

Question 5

Ram Ltd. acquired 60% ordinary shares of ₹ 100 each of Krishan Ltd. on 1st October 20X1. On March 31, 20X2 the summarised Balance Sheets of the two companies were as given below:

	Ram Ltd.	Krishan Ltd.
Assets		
Property, Plant and Equipment		
Land & Buildings	3,00,000	3,60,000 560000
Plant & Machinery	4,80,000	2,70,000 380000
Investment in Krishan Ltd.	8,00,000	-
Inventory	2,40,000	72,800 102800
Financial Assets		
Trade Receivables	1,19,600	80,000
Cash	29,000	16,000
Total	19,68,600	7,98,800
Equity & Liabilities		
Equity Capital (Shares of ₹ 100 each fully paid)	10,00,000	4,00,000
Other Equity		
Other Reserves	6,00,000	2,00,000
Retained earnings	1,14,400 90600	1,64,000 204000
Financial Liabilities		
Bank Overdraft	1,60,000	-
Trade Payable	94,200	34,800 54800
Total	19,68,600	7,98,800

The Retained earnings of Krishan Ltd. showed a credit balance of ₹ 60,000 on 1st April 20X1 out of which a dividend of 10% was paid on 1st November; Ram Ltd. has credited the dividend received to its Retained earnings; Fair Value of P&M as on 1st October 20X1 was ₹ 4,00,000; The rate of depreciation on plant & machinery is 10%.

Following are the increases on comparison of Fair value as per respective Ind AS with book value as on 1st October 20X1 which are to be considered while consolidating the Balance Sheets.

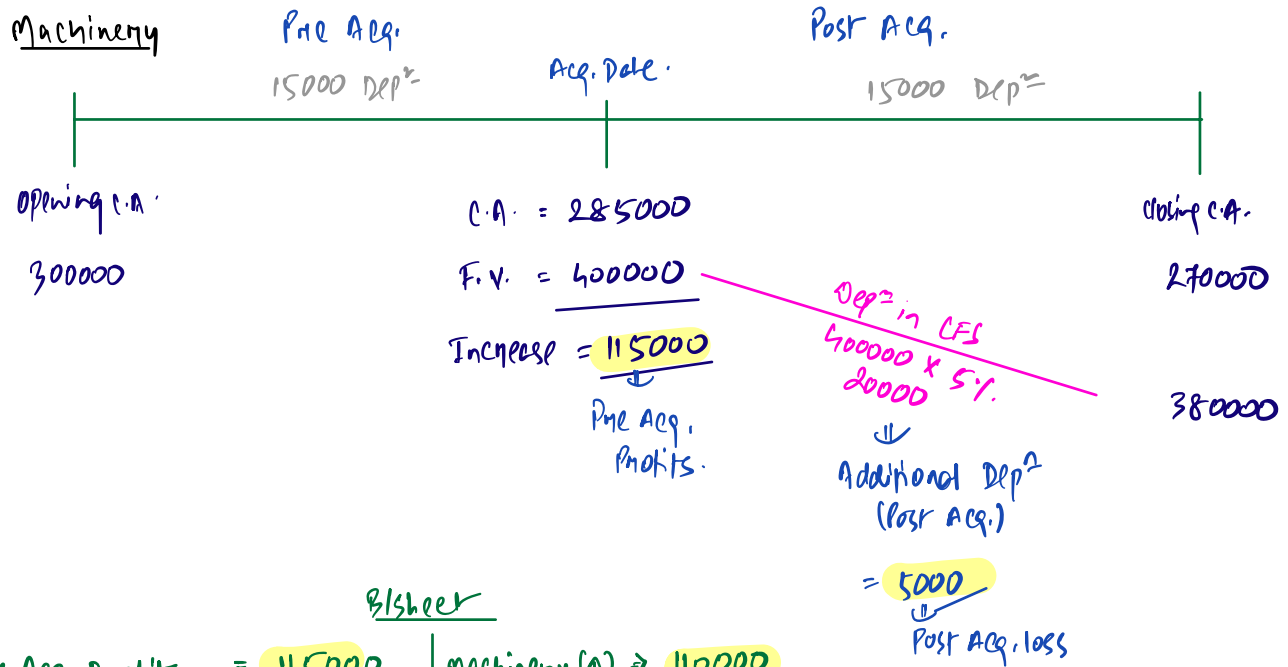
Liabilities	Amount	Assets	Amount
Trade Payables	20,000	Land & Buildings	2,00,000
		Inventories	30,000

Notes:

- It may be assumed that the inventory is still unsold on balance sheet date and the Trade Payables are also not yet settled.
- Also assume that the Other Reserves as on 31st March 20X2 are the same as was on 1st April 20X1.

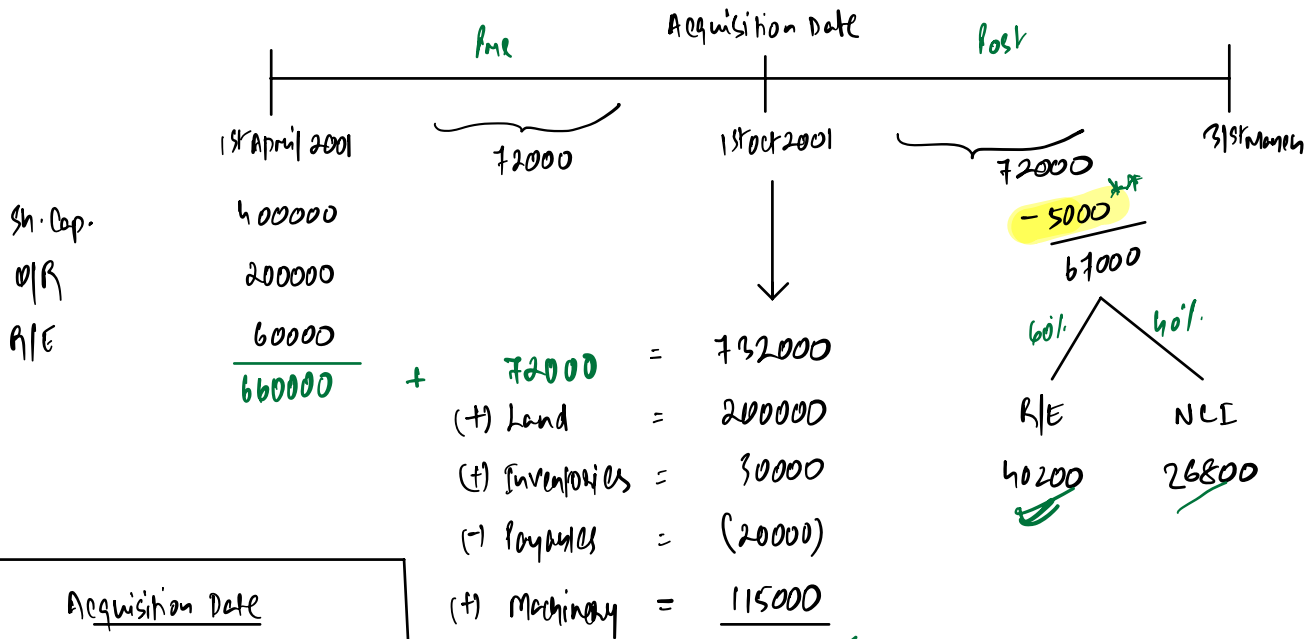
Prepare consolidated Balance Sheet as on March 31, 20X2.

CA of I.N.A. = Shareholders Funds (i.e. Share Capital + Other Equity)

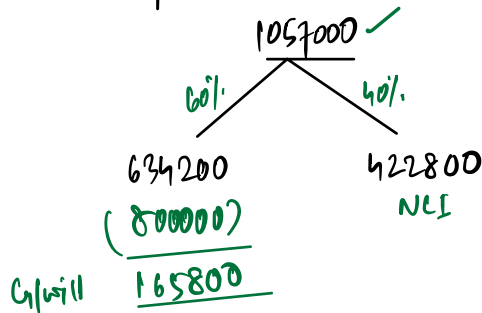


B/S sheet

Pre Acq. profits	= 115000	Machinery (A) →	110000
Post Acq. loss	= -5000		<u>110000</u>
	<u>110000</u>		



Acquisition Date	
∴ INA	= 1057000
N/LI	= 422800
Share of INA	= 634200
(-) P.L.	(800000)
Goodwill	<u>165800</u>



Cons: B/Sheet

Non Current Assets

PPE	780000	+	940000	1720000
Goodwill				165800

Current Assets

Inventories	240000	+	102800	342800
Financial Assets				
Trade Receivables	119600	+	80000	199600
Cash	29000	+	16000	45000

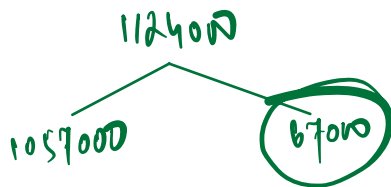
Equity and Liabilities

Share Capital	1000000			1000000	
Other Equity	690400	+	40200	730600	
NCI	422800	+	26800	-16000	433600

Current Liabilities

Financial liabilities

Bank overdraft	160000			160000
Trade Payables	94200	+	54800	149000



Share Capital of Krishan Ltd

Holding Co. $(400000 \times 60\%) = 240000$
NCI $(400000 \times 40\%) = 160000$

Calc of Pre Acquisition and Post Acquisition profits

	<u>Acq Date Profits</u>	<u>Post Acq. profits</u>
Opening Reserve	20000	
Opening R/E	60000	
Profit during the year	72000	72000
<u>Appreciations</u>		
Land	20000	
Inventories	30000	
Payables	(20000)	
Machinery	115000	(5000)
	<u>657000</u>	<u>67000</u>
Holding Co. (60%)	394200	40200
NLI (40%)	262800	26800

Calc of NLI

Sh. Cap.	→ 160000
Pre Acq.	→ 262800
Post Acq.	→ 26800
Dividend	→ (16000)
	<u>433600</u>

Calc of Goodwill on Gain on B/P

Consideration Paid (P.L.)	→ 800000
<u>Less: Share of INA</u>	
Sh. Cap.	240000
Pre Acq. profits	<u>394200</u>
	(634200)
Goodwill	<u>165800</u>

Calc of Other Equity

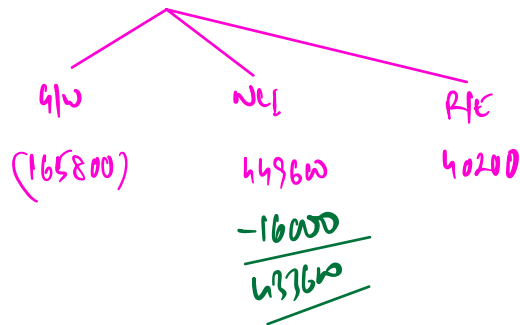
	<u>Capital Reserve</u>	<u>Other Reserve</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at Beginning		600000		600000
Income during the year			114400	114400
Dividends			(24000)	(24000)
Income of Subs. att. to parent			40200	40200
		<u>600000</u>	<u>130600</u>	<u>730600</u>

$$\begin{aligned}
 \text{Sh. Cap + Other Equity} &= 804000 \quad \langle 400000 + 200000 + 204000 \rangle \\
 &+ 200000 \quad \langle \text{Land} \rangle \\
 &+ 30000 \quad \langle \text{Inv} \rangle \\
 &(-) 20000 \quad \langle \text{TR} \rangle \\
 &+ 110000 \quad \langle 115000 - 5000 \rangle \text{ mech.}
 \end{aligned}$$

1124000

- 800000

324000



Equity share Capital

Balance at the beginning of the reporting period	Changes in Equity share capital during the year	Balance at the end of the reporting period
10,00,000	0	10,00,000

Other Equity

	Share application money	Equity component	Reserves & Surplus			Total
			Capital reserve	Retained Earnings	Other Reserves	
Balance at the beginning of the reporting period				0	6,00,000	6,00,000
Total comprehensive income for the year			0	1,14,400		1,14,400
Dividends			0	(24,000)		(24,000)
Total comprehensive income attributable to parent			0	40,200		40,200
Gain on Bargain purchase				0		0
Balance at the end of reporting period				1,30,600	6,00,000	7,30,600

Value of Plant & Machinery:

Ram Ltd.		4,80,000
Krishan Ltd.	2,70,000	
Add: appreciation on 1.10. 20X1	<u>1,15,000</u>	
	3,85,000	
Add: Depreciation for 2nd half charged on pre-revalued value	15,000	
Less: Depreciation on ₹ 4,00,000 for 6 months	<u>(20,000)</u>	<u>3,80,000</u>
		<u>8,60,000</u>

CHAIN HOLDING QUESTION

Illustration 29: Chain holding (Nov'18)

Prepare the consolidated Balance Sheet as on 31st March, 20X2 of a group of companies comprising P Limited, S Limited and SS Limited. Their balance sheets on that date are given below:

₹ in lakhs

	P Ltd.	S Ltd.	SS Ltd.
Assets			
Non-Current Assets			
Property, Plant and Equipment Investment:	320	360	300
Investment:			
32 lakh shares in S Ltd.	340		
24 lakh shares in SS Ltd.		280	
Current Assets			
Inventories	220	70	50
Financial Assets			
Trade Receivables	260	100	220
Bills Receivables	72		30
Cash in hand and at Bank	228	40	40
	1440	850	640
Equity and Liabilities			
Shareholder's Equity			
Share Capital (₹ 10 per share)	600	400	320
Other Equity			
Reserves	180	100	80
Retained earnings	160	50	60
Current Liabilities			
Financial Liabilities			
Trade Payables	470	230	180
Bills Payable			
P Ltd.		70	
SS Ltd.	30		
	1440	850	640

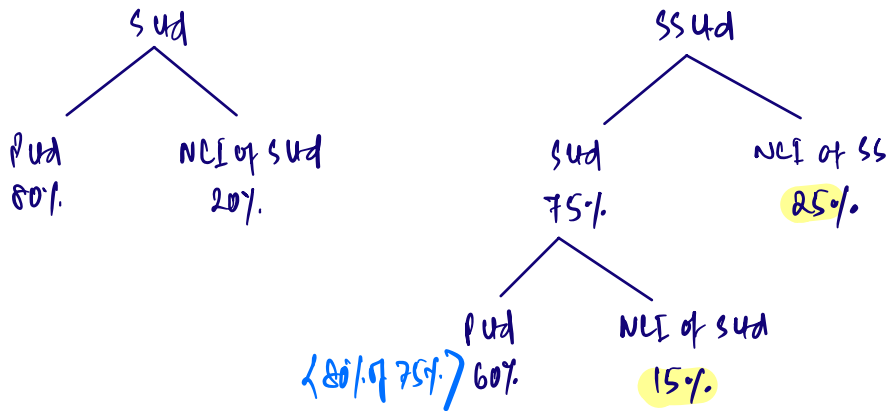
The following additional information is available:

- 1) P Ltd. Holds 80% shares in S Ltd. And S Ltd. Holds 75% shares in SS Ltd. Their holdings were acquired on 30th September, 20X1.
- 2) The business activities of all the companies are not seasonal in nature and therefore, it can be assumed that profits are earned evenly throughout the year.
- 3) On 1st April, 20X1 the following balances stood in the books of S Ltd. And SS Ltd.

(₹ in Lakhs)

	S Limited	SS Limited
Reverse	80	60
Retained Earnings	20	30

- 4) ₹ 10 lakhs included in the inventory figure of S Ltd, is inventory which has been purchased from SS Ltd at cost plus 25%. $\text{cost} = \frac{10}{125\%} = 8$
- 5) The parent company has adopted an accounting policy to measure non-controlling interest at fair value (quoted market price) applying Ind AS 103. Assume market prices of S Ltd and SS Ltd are the same as respective face values.



S Ud
 Parent P = 80%.
 NCI = 20%.

SS Ud
 Parent P = 60%.
 NCI = 40%.

S Ud

	Pre Acq.	Acq. Date	Post Acq.
Sh. Cap	400	30m Sept = 400	
Reserve	80	+ 10 = 90	+ 10 (8 Reserve, 2 NCI)
R/E	20	+ 15 = 35	+ 15 (12 Retained Earnings, 3 NCI)
	500	+ 25 = 525	

INA	525	
↓ NCI	(80)	
	445	
	(340)	
	105	

NCI	80	
Parent	445	
	(340)	
CI/R	105	

SS Ud

	Pre Acq.	Acq. Date	Post Acq.
Sh. Cap	320	1st Oct = 320	
Reserve	60	+ 10 = 70	+ 10 (6 Res, 4 NCI)

$$\begin{array}{r} \text{A/E} \\ \hline 30 \\ 410 \end{array}$$

$$+ \frac{15}{+ 25} = \frac{45}{435}$$

$$+ 15 \begin{cases} 9 \text{ AE} \\ 6 \text{ NCE} \end{cases}$$

$$\begin{array}{r} \text{N/A} \\ (-) \text{NCE} \\ (-) \text{A.C.} \end{array} \begin{array}{r} 435 \\ (128) \\ (224) \end{array} \begin{array}{r} 307 \\ 1801.09 \text{ (280)} \\ 83 \end{array}$$

$$\begin{array}{r} \text{NCE } 128 \\ (-) \text{P.L. } (56)^* \\ \hline \text{NCE } 72 \end{array} \quad \begin{array}{r} 307 \\ (224)^* \\ \hline 83 \end{array} \begin{array}{l} \text{Capital Reserve.} \end{array}$$

Cons: B/sheep

Non Current Asset

PPE $320 + 360 + 300 = 980$

Goodwill

Current Asset

Inventories $220 + 70 + 50 - 2 = 338$

Financial Asset

Trade Receivables $260 + 100 + 220 = 580$

Bills Receivables $72 - 70 + 30 - 30 = 2$

Cash & Cash Eq. $228 + 40 + 40 = 308$

Equity and Liabilities

Share Capital $600 = 600$

Other Equity

Reserves $180 + 8 + 6 = 194$

Retained Earnings $160 + 12 + 9 - 1.2 = 179.8$

Capital Reserve $105 + 83 = 188$

NCE $80 + 2 + 3 + 72 + 4 + 6 - 0.8 = 166.2$

Current Liabilities

Financial Liabilities

Trade Payables $470 + 230 + 180 = 880$

B/P
P Ltd
S Ltd

+ 70 - 70
30 - 30

X
X

Notes

1) Analysis of Reserves and Retained Earnings

	<u>Reserves</u>			<u>Retained Earnings</u>	
	<u>Pre Acq.</u>	<u>Post Acq.</u>		<u>Pre Acq.</u>	<u>Post Acq.</u>
<u>S Ltd</u>			<u>S Ltd</u>		
Opening	80		Opening	20	
During the year (20)	10	10	During the year (20)	15	15
	<u>90</u>	<u>10</u>		<u>35</u>	<u>15</u>
<u>S S Ltd</u>			<u>S S Ltd</u>		
Opening	60		Opening	30	
During the year (20)	10	10	During the year (20)	15	15
	<u>70</u>	<u>10</u>	(-) Unrealised gain on Inv	-	(2)
				<u>45</u>	<u>13</u>

Calc of Goodwill on Capital Reserve

	<u>S Ltd</u>	<u>S S Ltd</u>
I.N.A. Acquired	525 (400 + 90 + 35)	435 (320 + 70 + 45)
(-) N.E.I. at Fair Value	<u>(80)</u>	<u>(128)</u>
Acquiring share of N.E.I. assets	445	307
(-) P.C. paid	<u>(340)</u>	<u>224 (280 x 80%)</u>
∴ Capital Reserve	<u>105</u>	<u>83</u>

∴ Total Capital Reserve = 188

Calc of NCE

NCE at Acq. Date	<u>₹</u>	<u>₹</u>
(-) P.C. paid	80	128
(+) Post Acq. Reserve	2 (10 x 20%)	- 56 (280 x 20%)
(+) Post Acq. R/E	3 (15 x 20%)	4 (10 x 40%)
	<u>85</u>	<u>5.2 (13 x 40%)</u>
		<u>81.2</u>

Calc of Other Equity

Opening (Balance)	<u>Reserve</u>	<u>R/E</u>
(+) Share in ₹ Ltd	180	160
(+) Share in ₹₹ Ltd	8 (10 x 80%)	12 (15 x 80%)
	<u>6 (10 x 60%)</u>	<u>7.8 (13 x 60%)</u>
	<u>194</u>	<u>179.8</u>

Notes to Accounts

(₹ in lakh)

1.	Property Plant & Equipment		
	P Ltd.	320	
	S Ltd.	360	
	SS Ltd.	300	980
2.	Inventories		
	P Ltd.	220	
	S Ltd. (70-2)	68	
	SS Ltd.	50	338
3.	Trade Receivable		
	P Ltd.	260	
	S Ltd.	100	
	SS Ltd.	220	580
4.	Bills Receivable		
	P Ltd. (72-70)	2	
	S Ltd. (30-30)	-	2
5.	Cash & Cash equivalents		
	P Ltd.	228	
	S Ltd.	40	
	SS Ltd.	40	308
6.	Trade Payables		
	P Ltd.	470	
	S Ltd.	230	
	SS Ltd.	180	880

Question 10 (MTP Oct'18)

Reliance Ltd. has a number of wholly-owned subsidiaries including Reliance Jio Info comm Ltd. at 31st March 20X2.

Reliance Ltd.'s consolidated balance sheet and the group carrying amount of Reliance Jio Info comm Ltd. assets and liabilities (i.e., the amount included in that consolidated balance sheet in respect of Reliance Jio Info comm Ltd. assets and liabilities) at 31st March 20X2 are as follows:

Particulars	Consolidated (₹ In '000)	Group carrying amount of Reliance Jio Infocomm Ltd. asset and liabilities Ltd. (₹ In '000)
Assets		
Non-current Assets		
Goodwill	190 - 90 = 100	90
Buildings	1,620 - 670 = 950	670
Current Assets		
Inventories	70 - 20 = 50	20
Financial Assets		
Trade Receivables	850 - 450 = 400	450
Cash	1,550 - 500 = 1050	500
Total Assets	4,280 + 1000 = 2050	1,730
Equity & Liabilities		
Equity		
Share Capital	800	
Other Equity		
Retained Earnings	2,130 - 152 = 1978	
Current liabilities	2,930	
Financial liabilities		
Trade Payables	1,350 - 450 = 900	450
Total Equity & Liabilities	4,280	450

INA Discontinued
(1250)
Cash → 1000
Inv in 10% → 128
1128

Prepare consolidated Balance Sheet after disposal as on 31st March, 20X2 when Reliance Ltd. group sold 90% shares of Reliance Jio Infocomm Ltd. to independent party for ₹ 1000 thousand.

Non Current Asset

PPE 1620 - 670 950
Goodwill 190 - 90 100

Financial Asset

Investments in 10% 128

Current Asset

Inventories 70 - 20 50

Financial Asset

Trade Receivables 850 - 450 400

Cash & Cash Eq. 1550 - 500 + 1000 2050

Equity and Liabilities

Share Capital	800	800
Other Equity	2130 - 152	1978

Current Liabilities

Financial Liabilities		
Trade Payables	1350 - 450	900

Question 13(RTP Nov'20) - IND AS 28

On 1st April 2019, Investor Ltd. acquires 35% interest in another entity, XYZ Ltd. Investor Ltd. determines that it is able to exercise significant influence over XYZ Ltd. Investor Ltd. has paid total consideration of ₹ 47,50,000 for acquisition of its interest in XYZ Ltd. At the date of acquisition, the book value of XYZ Ltd.'s net assets was ₹ 90,00,000 and their fair value was ₹ 1,10,00,000. Investor Ltd. has determined that the difference of ₹ 20,00,000 pertains to an item of property, plant and equipment (PPE) which has remaining useful life of 10 years. During the year, XYZ Ltd. made a profit of ₹ 8,00,000. XYZ Ltd. paid a dividend of ₹ 12,00,000 on 31st March, 2020. XYZ Ltd. also holds a long-term investment in equity securities. Under Ind AS, investment is classified as at FVTOCI in accordance with Ind AS 109 and XYZ Ltd. recognized an increase in value of investment by ₹ 2,00,000 in OCI during the year. Ignore deferred tax implications, if any. Calculate the closing balance of Investor Ltd.'s investment in XYZ Ltd. as at 31st March, 2020 as per the relevant Ind AS.

Investment in Associates (35%)	INA 1100000 x 35% = 385000 + 410 = 900000	4750000
(+) Share of Profit (800000 x 35%)		280000
(-) Dividend (1200000 x 35%)		(420000)
(+) Share of OCI (200000 x 35%)		70000
* (-) Share of Depn ($\frac{2000000}{10 \text{ yrs}} \times 35\%$)		(70000)
		<u>4610000</u>

Solution

Calculation of Investor Ltd.'s investment in XYZ Ltd. under equity method:

	₹	₹
Acquisition of investment in XYZ Ltd.		
Share in book value of XYZ Ltd.'s net assets (35% of ₹ 90,00,000)	31,50,000	
Share in fair valuation of XYZ Ltd.'s net assets [35% of (₹ 1,10,00,000 - ₹ 90,00,000)]	7,00,000	
Goodwill on investment in XYZ Ltd. (balancing figure)	9,00,000	
Cost of investment		47,50,000
Profit during the year		
Share in the profit reported by XYZ Ltd. (35% of ₹ 8,00,000)	2,80,000	
Adjustment to reflect effect of fair valuation [35% of (₹ 20,00,000/10 years)]	(70,000)	
Share of profit in XYZ Ltd. recognised in income by Investor Ltd.		2,10,000
Long term equity investment		
FVTOCI gain recognised in OCI (35% of ₹ 2,00,000)		70,000
Dividend received by Investor Ltd. during the year [35% of ₹ 12,00,000]		(4,20,000)
Closing balance of Investor Ltd.'s investment in XYZ Ltd.		46,10,000

Inv in Associates

$$\begin{aligned} \text{INA} &= 1100000 \times 35\% = 385000 \\ \text{GLW} &= \frac{900000}{475000} \end{aligned}$$

4750000

THE END