N.A. of S.	2560	2560
− invt in S	2560	2760
goodwill	—	200

ICAI assumption | given

Step 7 Sale of stake

	SFS	CFS
Case-1	C/B Dr 3000	C/B Dr 3000
	To inv. 2560	To N.A of S 2560
	To P/L 440	To O.E 440
Case-2	C/B Dr 1000	C/B Dr 1000
	P/L Dr (B/f) 280	Inv Dr 1000
	To inv (50%) 1280	OE Dr 560
		To N.A 2560

2560

→ 50% sold → 1000 → 1280 → 280 (Sold, Cost)

→ rem. 50% → Cost 1280
FV 1000

∴ ↓ FV ⇒ 280

Step 8 B/S:

	before sale			C.I (only P)			C.II		
	P	S	CBS	P	S	CBS	P	S	CBS.
goodwill	200	180	380	200	180		200	180	
Building	1900	1340	3240	1900	1340		1900	1340	
inventory	100	40	140	100	40		100	40	
T/R.	800	900	1700	80	900		800	900	
Cash	2100	1000	3100	3100	1000		3100	1000	
Invst Ins.	2560	—	—	—	—		1000	—	
Equity	1600	2560	1600	1600	2560		1600	2560	
R.E	4260	—	4260	4700	—		3700	—	
T/P	1800	900	2700	1800	900		1800	900	

4260 − 280 − 280
(560)

⇒

Question # 42

P acquired 80% shares of S on 1.4.2016 for ₹5,00,000 on which date S's P/L balance was ₹1,00,000

Balance sheet on 31.3.2017

	P	S
Property, Plant and Equipment	5,00,000	2,00,000
Investment in 80% ES of S	5,00,000	-
(sold all for ₹7,00,000, effect yet to given)		
Current Asset	10,00,000	5,00,000
	20,00,000	7,00,000
Share Capital	4,00,000	3,00,000
Retained Earnings (S's on 1.4.16 = nil)	2,00,000	1,50,000
Liabilities	14,00,000	2,50,000
	20,00,000	7,00,000

Other Information:

1. FV of NCI on 1.4.16 was ₹1,30,000.

Prepare Stand-alone BS and CBS of P.

Sol^n :- Step 1 SHP. Step 2 Period

P = 80%

NCI = 20%

Y.S. = 1-4-16 ⇒ Pre → 0

D o A. = 1-4-16 ⇒ Post ⇒ 12m

Y. End = 31-3-17.

Step 3 AoP ⇒ N.A. Step 4 T.o.A. ⇒ N.A.

Step 5 SONA of S. Step 6 G/W / Gon B.P.

	DoA.	Post	Yend.
ESC	300000	—	300000
RE	—	150000	150000
	300000	150000	450000

150000 → P (80%) 120000; NCI (20%) 30000

N.A. of S as on DoA. 300000

− Inv (80%) 500000

− NCI (20%) 130000 FV

G/W 330000

Step7 NCI

On DoA.	130000
Sh. of P.P.	30000
	160000

Step8 Cons. O.E.

P' R.E	200000
Sh. of P.P.	120000
	320000

Step9 CBS

PPE	700000
G/W	33000
C.A.	1500000
	2533000
ESC	400000
O.E	320000
NCI	160000
Liab.	1653000
	2533000

Step10 LOC

Bank Dr 7L.

NCI Dr 1.6L

To NA of S 4.5L

To G/W 3.3L.

To O.E. 80000

Step 11 CBS/ B/s of P.

PPE	500000
C.A. (10+7)	1700000
	2200000
Equity	400000
O.E (320+80)	400000
Liab.	1400000
	2200000

B) loss of Control in 2 transactions but treated as one

Refer HD textbook.

Pg 165.

Question # 50	ILL 34 ICAI SM

MN Ltd. was holding 80% stake in UV Ltd. Now, MN Ltd. has disposed of the entire stake in UV Ltd. in two different transactions as follows:

- Transaction 1: Sale of 25% stake for a cash consideration of ₹ 2,50,000
- Transaction 2: Sale of 55% stake for a cash consideration of ₹ 5,50,000

Both the transactions have happened within a period of one month. In accordance with the guidance given in Ind AS 110, both the transactions have to be accounted as a single transaction. The net assets of UV Ltd. and non-controlling interest on the date of both the transactions was ₹ 9,00,000 and ₹ 1,80,000 respectively (assuming there were no earnings between the period of two transactions).

How MN Ltd. should account the transaction?

Soln.:

1) Total consideration = 250000 + 550000 = ₹ 800000

2) Derecognise subsidiary

Bank Dr		800000	
NCI Dr		180000	
To N.A.			900000
To O.E. (B/f)			80000

c) Change in status:

P's stake in S > 50%

But

P's status changes from

- Non inv. to inv. (No more Parent)
  - A/c as loss of control & derecognised Subsidiary
- inv. to Non invt Co. (Now a parent)
  - A/c as gain in control & Recognise Subsidiary

eg → HD is interested in operations of Buddy.

$$\underbrace{\text{HD (Parent)} \xrightarrow[> 50\%]{\text{has control}} \text{Buddy (S)}}_{\text{Non invt. entity}}$$

HD is not interested in operations of Buddy.

∴ has No control

HD (Parent) $\xrightarrow{> 50\%}$ Buddy (S)

∴ invt. entity

Question # 51	ICAI STUDY MATERIAL ILL 35

A Limited ceased to be in investment entity from 1st April 2021 on which date it was holding 80% of B Limited.

- The carrying value of such investment in B Limited (which was measured at fair value through profit or loss) was ₹4,00,000.
- The fair value of non-controlling interest on the date of change in status was ₹ 1,00,000.
- The value of subsidiary's identifiable net assets as per Ind AS 103 was ₹4,50,000 on the date of change in status.

Determine the value of goodwill and pass the journal entry on the date of change in status of investment entity.

(Assume that non-controlling interest is measured at fair value method)

Soln :-

From inv to Non invt.

∴ Recognise as subsidiary

Calⁿ of g/w / g.on. BP

NA of S		450000
- invt	4 L	
NCI@FV	1L	500000
g/w		50000

J.E

N.A. of S Dr	450000	
goodwill Dr	50000	
To invt in S		400000
To NCI		100000

Question # 52 **ICAI STUDY MATERIAL ILL 36**

CD Ltd. purchased a 100% subsidiary for ₹ 20,00,000 on 31st March 20X1 when the fair value of the net assets of KL Ltd. was ₹ 16,00,000. Therefore, goodwill was ₹ 4,00,000. CD Ltd. becomes an investment entity on 31st March 20X3 when the carrying value of its investment in KL Ltd. (measured at fair value through profit or loss) was ₹ 25,00,000.

At the date of change in status, the carrying value of net assets of KL Ltd. excluding goodwill was ₹ 19,00,000.

Calculate gain or loss with respect to investment in KL Ltd. on the date of change in investment entity status of CD Ltd.

Soln :-

From Non inv to inv.

∴ 1) Derecognise subsidiary

&

2) show invt in SFS @ FVTPL

Given in the Q.

	DOA	Ch. O. St.
N.A.	1600000	1900000
g/w	400000	400000
inv.	2000000	2500000
	(Cost)	(FV)
NCI	–	–

SFS.

Invt Dr 500000

To P/L 500000

CFS

Invt Dr 2500000

To NA of S 1900000

To G/W 400000

To O.E. (B/f) 200000

D) Concept of treatment of OCI of Subsidiary on date of loss of Control

a) F.V. Changes (increase) in assets would have created profit

→ P/L → tf → in case of sale. Remain in P/L.

→ OCI (R) → trf. to P/L

→ OCI (NR) → trf. to R.E.

eg→ B/S as on 31-3-24

Liability	P	S	Assets	P	S.
ESC	1500	1000	Non C.A.	700	100
O.E. :-					
→ R.E.	500	300	invt in 80% ES of S.	1200	
→ OCI (R)	–	200			
→ OCI (NR)	–	100	Cash	800	2000
C.L.	700	500			

On 1-4-2023 ⇒ R.E = 100 & OCI = 0

Soln :- Step1 SHP Step3 AoP

Step2 Period Step4 ToA

Step 5 SONA

	DoA	Post	YE
ESC	1000	—	1000
RE	100	200	300
OCI(R)	—	200	200
OCI(NR)	—	100	100
	1100	500	1600

500 →

P (80%) 400

NCI (20%) 100

Step6 g/w / Gr on B.P.

N.A. of S on DoA		1100
− Inv.	1200	
− NCI @ PSNA (1100 × 20%)	220	1420
	g/w	320

Step7 NCI as on 31-3-24

NCI @ PS NA		220
Sh. of Post pr.		100
		320

P/L 40

OCI(R) 40

OCI(NR) 20

Step8 Cons O.E.

O.E.		500
Sh. of P.P.		400
		900

P/L 160

OCI(R) 160

OCI(NR) 80

Step 9 CBS

ESC	1500
O.E.	
→ R.E (500 + 160)	660
→ OCI (R) (0 + 160)	160
→ OCI (NR) (0+80)	80
NCI	320
CL	1200
Non CA.	800
G/W	320
Cash	2800

Step 10 P sold entire inv. for ₹ 1500 on 1-4-24

SFS

Bank Dr 1500
To invt 1200
To P/L 300

CFS.

Bank Dr 1500
NCI Dr 320
O.E. Dr 100 (B/f)
To N.A. 1600
To g/w 320

Step 11 On 1-4-24

P's B/S (SFS)

ESC	1500	Non C.A.	700
R.E. (500 + 300)	800	C.B (800 + 1500)	2300
C.L.	700		

CBS.

ESC	1500	Non CA.	700
O.E.		C.B.	2300
R.E. (660 - 100)	560		
OCI (R)	160		
OCI (NR)	80		
C.L.	700		

→ Should be trf. to P/L

→ sh. be trf. to R.E.

Conclusion

in Case of loss of Control

a) derecognise subsidiary by reversing J.E.

b) P's share in S's OCI (R) sh. be trf. to P/L

c) P's Share in S's OCI (NR) sh. be trf. to P' R.E

OCI (R) | OCI (NR)

Refer ch. 1 list.

c) Other comprehensive Income (OCI)	
i) Items that cannot be reclassified in P/L in subsequent years	NR
→ Revaluation reserve	
→ Measurement loss/gain on Actuary	
→ Fair value changes on investment in equity	
→ Share of profit or loss in associates and subsidiaries	
(ii) items which can be reclassified (when revenue is realised it will be shown in P/L as Net gain from recycling) R.	
→ Fair value changes in Investment in debts	
→ Cash flow hedge reserve	
→ Exchange difference in foreign operation	
→ Share of profits in JV	
→ Others	
Tax effects on OCI	
Total comprehensive Income	

Question # 48

Parent P acquired 90 percent of subsidiary S some years ago. P now sells its entire investment in S for ₹ 1,500 lakhs. The net assets of S are 1,000 and the NCI in S is ₹ 100 lakhs. The cumulative exchange differences that have arisen during P's ownership are gains of ₹ 200 lakhs, resulting in P's foreign currency translation reserve in respect of S having a credit balance of ₹180 lakhs, while the cumulative amount of exchange differences that have been attributed to the NCI is ₹ 20 lakhs Calculate P's gain on disposal in its consolidated financial statements.

Sol[n]: In CFS

a) CB Dr 1500

NCI Dr 100

To N.A of S. 1000

To O.E. (gain) 600

↳ sh. of N.A. = 1000 × 90% = 900

Sold for = 1500

gain 600

b) FCTR (OCI-R) 180

To P/L 180

(200 × 90%)

Question # 49

As at the beginning of its current financial year, AB Limited holds 90% equity interest in BC Limited. During the financial year, AB Limited sells 70% of its equity interest in BC Limited to PQR Limited for a total consideration of ₹56 crore and consequently loses control of BC Limited. At the date of disposal, fair value of the 20% interest retained by AB Limited is ₹16 crore and the net assets of BC Limited are fair valued at ₹60 crore. These net assets include the following:

(a) Debt investments classified as fair value through other comprehensive income (FVOCI) of ₹12 crore and related FVOCI reserve of ₹6 crore.

(b) Net defined benefit liability of ₹6 crore that has resulted in a reserve relating to net measurement losses of ₹3 crore.

(c) Equity investments (considered not held for trading) of ₹10 crore for which irrevocable option of recognising the changes in fair value in FVOCI has been availed an related FVOCI reserve of ₹4 crore.

(d) Net assets of a foreign operation of ₹20 crore and related foreign currency translation reserve of ₹8 crore.

In consolidated financial statements of AB Limited, 90% of the above reserves were included in equivalent equity reserve balances, with the 10% attributable to the non-controlling interest included as part of the carrying amount of the non-controlling interest

Solⁿ :- 1) Bank Dr 56
Inv Dr 16
NCI Dr 6 (60 x 10 %)
To N.A. 60
To O.E. 18

2) FVOCI (R) Dr 5.4
To P/L 5.4
(6 x 90%)

4) FVOCI (NR) 3.6
To R.E. 3.6
(4 x 90%)

3) R.E. Dr 2.7
To FVOCI (NR) 2.7.
(3 Gx 90%)

5) FVOCI (R) 7.2
To P/L 7.2
(8 x 90%)

e) goodwill or gain on B/P. → Refer textbook

Question # 24 80%	Q. 22 OLD SYLLABUS

Daniel acquired ~~100%~~ of the ordinary share capital of Craig on 31st December 2016 for Rs 78000.
At this date the net assets of Craig were Rs 85000.
What goodwill arises on the acquisition ?

(1) As per AS 21 ✓
(2) As per IND AS-103. ✓
(a) if the Non controlling interest is valued using the proportion of net assets method.
(b) if the Non controlling interest is valued using the fair value method and fair value of the Non controlling interest on the aquistion date is Rs 19000?

(3) As per ICAI-Fair value of Non controlling interest assuming same price per share is paid by P it.

Solⁿ :- i) As per AS-21

Daniel share of N.A. as on DOA. (85000 × 80%)		68000
− Cost of investment		78000
	g/w	10000

ii) Ind As 103.

a) NCI @ PSNA.

N.A. of S. as on DOA.		85000
− Invt	78000	
− NCI @ PSNA. (85000 × 20%)	17000	95000
	g/w	10000

b) NCI @ FV

N.A. of S. as on DOA.		85000
− Invt	78000	
− NCI @ PSNA. (85000 × 20%)	19000	97000
	g/w	12000

c) NCI @ FV (ICAI) prop. N.S. f.v.

N.A. of S. as on DOA.		85000
− Invt	78000	
− NCI @ PSNA. $\left(\frac{78000}{80\%} \times 20\%\right)$	19500	97500
	g/w	12500

Question # 25 ILL 2 ICAI SM

Ram Ltd. acquires Shyam Ltd. by purchasing 60% of its equity for ₹ 15 lakh in cash. The fair value of non-controlling interest is determined as ₹ 10 lakh. The net aggregate value of identifiable assets and liabilities, as measured in accordance with Ind AS 103 is determined as ₹ 5 lakh.
How much goodwill is recognized based on two measurement bases of non-controlling interest (NCI) ?

Soln :-

NCI @ FV

N.A. of S as on DoA.		= 500000
– invt in S	15L.	
– NCI @ FV	10 L	25L.
g/w		20L.

NCI @ PSNA

N.A. of S as on DoA		= 5L.
– invt in S	15L	
– NCI @ PSNA (5L × 40%)	2L	17L
g/w		12L

Question # 27

Raja Ltd. purchased 60% shares of Ram Ltd. paying ₹ 525 lakh. Number of issued capital of Ram Ltd. is 1 lakh. Fair value of identifiable assets of Ram Ltd. is ₹ 640 lakh and that of liabilities is ₹ 50 lakh. As on the date of acquisition, market price per share of Ram Ltd. is ₹ 775.
Find out the value of goodwill.

Soln :-

N.A. of Ram Ltd as on DoA. (640 – 50)		590
– Invt in S	525	
– NCI @ FV (40%) (40K × 775)	310	835
g/w		245

(f) Step acquisition → Refer textbook.

Question # 28

A Ltd purchases following Investments in B Ltd

Date	Percentage (%)	No. of shares	Cost
1.1.2016	10 %	1,000	100,000
1.5.2016	10 %	1,000	120,000
1.12.2016	30 %	3,000	350,000
1.2.2017	10 %	1,000	150,000

Other Information

(a) Fair value of shares of B limited on 1.02.2017 was ₹145

(b) Fair value of NCI on 1.2.2017 was ₹5,75,000

(c) Fair value of NA of B Ltd on 1.2.2017 was ₹12,00,000

Calculate Goodwill or Gain on bargain purchase

Soln :-

Journal.

1-1-16	Inv in B Ltd Dr	100000	
	To C1B		100000
1-5-16	Inv in B Ltd Dr	120000	
	To C1B.		120000
1-12-16	Invt in B Ltd Dr	350000	
	To C1B		350000
1-2-17	Invt in B Ltd Dr	150000	
	To C1B		150000

WN-1 Cost of 5000 sh = ₹ 570000

FV of 5000 sh = (5000 sh × ₹ 145) = 725000

1-2-17 Inv in B Ltd Dr 155000

To P/L 155000

(725000 − 570000)

(being Δ in FV of Eq. sh)

Cal^n of g/w / gain on B.P.

N.A. of S. as on DoA		= 1200000
− Invt in S	150000	
− NCI @ FV	575000	1450000
	g/w	250000

g) NCI

DoA.

is valued at PSNA or F.V.

Yr. end.

(step 7 in CBS)

NCI at DoA XX

(as the case may be)

+ Share of post profit XX
− Dividend share (if any) (XX)
− Share of imp. loss (XX)
(only if NCI @ FV)

MENTORING HARSHIT DWIVEDI

Question # 30	SIMILAR TO DEC 21 (5 MARKS) ILL 20 OF ICAI SM

From the following data, determine in each case:

(1) NCI at the date of acquisition and date of consolidation using proportionate share method.

(2) Goodwill or Gain on bargain purchase.

(3) Amount of holding company's profit in the consolidated balance sheet assuming holding company's own retained earnings to be ₹2,00,000 in each case.

case	S.co	% of shares	Cost	DOA 1.04.2001		Consolidation date 31.03.2002	
				Share Capital	Retained earnings	Share Capital	Retained earnings
				(A)	(B)	(C)	(D)
1.	A.	90	1,40,000	1,00,000	50,000	1,00,000	70,000
2.	B.	85	1,04,000	1,00,000	30,000	1,00,000	20,000
3.	C.	80	56,000	50,000	20,000	50,000	30,000
4.	D.	100	1,00,000	50,000	40,000	50,000	56,000

The company has adopted an accounting policy to measure NCI at NCI's proportionate share of the acquiree's identifiable

Soln :- Step 1 SHP.

	Case 1	Case 2	Case 3	Case 4
Parent.	90%.	85%.	80%.	100%.
NCI	10%.	15%.	20%.	0

Step 2 SONA of S.

	Case 1 DOA	Case 1 Post	Case 1 YE	Case 2 DOA	Case 2 Post	Case 2 YE	Case 3 DOA	Case 3 Post	Case 3 YE	Case 4 DOA	Case 4 Post	Case 4 YE
ESC	100000	–	100000	100000	–	100000	50000	–	50000	50000	–	50000

RE	5000	2000	7000	3000	(1000)	2000	2000	1000	3000	4000	1600	5600
	15000	2000	17000	13000	(1000)	12000	7000	1000	8000	9000	1600	10600
Sh. of P.P.												
P	—	1800	—	—	(800)	—	—	800	—	—	1600	—
NCI	—	2000	—	—	(1500)	—	—	2000	—	—	—	—

Step 3 g/w / g. on BP.

	Case 1	Case 2	Case 3	Case 4
SONA of S on DoA.	150000	130000	70000	90000
− investment.	140000	104000	56000	100000
− NCI @ PSNA.	15000	19500	14000	—
	5000	6500	—	10000
	g/w	C.R.		(g.w)

Step 4 :- NCI

	Case 1	Case 2	Case 3	Case 4
as on DoA	15000	19500	14000	—
+ S.o.P.P.	2000	(1500)	2000	—
NCI at yr. end.	17000	18000	16000	—

P $\xrightarrow{75\%}$ S.

HD Ltd. → Dr Ltd.

31st march CFS → B/S

↳ SHF.

HD Ltd. → P + 75%.

SH.

capital contribution to Holding as a group.

25%

NCI.

SHF.

S.C.

~~Gen~~ R.E.

NCI.

it may be + / −

NCI → Ind AS 103.

but in A.S. 21 → NCI → M.I. → Liability & it cannot be −ve.

Earlier due to Co. Act.

↓

M.I. was Liability

&

N.C.L.

↓

Liability cannot be -ve as it was written in As-21 due to belief of Co. Act. & A.S. followed Co. Act.

Thereafter Co. Act understood that M.I. was not a liability, it should be treated as SHFs & in revised sch III it was done.

but A.S did not change that M.I. cannot be -ve & its going on. Now they have Ind As & After Ind As NCI can be -ve as NCI is part of SHFs. hence they did not touch.

Question # 31	ILL 19 ICAI SM

A limited acquired 70% of equity shares of B on 1.4.2001 at a cost of ₹10,00,000 when B limited had an equity share capital of ₹10,00,000 and other equity of ₹80,000. In four consecutive years B suffered losses of ₹2,50,000, ₹4,00,000, ₹5,00,000 and ₹1,20,000 respectively. Thereafter in 2005-2006 B registered an annual profit of ₹50,000. In next two years, 2006-07 and 2007-08 B reported a profit of ₹1,00,000 and ₹1,50,000 respectively.
Show the NCI and Cost of Control at the end of each year for the purpose of consolidation.

Sol^n :- goodwill ~~Dr~~ Gain on B.P.

N.A. of B Ltd on D.O.A. (10L + 80K) 1080000

− Investments. 1000000

— NCI @ PSNA. (1080000 x 30%) 324000 1324000

Goodwill 244000

Statement of NCI.

Date	Particulars	amount.
1-4-2001	NCI @ PSNA	324000
31-3-2002	– Share of post loss (250000 x 30%)	(75000)
"	NCI at yr. end.	249000
31-3-2003	– Share of post loss (4L x 30%)	(120000)
"	NCI at yr. end	129000
31-3-2004	– Share of post loss (5L x 30%)	(150000)
"	NCI at yr. end.	(21000)
31-3-2005	– Share of post loss (120000 x 30%)	(36000)
"	NCI at yr. end.	(57000)
31-3-2006	+ Share of post profit (50000 x 30%)	15000
"	NCI at yr. end.	(42000)
31-3-2007	+ Share of post profit (1L x 30%)	30000
"	NCI at yr. end.	(12000)
31-3-2008	+ Sh. of post profit (1.50L x 30%)	45000
"	NCI at year end.	33000

h) P.C. → Covered in Ind AS 103.

Solve Jan 21 Exam Q. in H.W.

TB As per Ind AS, additional purchase is Δ in stake is not Δ in Control, so additional purchase of stake, our control will not change. & if control cannot change then goodwill cannot change.

But.

As per A.S. with every Δ in value of investment your goodwill will change. So further purchase of 10% stake means your goodwill will Δ again.

{ i.e. practically impossible or we can say } practically wrong.

I) Consolidated P/L

It is based on elimination of inter group income & expenses

Question # 53	ICAI STUDY MATERIAL TYL 7

On 31.3.2002, Blue Heavens ltd acquired 75% ordinary shares of Orange County ltd for ₹4,500. Details of Assets and Liabilities as on date of acquisition are follows:

	Blue heavens	Orange country	Fair value
Building and other PPE	7000	3,000	3300-
Investment in Orange County	4,500	-	-
Inventories	700	500	600
Trade receivables	300	250	250
Cash	3000	700	3,700
	15,500	4,450	
Share Capital	5,000	2,000	
Retained Earnings	10,200	2,300	
Trade payables	300	150	150
	15,500	4,450	

At 31.3.2003 one year after Blue Heavens acquired Orange County Ltd, individual statements of financial position and statement of comprehensive income of both companies are as under:

	Blue heavens	Orange country
Building and other PPE	6,500	2,750
Investment in Orange County	4,500	-
Inventories	800	550
Trade receivables	380	300
Cash	4,170	1,420
	16,350	5,020
Share Capital	5,000	2,000
Retained Earnings	11,000	2,850
Trade payables	350	170
	16,350	5,020

STATEMENT OF COMPREHENSIVE INCOME

	Blue heavens	Orange country
Revenue	3,000	1,900
Cost of sales	(1,800)	(1,000)
Gross profit	1200	900
Administrative Expense	(400)	(350)
Profit for the year	800	550

Other Information:

1. Estimated useful life of goodwill is 10 years (under SLM)
2. The FV adjustments to buildings and other PPE is in respect of building having a remaining useful life of 20 years from 31.3.2002 and residual values is zero. SLM depreciation.
3. All inventory held by held by orange county on 31.3.2002 was sold during 2003.

Prepare CBS and CPL

Solⁿ :- Step 1 Share holding pattern

Blue heavens Ltd stake ⇒ 75%

∴ NCI = 25%

Step 2 Period of Acquisition

y.s. 1-4-02
→ Pre ⇒ 0
DoA. 1-4-02
→ Post ⇒ 12m
y.end. 31-3-03

Step 3. Analysis of profits of S. (orange Co.)

cl ⇒ 2850

y.s. 2300

c.y. 550
↓
share of post profit.

Step 4 T. O. Adjustments.

i) PPE Dr 300
To S's P/L 300

ii) Inventory Dr 100
To S's P/L 100

iii) S's P/L Dr 100

To inventory 100

iv) Dep ⇒ $\frac{300}{20} = 15.$

S's P/L Dr 15.

To PPE 15

Step 5 SONA of Orange County Ltd.

	DoA.	Post	y.end.
ESC.	2000	—	2000
R.E. (Step 3)	2300	550	2850
+ PPE adj.	300	—	300
+ inv. adj.	100	—	100
− Cost of sales	—	(100)	(100)
− Dep.	—	(15)	(15)
	4700	435	5135

Share of Post profits

to P (75%) ⇒ 326

to NCI (25%) ⇒ 109

Step 6 G/W or gain on B/P.

	SONA of S Ltd. (Step 5)		4700
−	Investment	4500	
−	NCI @ PSNA (4700 x 25%)	1175	5675
		g/w	975
		− impairment	(98)
		g/w	877

Step 7 NCI

NCI @ PSNA	1175
+ Share of Post profit	109
	1284

Step 8 Cons. OE

P' R.E.	11000
+ share of post profit	326
− impairment of g/w	(98)
	11228

Step 9 Cons. B/S

Assets

N.C.A.

Building & other PPE	(6500 + 2750 + 300 − 15)	9535
goodwill (step 6)		877
C.A.		
Inventory	(800 + 550 + 100 − 100)	1350
T/R.	(380 + 300)	680
C & CE.	(4170 + 1420)	5590
	Total	18032

Equity & Liability

ESC.		5000
Cons. O.E. (step 8)		11228
NCI (step 7)		1284
C.L.		
T/P.	(350 + 170)	520
	Total	18032

Step 10 Cons. P/L.

Revenue from operations (3000 + 1900)	4900
+ other income	—
Total (A)	4900

Cost of sales	(1800 + 1000 + 100)	2900
EBE		—
Finance Cost		—
Dep. & Amortisation	(15 + 98)	113
other Expenses.	(400 + 350)	750
	Total (B)	3763
Profit	(A - B)	1137
— NCI share of post profit		(109)
P's share of profit.		1028

verification.

P's own profit	800
+ p. post profit	326
— imp. of g/w	(98)
	1028

Question # 54

Following is the P/L of P and S for 2016-17:

	P	S
Sales	10,000	8,000
Purchase	5,000	3,000
Changes in stock	1,000	700
Employee expense	2,000	300
Depreciation and amortisation	1,000	400
PROFIT	1,000	3,600

SOCE FOR 16-17

P				S			
	Revenue reserve	Retained earning	Total		DRR	Retained earning	total
Opening balance	2,000	5,000	7,000	Opening balance	1,000	6,000	7,000
TCI		1,000	1,000	TCI		3,600	3,600
	2,000	6,000	8,000		1,000	9,600	10,600

Balance sheet as on 31.3.2017

	P	S
PPE	20,000	1,000
Investment in 80% ES of S	15,000	-
Other CA	2,000	6,000
Inventories	400	300
Trade receivables	500	500
Cash	600	5,800
	38,500	13,600
Share Capital	20,000	1,000
Other equity	8,000	10,600
Trade payables	6,000	2,000
Other CL	4,500	-
	38,500	13,600

Other Information

1. FV of NCI as on the DOA is ₹3,200
2. FV of inventory of S as on DOA was ₹1,100, BV was ₹1,000, 60% of this stock was sold during the year.
3. FV of PPE of S on DOA was increased by ₹200. Depreciation 10% SLM
4. FV of PPE was increased by ₹100 on YE for both P and S, not yet adjusted in above balance sheet.
5. Creditors of S include ₹120 payable to P
6. Goodwill will be amortised 1/10
7. Closing stock of S includes purchases made from P. Total sale and purchases between P and S was ₹500.
8. Closing stock includes 80 from such sale, rate of profit is 1/5th .
9. P acquired S on 1.4.2016 when S ltd had ₹6,000 in retained earnings and ₹1,000 in DRR.

Prepare CBS,CPL and SOCE of group.

Solⁿ :-

Step1 SHP.

P's stake = 80%.

Step2 Period

y.s. 1-4-16 → Pre.

∴ NCI = 20%. DoA 1-4-16

y.end 31-3-17 → 12 Post

Step 3 Analysis of profits

CI ⇒ 9600

1-4-16 C.y.

R.F. 6000 3600

↓

Post.

Step 4. T.O.A.

1) Inventory Dr 100

To S's P/L. 100

(f.v. adj. of stock of s.)

2) S. P/L. Dr 60

To Stock 60 (100 × 60%)

(being inc. in COGS due to incr. in f.v. of stock)

3) PPE Dr 200

To S's P/L 200

(inc. in F.V. of PPE)

4) S's P/L Dr 20 (200 x 10%)

To PPE 20

(addn Dep. charged on Rev.)

Since DoA was not on mid year.

5) PPE Dr 100

To S's P/L 100

(f.v. ↑ of sub. PPE on yr. end)

6) PPE Dr 100

To P' P/L. 100

(f.v. ↑ of P' PPE on yr. end)

7) TP Dr 120

To TR. 120

8) Sales Dr 500

To purchase 500

(P/L items eliminated)

9) P's P/L Dr 16

To stock. 16

($80 \times \frac{1}{5}$)

(will ↓ P's P/L)

Step 5 SONA of S Ltd.

	DoA	Post	Yr end
ESC	1000	—	1000
DRR	1000	—	1000
R.E. (step 3)	6000	3600	9600
+ inventory (step 4)	100	—	100
− inc. in cobs "	—	(60)	(60)
+ PPE "	200	—	200
− Dep. "	—	(20)	(20)
+ PPE (OCI) "	—	100	100
	8300	3620	11920

3620 → P/L 3520, OCI 100

P's stake in post profit of P/L (80%) = 3520 × 80%.

= 2816

NCI '' '' '' '' (20%) = 3520 × 20%
= 704.

P's stake in post profit of OCI (80%) = 100 × 80%
= 80

NCI '' '' '' '' (20%) = 100 × 20%
= 20

Step 6 g/w or Gain on B.P.

SONA of S Ltd as on DoA. (step 5)		8300
− Investment in S Ltd	15000	
− NCI @ FV	3200	18200
Goodwill		9900
− imp ($\frac{1}{10}$)		(990)
g/w after imp.		8910

P' P/L Dr 792
NCI Dr 198
To goodwill 990

Step 7 NCI

NCI @ FV		3200
+ share of Post P/L	(step5)	704
+ Share of OCI	(step5)	20
− impairment		(198)
		3726

Step 8 Cons. O.E.

R.E. of P Ltd.		6000	
R.R. of P. Ltd		2000	8000
P's OCI (f.v. increase)	(step5)		100
− P's P/L (URP)	(step4)		(16)
+ Share of post profit (P/L)	(step5)		2816
+ share of OCI post profit	(step5)		80
− imp. of g/w	(step6)		(792)
			10188

Step 9 CBS.

Assets.

NonCA

PPE (20000 + 1000 + 200 − 20 + 100 + 100) 21380

g/w (step6) 8910

C.A.

Other C.A.	(2000 + 6000)	8000
Inventory	(400 + 300 + 100 − 60 − 16)	724
T/R	(500 + 500 − 120)	880
Cash & Cash equivalent	(600 + 5800)	6400
		46294

Equity & Liability

SHF:

ESC		20000
Con. O.E.	(step 8)	10188
NCI	(step 7)	3726

CL:

T/P.	(6000 + 2000 − 120)	7880
OCL		4500
		46294

Step 10 Con. P/L.

Particulars	Amount.
P/L.	
1) Revenue from operations (10000 + 8000 − 500)	17500
2) other income	—
Total (A)	17500
1) Purchase (5000 + 3000 − 500)	7500
2) Changes in inventory (100 + 700 + 60 + 16)	1776

3) Employee benefits (2000 + 300) 2300

4) Finance Cost —

5) Dep. & Amortisation (1000 + 400 + 990 + 20) 2410

Total (B) 13986

Profit (A − B) 3514.

less NCI share of profit. {704 − 198}. (506)

P' share of P/L. 3008

OCI

Rev. Reserve (100 + 100) 200

− NCI share of OCI (20)

180

Step 11 SOCIE

Particulars	Equity	Oth. Equity RR	Oth. Equity RE	OCI	NCI
Op. Bal.	20000	2000	5000	—	3200
C.y. profit.	—	—	3008 (Step 10)		506 (Step 10)
OCI	—	—	—	180	20
	20000	2000	3008	180	3726

10188.