.W. | 40000 |
| Val. of Biz. | 200000 |

**Case-3.**

P sold 35% of stake for ₹ 50000

(loss of control)

SFS.

Inv → 70% = 90000

35% = ?

$\boxed{45000}$

Bank Dr 50000
To Inv Dr 45000
To P/L. 5000

Sold 15%

₹ 30000

CFS

Bank Dr 40000
To NCI 30000
To O.E 10000

Inv Dr 45000
Bank Dr 50000
NCI Dr 48000
O.E. Dr 37000
To g/w 20000
To N.A. 160000

logic.

| | |
|---|---|
| Unrealised profit (part) | 60000 |
| P' share | 70% |
| Unrealised part profit. | 42000 |
| received | (5000) |
| Unrealised & hence forgone | 37000 |

MD Cloud.

| Question # 35 | ILL 23 ICAI STUDY MATERIAL |
|---|---|

A limited acquired 10% additional shares of its 70% subsidiary. The following relevant information is available in respect of the changes in NCI on the basis of balance sheet finalised as on 1.4.2000

| | ₹ in '000 As on 31.3.2000 |
|---|---|
| Separate Financial Statements | |
| Investment in subsidiary (70% interest) – at cost | 14,000 |
| Purchase price for additional 10% | 2,600 |
| Consolidated Balance Sheet | |
| NCI | 6,600 |
| Consolidated P/L account balance | 2,000 |
| Goodwil | 600 |

Reporting date of subsidiary and the parent is 31.3.2000.
Prepare note showing adjustment for change of NCI. Should goodwill be adjusted for change?

Solⁿ There is an additional purchase of 10% stake for ₹2600. which means NCI is decreasing i.e. prop. payment to NCI.

SFS

Invt Dr 2600
To Bank 2600

CFS.

a) NCI 30% → 6600
∴ 10% → ??
$\boxed{2200}$

b) NCI Dr 2200
O.E. Dr 400
To Bank 2600

There will be no change in goodwill ∵ control already exists

| Question # 36 | ICAI STUDY MATERIAL ILL 22 |
|---|---|

Entity A acquired 60% of entity B two years ago for ₹6,000. At that time B's fair value was ₹10,000. It had net assets with a fair value of ₹6,000 (which same as book value). Goodwill of ₹2,400 was recorded (being ₹6,000 – 60% x ₹6,000 ). On 1st October 2000, entity A requires a further 20% interest in entity B, taking its holding to 80%. At that time the FV of B is ₹20,000 and entity A pays ₹4,000 for 20% interest. At the time of purchase the FV of entity B's net asset is ₹12,000 and the carrying amount of NCI is ₹4,000

Solⁿ :-

2yrs ago.

N.A. of S 6000
– Invt in S 6000

1-4-2000

SFS

CFS.

– NCI @ PSNA 2400 8400 Inv Dr 4000 a) NCI → 40% 4000

(6000 × 40%) To Bank 4000 ∴ 20% ☐

G/W 2400 2000

b) NCI Dr 2000

O.E Dr 2000

To bank 4000

| Question # 37 | ICAI STUDY MATERIAL ILL 24 |
|---|---|

A limited acquired 70% of shares of B Ltd on 1.4.2000, when FV of NA of B limited was 200 lakhs. During 2000-01, B limited made a profit of ₹100 lakhs. Stand-alone and CBS as on 31.3.2001 are as follows :

| | A | B | Group |
|---|---|---|---|
| PPE | 627 | 200 | 827 |
| Goodwill | - | - | 10 |
| Investments | 150 | - | - |
| Cash | 200 | 30 | 230 |
| Other CA | 23 | 70 | 93 |
| | 1,000 | 300 | 1,160 |
| Share capital | 200 | 100 | 200 |
| Other equity | 800 | 200 | 870 |
| NCI | - | - | 90 |
| | 1,000 | 300 | 1,160 |
| As on 1.4.2001 | | | |
| Purchase Consideration | 150 | | |
| NCI | 60 | | |
| | 210 | | |
| FV of NA | (200) | | |
| Goodwill | 10 | | |

Now A purchases another 10% stake in B on 1.4.2001 for 32
The proportionate carrying amount of NCI is 30
Show Stand-alone and CBS of the group immediately after the change in NCI

Soln :- Step 1

P = 70%

NCI = 30%

Step 2 Period

Y.S. 1-4-2000 → Pre = 0

DOA 1-4-2000 → Post = 12

Yr. end. 31-3-2001

Step 3 :- Analysis of profit → N.A.

Step4 :- T.O.A. → No.

Step5 :- SONA of S.

| | DOA | Post | Yr end. |
| --- | --- | --- | --- |
| ESC | 100 | – | 100 |
| R.E. | 100 | 100 | 200 |
| | 200 | 100 | 300 |

P = 70% → 70

NCI = 30% → 30

Step6 Calⁿ of g/w / G.R. on B.P.

| | | |
| --- | --- | --- |
| N.A. of S as on DOA | | 200 |
| – Inv. (70%) | 150 | |
| – NCI @ PSNA | 60 | 210 |
| | g/w | 10 |

Step7. Change of stake.

SFS → Inv Dr 32

ToCIB 32

CFS → NCI 30% = 90 {60 + 30}.

∴ 10% ⇒ $\boxed{??}$

Step8 NCI

| | |
| --- | --- |
| NCI | 60 |
| + sh. of p.p. | 30 |
| | 90 |
| – Ref. | (30) |
| | 60 |

30 Step 9 Consolidate O.E

| | | | |
|---|---|---|---|
| NCI Dr 30 | | O.E. of P | 800 |
| O.E Dr 2 | | + Sh. of Post P. | 70 |
| To Bank 32 | | − loss in Δ in stake | (2) |
| | | | 868 |

Step 10 Consolidated B/S.

| Particulars | A | B | Group |
|---|---|---|---|
| PPE | 627 | 200 | 827 |
| Goodwill | — | — | 10 |
| Inv. (150+32) | 182 | — | — |
| Cash (200−32) | 168 | 30 | 198 |
| O.C.A. | 23 | 70 | 93 |
| | 1000 | 300 | 1128 |
| Equity | 200 | 100 | 200 |
| O.E. | 800 | 200 | 868 |
| NCI | — | — | 60 |
| | 1000 | 300 | 1128 |

**Question # 38**

P purchased 80% shares of S on 1.4.2016. Balance sheet as on 31.3.2017 is as follows:

| | P | S |
|---|---|---|
| Property, Plant and Equipment | 5,00,000 | 4,00,000 |
| Investment in 80% ES of S (sold 10% of Inv for ₹90,000 on YE, effect yet to given) | 5,00,000 | - |
| Current Asset | 6,00,000 | 5,00,000 |

| | | |
|---|---|---|
| | | |
| | 16,00,000 | 9,00,000 |
| Share Capital<br>Retained Earnings ( S's on 1.4.16 = 20,000)<br>Liabilities | 7,00,000<br>5,00,000<br>4,00,000 | 4,00,000<br>1,00,000<br>4,00,000 |
| | 16,00,000 | 9,00,000 |

Other Information:

FV of NCI on 1.4.16 was ₹1,00,000.

Prepare Stand-alone BS and CBS of P

Solⁿ :- Step1 SHP.

P 80%

NCI 20%

Step2 Period

Ys. — 1-4-16 } Pre = 0

DoA. — 1-4-16 } Post = 12

Y.end — 31-3-17

Step3 AoP → N.A.

Step4 T.o.A. → N.A.

Step 5 SONA of S.

| | DoA | Post | yr end. |
|---|---|---|---|
| ESC | 400000 | | 400000 |
| R.E. | 20000 | 80000 | 100000 |
| | 420000 | 80000 | 500000 |

Post 80000 → P (80%) 64000 ; NCI (20%) 16000

Step6 G/W / Cr. on B.P.

| | |
|---|---|
| N.A. of S | 420000 |
| − inv. 80% 5L | |
| − NCI @ FV 1L | 600000 |
| G/W. | 180000 |

Step7 NCI

| | |
|---|---|
| NCI on DoA. | 100000 |
| + sh. of p.p. | 16000 |
| | 116000 |
| + sale of stake | 68000 |
| | 184000 |

Step8 Change in stake sold w/o cont.

SFS → 80% = 500000

10% = ??

$\boxed{62500}$

Bank Dr 90000

To Inv. 62500

To P/L 27500

CFS. N.A. of S. on y. end 500000

G/W 180000

Val. of Biz. 680000

× Sold % ×10%

68000

Bank Dr 90000

To NCI 68000

To O.E 22000

Steps Cons. O.E.

P. R.E. 500000

+ Sh. o. P.P. 64000

+ P. on sal. of stake 22000

586000

Step 10 Cons. B/S.

| Particulars | P. | CBS. |
|---|---|---|
| Non C.A. | 500000 | 900000 |
| inv. in E.S. of S (500000 − 62500) | 437500 | — |
| Goodwill | — | 180000 |
| C.A. | 690000 (6L + 90K) | 1190000 (P + S + 90000) |
| | 1627500 | 2270000 |
| Equity | 700000 | 700000 |
| O.E. | 527500 (5L + 27500) | 586000 |
| NCI | — | 184000 |
| Liability | 400000 | 800000 |
| | 1627500 | 2270000 |

**Question # 39** ICAI STUDY MATERIAL ILL 21

Entity P sells 20% interest in wholly owned subsidiary to outside investors for ₹100 lakhs in cash. The carrying value of subsidiary's net assets is ₹300 lakhs, including goodwill of ₹65 lakhs from the initial acquisition.

Soln :-

SFS

Bank Dr 100

To inv A/c. xxx

CFS.

V.O.B. = 300

Sold % = 20%

⇒ 300 × 20%
⇒ 60

Bank Dr 100
To NCI 60
To O.E 40

| Question # 40 | ICAI STUDY MATERIAL ILL 25 |
|---|---|

Amla Ltd purchased a 100% subsidiary for ₹10,00,000 at the end of 2001 when the FV of subsidiary's Lal Ltd net asset was ₹8,00,000
The parent sold 40% of its investment in the subsidiary in March 2004 to outside investors for ₹9,00,000. The carrying value of NA of subsidiary net asset is 18,00,000 as on date of disposal shares (including net assets of ₹16,00,000 and goodwill of ₹2,00,000)
Calculate gain/loss of sale of interest in subsidiary as at 31 march 20X4

Soln :-

SFS

100% = 10 10L.
40% = ??

$\boxed{4L}$

Bank Dr 900000
To inv. 4L.
To P/L 5L

CFS.

V.O.B = 18L.
Sold = 40%
720000

Bank Dr 9L.
To NCI 720000
To O.E 180000

| Question # 41 | ICAI STUDY MATERIAL ILL 26 |
|---|---|

Entity A sells a 30% interest in its wholly-owned subsidiary to outside investors in an arm's length transaction for ₹500 crore in cash and retains a 70% controlling interest in the subsidiary. At the time of the sale, the carrying value of the subsidiary's net assets in the consolidated financial statements of Entity A is ₹ 1,300 crore, additionally, there is a goodwill of ₹ 200 crore that arose on the subsidiary's acquisition. Entity A initially accounted for NCI representing present ownership interests in the subsidiary at fair value and it recognises subsequent changes in NCI in the subsidiary at NCI's proportionate share in aggregate of net identifiable assets and associated goodwill.

How should Entity A account for the transaction?

Sol$^n$ :- A/cing in SFS Not possible since value of investments is not given.

In CFS

a) N.A. of S. as on D.O.S. = 1300
+ goodwill = 200

V.O.B. 1500

× % sold = × 30%

450

b) Bank Dr 500
To NCI. 450
To O.E 50

| Question # 43 | ICAI STUDY MATERIAL ILL 30 |
|---|---|

In March 2001 a group had 60% interest in subsidiary with share capital of 50,000 ES. The carrying amount of goodwill is ₹20,000 at march 2001 calculated using partial goodwill method. On 31.3.2001, an option held by minority shareholders exercised the option to subscribe for a further 25,000 shares in subsidiary at ₹12 per share, raising ₹3,00,000. The net assets of subsidiary in the consolidated balance sheet prior to the option exercise were ₹4,50,000 excluding goodwill. Calculate gain or loss in loss of interest in subsidiary due to option exercised by minority shareholder

Sol$^n$ :- P's share = 60% ∴ NCI = 40%

no. of shares held by P = 50000 E.sh × 60%.

= 30000 sh.

given in Q.

S. made fresh issue of 25000 E.sh. to option holders @ ₹ 12

∴ now total sh. of S = 50000 + 25000
= 75000

∴ P's share = $\frac{30000}{75000} \times 100$ = 40%

it means loss of control (L.O.C.)

N.A. of S as on DOA = 450000

| | | |
|---|---|---|
| N.A. of S | 450000 | |
| − inv ins | 290000 | B/f |
| NCI@PSNA (450000 × 40%) | (180000) | |
| g/w | 20000 | |

P Ltd acq.

60% of 450000
⇒ 270000

S extra g/w = 20000

∴ total V.O.B. = 290000

SFS (Gift)

as on DoA

Inv. Dr 290000
To C/B. 290000

CFS.

Invt Dr 360000
NCI Dr 180000

As on 1.o.c.

Inv Dr 7000

To P/L. 7000

To NA of s. 45000

To g/w 20000

To O.E (B/f) 7000

FV of invt. = 3000 x 12 = 36000

Cost of invt = 29000

7000

## Question # 44 — ICAI STUDY MATERIAL ILL 31

A P purchased an 80% interest in S for ₹1,60,000 on 1.4.2001 when the fair value of S's Net Assets was ₹1,75,000. Goodwill of ₹20,000 arose on consolidation under partial goodwill method. Impairment of goodwill of ₹8,000 was charged to consolidate FS to 31.3.2003. no other impairment charges being recorded have been recorded. The parent sold its Investment in the subsidiary on 31.3.2004 for ₹2,00,000. The book value of S's NA in the consolidated FS on the date of sale was ₹2,25,000 (not including goodwill of ₹12,000). When the S held the criteria held for sale under Ind AS 105, no write down was required because the expected FV less cost to sale (of 100% of the S) were greater than the ~~FV~~ carrying value.

The P carried the Investment in the subsidiary at cost, as permitted by Ind AS 27.

Calculate gain or loss on disposal of S in P's separate FS and consolidated FS as on 31.3.2004

Soln:-

On 1-4-01

| | |
|---|---|
| N.A. of S | 175000 |
| – invt | (160000) |
| – NCI @ PSNA (20% of 175000) | (35000) |
| g/w | 20000 |

In SFS

Bank Dr 200000

To invt 160000

To P/L (gain) 40000

On 31-3-04

N.A. of S. as on 31-3-04 225000

N.A. of S as on 1-4-01 175000

In CFS

Bank Dr 200000

NCI Dr 45000

To NA of S 225000

Post profit 50000

P' share 80% = 40000

NCI 20% = 10000

To G/W 12000

To O.E. (8000)

On 31-3-04

| | |
|---|---|
| NCI as on DoA. | 35000 |
| Share of post profit | 10000 |
| NCI as on 10C | 45000 |

**Question # 45** ICAI STUDY MATERIAL ILL 32

AT Ltd purchased 100% subsidiary for ₹50,00,000 on 31.3.2001 when the fair value of BT whose NA was ₹40,00,000. Therefore, goodwill is ₹10,00,000. The AT Ltd sold 60% of its investment in BT Ltd on 31.3.2003 for ₹67,50,000, leaving AT with 40% and significant influence. At the date of disposal, the carrying value of NA of BT Ltd, excluding goodwill is ₹80,00,000. Assume the FV of the investment in associate retained is proportionate to the FV of the 60% sold that is ₹45,00,000 Calculate gain or loss on disposal of S in P's separate FS and consolidated FS as on 31.3.2003.

Soln: In SFS

Bank Dr 6750000

To inv (50L × 60%) 3000000

To P/L 3750000

Inv Dr 2500000

To P/L 2500000

In CFS

Bank Dr 60% 6750000

Inv. Dr 40% 4500000 $\left(\frac{6750000}{60\%} \times 40\%\right)$

To NA of S. 8000000

To G/W 1000000

To O.E (B/f) 2250000

**Question # 46** — **ICAI STUDY MATERIAL ILL 33**

The facts of this question remain same as previous question, except the group AT Ltd disposes 90% interest in BT Ltd for ₹85,50,000, leaving AT with investment of 10%. The FV of remaining interest is ₹9,50,000

Calculate gain or loss on disposal of S in P's separate FS and consolidated FS as on 31.3.2003.



Soln :-

Total investment = 5000000

| | 90% sold | 10% retain |
|---|---|---|
| Cost | 4500000 | 500000 |
| FV | 8550000 | 950000 |
| gain | 4050000 | 450000 |

SFS

Bank Dr 8550000
  To invt 4500000
  To P/L 4050000

Invt Dr 450000
  To P/L 450000

CFS.

Bank Dr 8550000
Inv Dr 950000
  To g/w 1000000
  To NA of S 8000000
  To O.E 500000

## Question # 47 {MTP – SERIES – I & II - NOV 2018}

P has a number of wholly owned subsidiaries including S at 31.3.2002. P consolidated financial position and the group carrying amount of S assets and liabilities ( amount included in that consolidated statement of financial position in respect of S assets and liabilities) at 31.3.2002 are as follows:

| | ~~P~~ group. | S |
|---|---|---|
| Goodwill | 380 | 180 |
| Building | 3,240 | 1,340 |
| Inventory | 140 | 40 |
| Trade Receivables | 1,700 | 900 |
| Cash | 3,100 | 1000 |
| | 8,560 | 3,460 |
| Equity share capital | 1,600 | |
| Retained Earnings | 4,260 | |
| Trade payable | 2,700 | 900 |
| | 8,560 | 900 |

MENTORING
HARSHIT DWIVEDI

200

g/w of p!

g/w on com.

CASE – 1 –

Prepare CBS as on 31.3.2002 when P sold 100% shares of S to an independent party for ₹3,000 millions.

CASE – 2 –

Prepare CBS as on 31.3.2002 when P sold 50% shares of S to an independent party for ₹1,000 millions.

Solⁿ :-

Step1 SHP

P = 100%

∴ NCI = 0.

Step 2 Period.

Y.S. 1-4-01

DoA. 31-3-02

Y.E 31-3-02

→ Pre = 12.

→ Post = 0

Step3 A.O.P. ⇒ N.A.

Step4 T.O.A. ⇒ N.A.

Step5 SONA of S. on DOA/YE

| | |
|---|---|
| Assets | 3460 |
| - Liability | (900) |
| | 2560 |

Step6 Calⁿ of g/w

I II