

Consolidation - Summary Notes

- 1) Holding Co. shall prepare Consolidated F/S.
- 2) IF Holding has acquired 80% Equity Shares OF Subsidiary

Then 20% shares held by others are called Minority Interest

- 3) How to Calculate Minority Interest?

$$\begin{array}{l} \text{Total Net Assets OF Subsidiary} \\ \times \text{ \% held by M/I} \end{array}$$

M/I act like a Liability for Holding Co. because Holding Co. must have recorded 100% Net Assets OF Subsidiary even though it holds 80% share.

- 4) How to Consolidate the B/S OF Subsidiary?

↓
On Date OF Acquisition, H Co. shall Pass Following Journal entry :-

All Assets (subsidi.) a/c Dr.

To All Liab. (subsidi.) a/c
To Investment a/c

To Minority Interest a/c
(Difference transfer to Goodwill/CR)

* Investment A/c must be shown in the Standalone B/s of Holding Co., Here in Consolidated B/s, this Investment is replaced with

- 100% Net Assets of Subsidiary
- Proportionate M/I
- Goodwill / CR

5) Alternate of above entry of Consolidation

Cost of Control (as on DOA)

Investments (80%) ———— xxx

(-) 80% share in Net Assets ———— xxx
of Subsidiary

Esc
(+) Pre Acq
Profit

Goodwill/CR

6) M/I shall be presented in Consolidated B/s AFTER Reserves BUT before Non Current Liabilities

7) To prepare Consolidated B/s, following working notes are required :-

- a) Calculation of Revaluation Gain/Loss on DOA & Depreciation thereon.
- b) AOP & Net Assets Statement
- c) Cost of Control (as on DOA)
- d) Minority Interest
- e) Consolidated R&S of Corp

8) Minority Interest :-

100% Net-Assets on DOA		<u>xxx</u>
M/I on DOA		Net-Assets
		X %
(+) Share of M/I on post Acquisition profit of Subsidiary		<u>xxx</u>
		Total M/I
as on B/s date		

Example:-

Balance Sheets As on 31/3/26

	A Ltd.	B Ltd.
Equity Share Cap. (10/-)	15,00,000	12,00,000
Reserves & Surplus	10,00,000	7,50,000
Liabilities	25,00,000	10,50,000
	<u>50 Lacs.</u>	<u>30 Lacs</u>

PPE	20,00,000	18,00,000
Investment	16,50,000	-
Current Assets	13,50,000	12,00,000
	<u>50 Lacs</u>	<u>30 Lacs</u>

1) A Ltd. acquired 90000 shares of B Ltd. @ 18/- per share on 1/4/25

2) R&S Balance of B Ltd on 1/4/25 was 300000

Prepare Consolidated B/S on 31/3/26

Solution:-

1/4/25	DOA 1/10	31/3/26
Invest = 75%		Esc 120000
Esc = 120000		R&S 750000
R&S = 300000		

WN-1 AOP & Net Assets

Particulars	Pre Acq.	Post Acq.	Total
R&S	300,000	450,000	750,000
(+) Esc	12,00,000	-	
100% Net Assets	15,00,000	450,000	
		A's share 337500 75%	M/E's share 112500 25%

WN-2 Cost of Control (on 1/4/25)

Investments (75%) = 16,20,000
(90000 x 18)

(-) prop. share in N. Assets = 11,25,000
(15,00,000 x 75%)

Goodwill 4,95,000

WN-3 Minority Interest

1/4/25 Prop. Share of Net Assets

$$15,00,000 \times 25\% = 3,75,000$$

(+) Share in post Acq Profit = 112500

487500

WN-4 Consolidated Res of Grp.

Bal. of A (as per SFS) = 10,00,000

(+) Share in post Acq = 337500

13,37,500

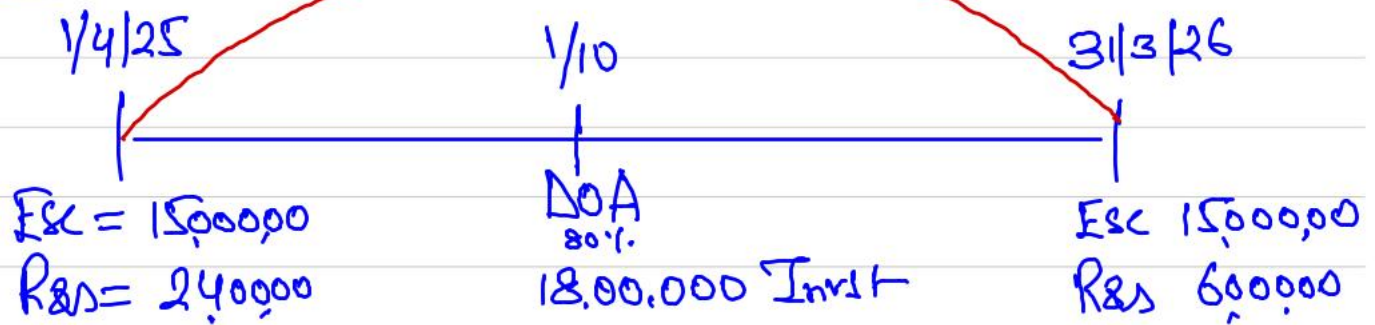
Consolidated B/S

Esc	15,00,000
Consol. Res	13,37,500
M/I	487500
Liab. (25 + 10.50)	<u>35,50,000</u>
	Total <u>68,75,000</u>
PPE (20 + 18)	32,00,000
Goodwill	4,95,000
Investment (other)	30,000
CA (13.5 + 12)	<u>25,50,000</u>

Total 68,75,000

Ex:-2

$$NP = 360000 \div 12$$



Calculate AOP & Net Assets Statement

Solution:-

OFU

Problem \Rightarrow We need Net Asset Balance as on 1/10 (i.e. on DOA)
 \rightarrow Here on 1/10 :- E&C is 15,00,000 but R&S on 1/10 is not known

Solution \Rightarrow Opng R&S = 24,00,000 1/4
Clasg R&S = 6,00,000 31/3

NP during the year = 360,000
 \downarrow
Assume every month's profit is equal

WN-1 AOP & Changes in Net Assets

Particulars	Pre Acq Profit as on 1/10	Post Acq Profit Oct - March	Total 31/3
Bal. of R&S	240000 (1/4)	360000 (12m)	600000

(+/-)

Time adjustment
6 months \cdot 180000 $\left(\frac{360000}{12} \times 6 \right)$

Final Bal. $\xrightarrow{\hspace{10em}}$
420000 180000

(+) Esc 15,00,000 —

19,20,000

100% Net Asset

180000

H

144000

M/I

36000

Cons. R&S

WN-2 COC :-

Invest (80%) = 18,00,000

(-) Prop. N.A = (15,36,000)

$19,20,000 \times 80\%$
2,64,000

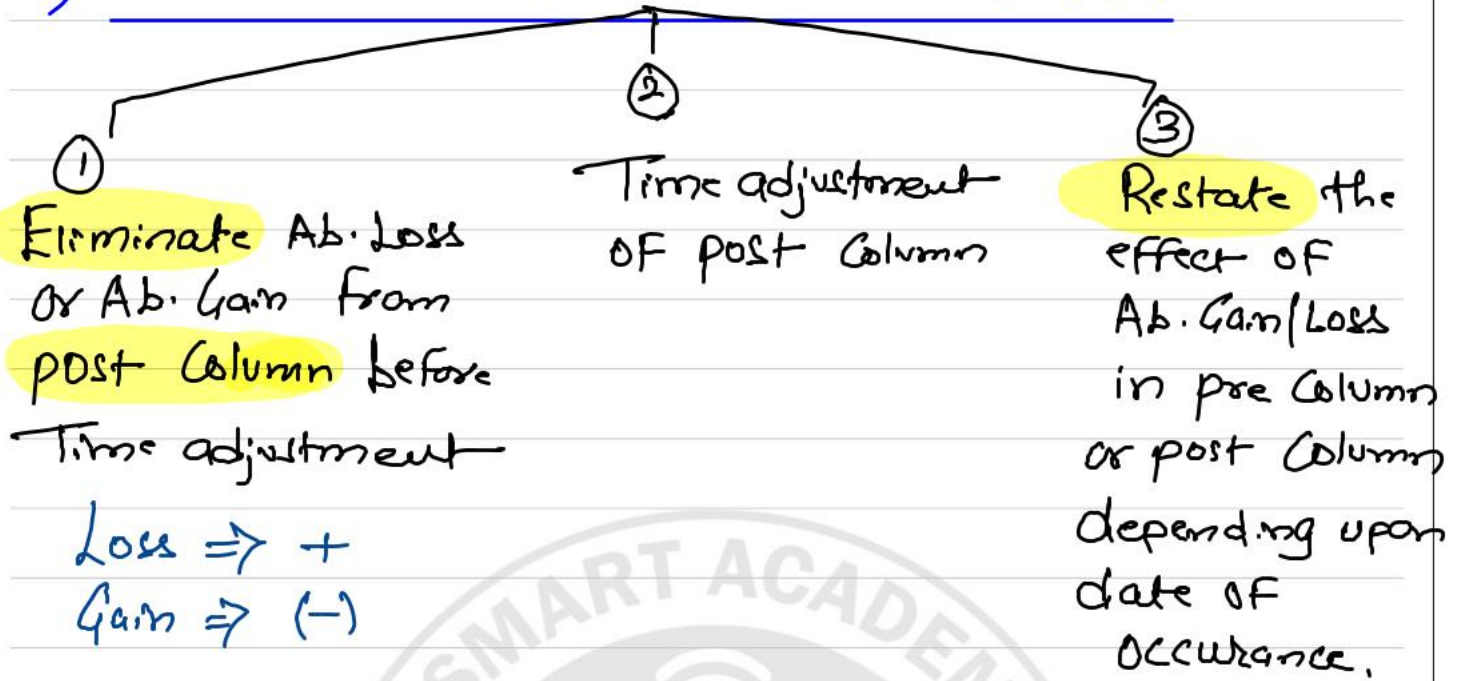
WN-3 M/I

on 1/10 \Rightarrow 19,20,000
 $\times 20\%$

3,84,000

(+) Post Acq share $\frac{26,000}{4,20,000}$

9) Treatment of Abnormal items in AOP :-



10) Revaluation of Assets/Liab. of Subsidiary as on DOA :-

\rightarrow why? So that Net Assets should be at Market Value to Compare them with MV of Investments in COC.

\rightarrow How? Net Assets as on DOA :-

ESC	—	xxx
(+)	R&S as on DOA	— xxx (as per B/s)
	(Pre Profit)	
(+/-)	Revaluation	— xxx
	Gain/Loss	
MV (DOA)	\downarrow	100% <u>Net Assets (MV)</u>
(-) BY (DOA)		

Calculation of Revaluation Gain/Loss

(assuming DOA is 1st Nov. 2025)

<u>Date</u>	<u>Particulars</u>	<u>Amount</u>
31/3/26	Book value of PPE (Closing Bal.)	24,00,000 (eg)
	Dep Rate 20%.	
1/4/25	Opng. value of PPE	$\frac{24,00,000}{80\%}$ = 30,00,000
1/11/25	BOOK value of PPE 30,00,000 - 7m. Dep	26,50,000
1/11/25	MV OF PPE (Given in Question)	28,00,000

Revaluation Gain \Rightarrow 1,50,000

\hookrightarrow in AOP

\hookrightarrow in pre column

Depreciation additional / Saving :-

(For past period only)

a) Depreciation already charged by Subd. = 2,50,000

$$\text{BV(DOA)} - \text{BV(Closing)}$$

$$26,50,000 - 24,00,000$$

b) Dep. that should be charged by H = 2,33,333
 in CFS

on Market Value

$$2800000 \times 20\% \times 5/12$$

Saving in 16.667
Depreciation
↳ AOP
↳ Post Column

Final Effect in Consolidated B/S

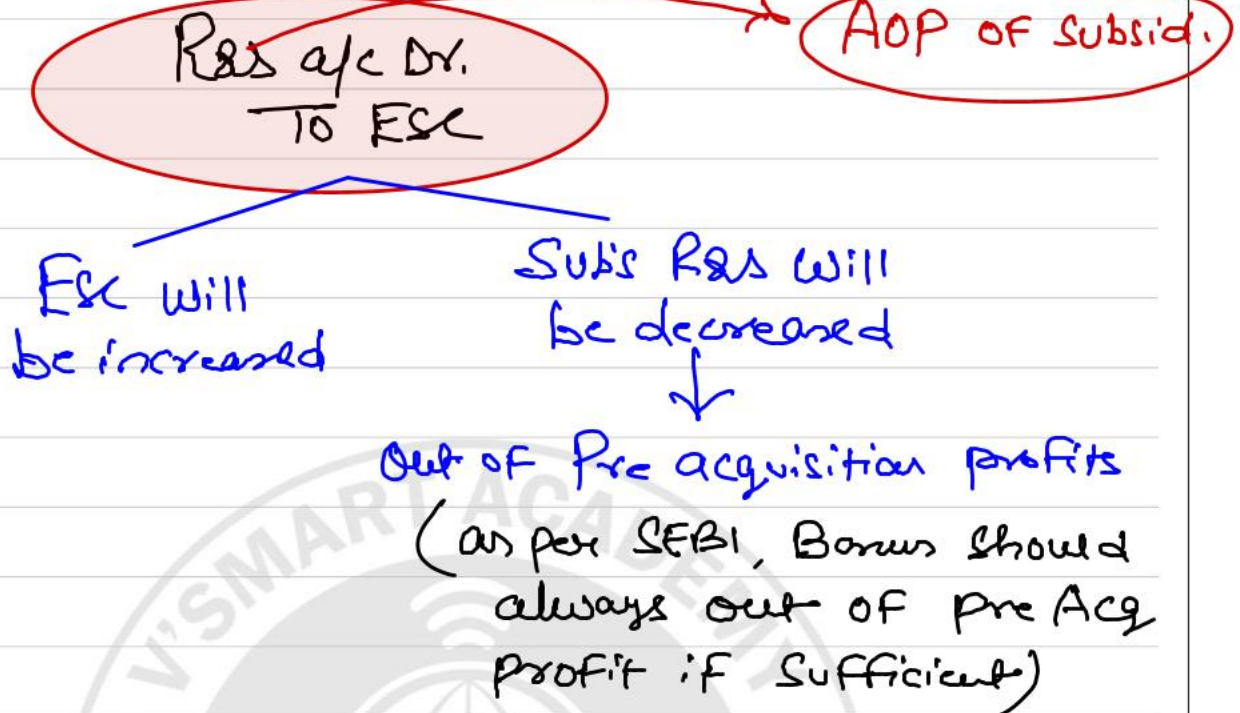
B/S

PPE :-

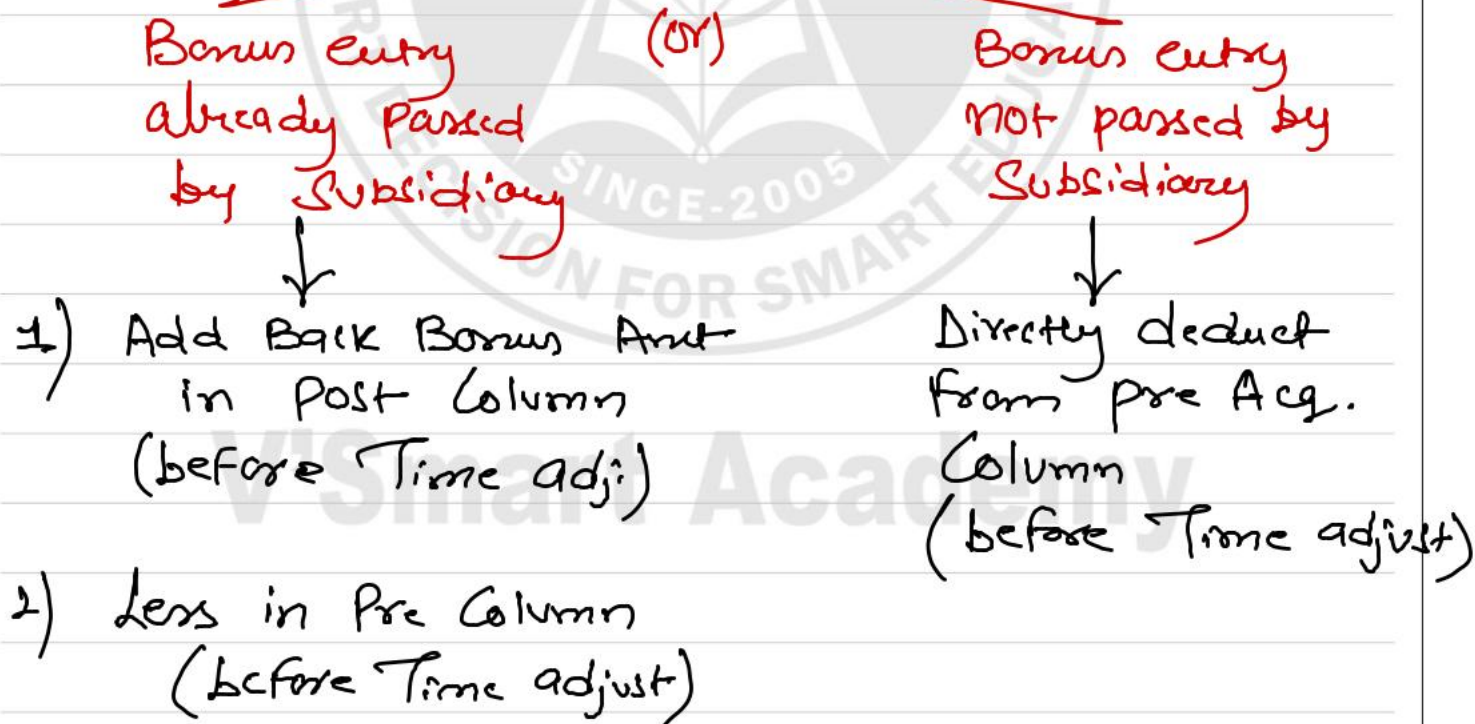
H	XXXX
S	24,00,000
(+/-) R. Gain/Loss	15000
(+/-) Saving/Additional Dep	16667

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11) Bonus shares issued by Subsidiary



Two Situations



Note:- Take Esc with Bonus always in Pre Column OF AOP to Calculate Net Assets.

12) Dividend Declared & Paid by Subsidiary

Situation 1

Dividend declared & Paid
any time during the Cy
(not at Closing Date)

This must
be pre Divd.
(Py)



👉 Add Back in post Column
before Time adjustment
(always add Back)

👉 Time adjustment (if required)

👉 Deduct from pre Column
of AOP

if entry
not passed
No need to
add Back

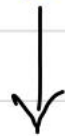
(Refer Ex no. 11
to 15)

Situation 2

Dividend
declared at
B/s date of
Cy



Dividend
belongs to Cy



👉 Add Back in post
Column before
Time adjustment

(if entry of Divd.
is passed)

👉 Time adjustment
if required

👉 Deduct in Pre Column
or Post Column or
Both depending on
DOA

13) Dividend Paid by Subsidiary & Received by H

(From Holding Pov)

Pre Acq Dividend
Received by
H

Post Acq Dividend
Received by H Co.

Should be deducted
from Investment Cost

Should have been
already transferred
to P&L OF H Co.

Check if pre Acq Dividend
is Correctly entered
by Holding

Do nothing
in Cons. P&L
(or) Consol.
R&S

Yes, Correctly
deducted from
Investment

H Co. has
Wrongly Credited
Pre Divd to its
P&L.

if Question is
Silent then always
assume that
H Co. has Wrongly
Credited the
Pre Divd into
its P&L

B/s Standalone
H

Investment (net)	xxx
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Rectification

P&L(H) Dr.
To Investment a/c

Do nothing in
CoC

(Refer Q304A)

CoC:-

Invest xxx
(-) Pre Acq Divd.

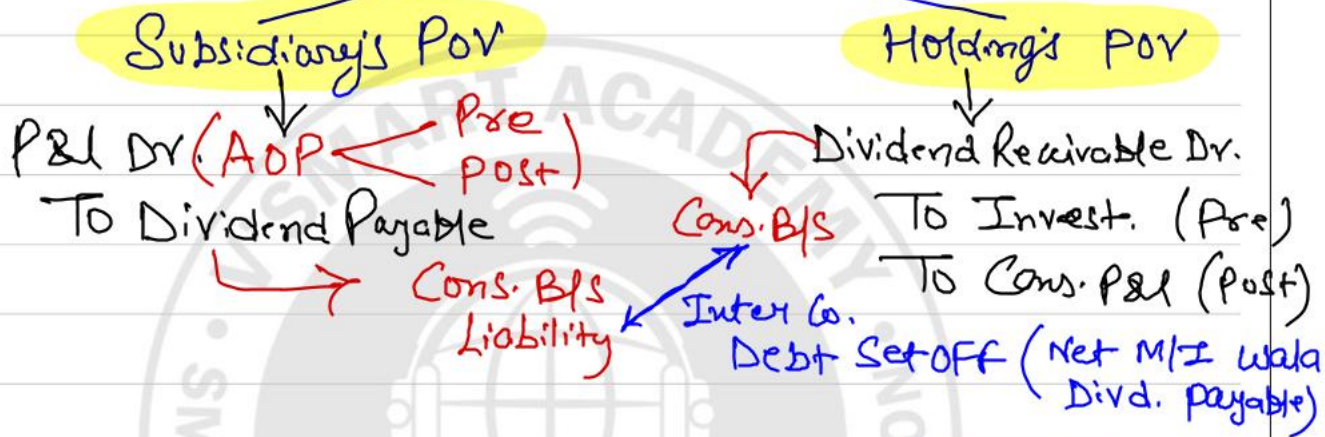
Cons. R&S (Grp.)

H's P&L Balance xxx
(-) Pre Acq Divd
Wrongly Credited (xxx)

Note:-

1) Cy Dividend (i.e.) shall be applied on ESE with Bonus, if Bonus is declared before Dividend.

2) IF Dividend is Declared by Subsd. at end of cy, kindly consider following entries from H & S Point of View



14) Eliminating Unrealised Profit on Unsold Stock Under Inter Co. Sale purchase.

Rule \Rightarrow Inventory should be shown at Cost only in Consolidated B/S

Unrealised profit shall be eliminated from:-



Case 1:- H Co. has earned Profit (Downstream)

Deduct From Consolidated
R&S OF Grp

Case:- S Co. has earned Profit (UPstream)



- Deduct from AOP either Pre (or) Post depending on date of Transaction
- If date of transaction is missing then deduct from post always.

15) Rectification of NP of Subsidiary :-

Example:-

Opng. R&S of Subsd. = 900000

Closg R&S of Subsd. = 15,00,000

During the year, Subsidiary Co. earns Interest Income (accrued But not received) OF 12000 whose entry is not passed by Subsidiary.

DOA = 1/7



AOP:-

	<u>Pre 17</u>	<u>Post (9m)</u>	<u>31/3 Total</u>
Balance	900000 (1/4)	600000	15,00,000
(+) Rectification	—	12000	
Income	<hr/>		
	900000	612000	
(+/-) T. adj 3m.	153000	$\left(\frac{612000}{12} \times 3\right)$	
	<hr/>		
	1053000	459000	
	<hr/>		

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16) Format of AOP & Net Assets :-

Particulars	Pre Acq	Post Acq.	Total
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Balance of GR and P&L	XXX	XXX (B/F)	XXX
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(+/-) Rectification of Cy NP	—	XX	
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(+/-) Elimination of Abnormal items	—	+ Loss - Gain	
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(+/-) Bonus issued by Subsd.	(XX)	+ XX (if entry passed)	
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(+) Dividend Declared/Paid by Subsd.	—	XX	
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Balances of Profits	XXX	XXXX	
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(+/-) Time adjustment of Post Column	XX	(XX)	
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Balance of Profits	XXX	XXX	
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(+/-) Restate Ab. Items	XX	XX	
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(-) Dividend	(XX) Pre Divd.	(XX) Post Divd.	
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17) Formate of Consolidated Res of Grp:-

Balance of Res with Holding — XXX
(as per SFS)

(+) Post Acq Share of Profit — XXX
(From AOP)

(-) Pre Acq. Dividend Wrongly — (XX)
Credited to P&L

(+) Post Acq Divd. Receivable — XXX
From Subsidiary (not yet
entered in SFS of H)

(-) Unrealised Profit — (XXX)
(Downstream Transaction)

(+/-) Difference due to Cancellation — XXX
OF Invest in Debt OF Subd.

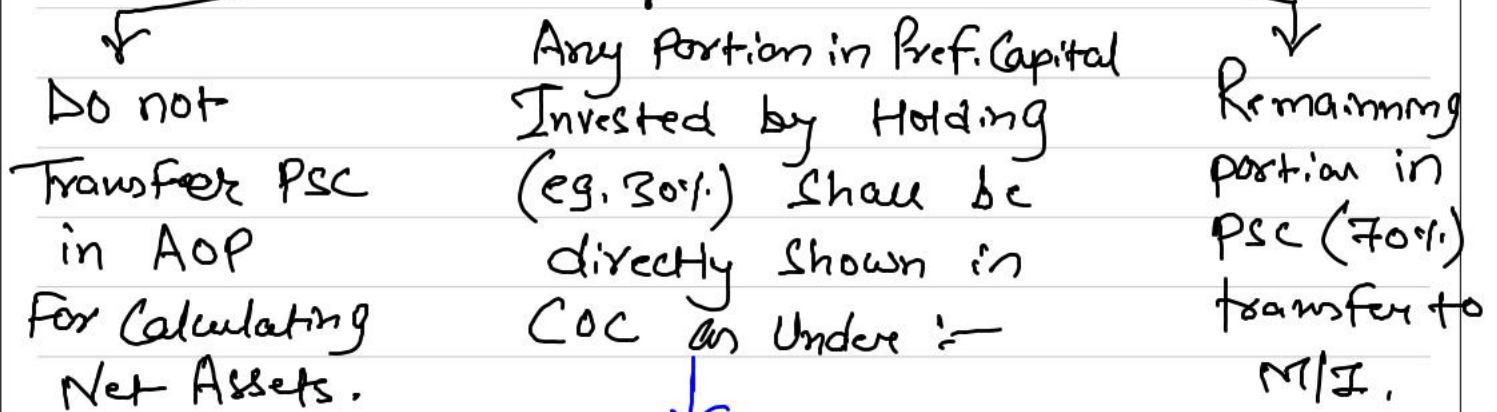
(+) Capital Reserve
From CoC

XXX

XXX

XXX

18) Preference Share Capital of Subsidiary



↓

Invest. in eq. share (eg. 80%)
(+) Invest in pref sh. (eg. 30%)
(-) Pre Acc Divd.

Net Investments

(-) 80% Net Asset
(-) 30% PSC of Subs.

4/w or CR

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19) Other Important points

a) IF Bonus Shares issued out of Post Acquisition Profits of Subsidiary

(Refer Q103A)

AOP working



Deduct Bonus

amt

from Post Column

AOP working



PrC Column



Add E&E without Bonus

b) Negative Minority

Losses of Subsidiary

Can be distributed to M/I until

Balance of M/I

becomes Nil

Further Losses

of M/I's share

shall be borne

by Holding in its

P&L — Temporary

Subsequently when Subsd.

earns profits,

M/I's share

of profit shall

be transfer

to H's P&L

to the extent

of losses earlier

borne by Holding.

Exception: — Holding shall not bear the losses when there is an agreement with M/I to bring cash against such losses.

c) Uniform Accounting Policy in Consolidated F/S

If Subsd. follows different A/c policy in its SFS, then for the purpose of Consolidation, Assets / Liabilities of Subsidiary are required to be changed to apply A/c policy of Holding

Assets / Liabilities

Reserves of Subsidiary

Increase in Asset

Decrease in Asset

Increase in Liability

Decrease in Liability

Increase in Reserves

Decrease in Reserve

Decrease in Reserve

Increase in Reserve

Refer Q307A & Q501A

d) Investment in Debentures of Subsidiary



Treated as Inter Co. Debt

Total Debⁿ Liability
(H + S)

Asset Side
of CBS

(-) Face Value of Debⁿ
Held by Holding

Total Investments
(-) Cost of Debⁿ
of Subs. purchased

Difference in
Consolidated Res^{ts} of H