AS 27

Investor → Control on another Company = Subsidiary — AS 21

Control → Power to take decisions

Subsidiary → Net Assets & M/I of Subs.

Investor → Signif. Influence on another Co. = Associate — AS 23

Associate → Invst. at equity method

Signif. Influence on another Co. → power to participate in decision making

Investor → Joint Control on another Company = Joint Venture — AS 27

Joint Control → Taking Unanimous Decisions

Joint Control → With other multiple parties

Joint Venture → Prop. Consolidation method

Investor → Standalone F/S — AS 13 on all Investments

AS 13 → Cost

What is JV?

- Venture of Two or more Partie → entities
- Covered by agreement
- to Undertake a Business activity
- & all parties to the Contract must Share the Control over such Business.

(Joint Control)

H — Subsd. => more than 50% VR

I — Associate => 20% or more VR

JV → % is not defined (minimum % is not required)

→ Instead Contract/agreement is required (+) Joint Control

A Ltd	B Ltd	C Ltd	D Ltd
10%	20%	10%	60%

agreement to share control exist

then it is a JV

Another Example

25%	25%	25%	25%
A	B	C	D

A, B & C shall follow AS 27

agreement to share control

D = is not having Joint Control

But since D has 20% or more it has Significant Influence

D shall apply AS 23

Types of JV

- Jointly Controlled Asset (JCA)
- Jointly Controlled operation (JCO)
- Jointly Controlled Entity (JCE)

JCA ⇒ Venturers has purchased / Invested on an Asset & they Operate such Asset Jointly.

Accounting under JCA :-

Every Venturer shall record its own share of Jointly Controlled Asset

eg:- A Ltd & B Ltd Constructed one Warehouse together & incurred 30 lacs each

A	B
Warehouse (50%) 30 / To Bank 30	Warehouse (50%) 30 / To Bank 30

JCO

Partnership Firm

Two or more entities entered into an agreement to undertake a Business activity but without forming a separate Legal Entity.

Pvt Ltd. Co.
Ltd. Co.
Incorporated entity

Example A Ltd. & B Ltd. started constructing one Bridge & giving services to the Govt.

- They Both will share Revenue equally.

A Ltd will apply its own equipment in the construction & B Ltd shall contribute Raw material

Books of A	Books of B
Equipment will be shown in Books of A only.	RM expense is recognised by B only.
50% Revenue of JV shall be recognised	50% Revenue of JV shall be recogn.

Accounting Under JCO

→ No Separate Books of Joint Venture

→ Each Venturer Shall Record in its Own Books !—

JV

Sales < 50% / 50%

a) It's Share of Revenue in JV

b) It's Share of Expense in JV

c) It's Share of Assets / Liab. in JV

d) Assets / Liab. of Venturer with 100% Share.

e) Income / Expenses of Venturer with 100% Share

JCE

Business activity by Two or more Venturers Contractually with the Help of Separate Legal Entity.

A Ltd & B Ltd = Jv Ltd.
50% 50%

Accounting in JCE

Books of JCE (Jv)
↓
Now this Jv has its own Books its B/S its P&L

Books of Joint Venturer (Parties)
↓
They will apply AS 27 & follow "Proportionate Consolidation method"
↓
Venturer = 40% share
⇓

Holding 80%

100% A&L
20% M/S
Goodwill / CR

→ 40% Assets/Liab. of JV shall be recorded

→ No M/I

→ COC :-

PC (Invst 40%) – XXX

(–) 40% of N.Assets – XXX

Goodwill/CR

Q6 Part 1 :- Subsidiary

AOP :-

Particulars	DoA Pre Acq 1/7	Post Acq 1/7 to 31/3	B/S 31/3
R&S	480000 (1/4)	270000	750000
(+/-) T. adj 3m	67500	$\left(\frac{270000}{12} \times 3\right)$	
	547500	202500	
H 80%	438000	162000	
M/I 20%	109500	40500	

CoC

CoC

Invst in S (80%) = 1100000

(-) prop. share in NA :-

Ek (80%)	(640000)
Pre Acq Profit share	(438000)
Goodwill	22000

M/I :-

Esc (20%) = 160000
(+) Pre Acq = 109500

M/I on DoA = 269500
(+) post Acq = 40500

310000

Cons. P&L OF H :-

Bal. OF H (P&L) = 900000
(+) post Acq share from S = 162000
(+) post Acq share from JV = 112500
(+) Post Acq share in Ass. (equity m.) = 40500

1215000

JV :-

1) AOP :-

	Pre (1/7)	Post	B/s
P&L	150000	300000	450000
(+/-) T. adj	75000	$\left(\frac{300000}{12} \times 3\right)$	

225000 225000

H (50%) 112500 112500

2) Coc :-

Invst (50%) = 500000

(-) prop. share in NA

Esc = (300000

pre = 112500)

Goodwill = 87500

Associate

Equity method

on DOA

↓

Invst Cost = 160000

(-) Prop. NA

esc 30% = (150000

pre Acq = 49500)

39500

Invst 39500

To CR 39500

on B/S

Revised Invst = 199500

(+) Post Acq share = 40500

240000

Invst Dr. 40500

To Cons. P&L 40500

AOP:-

	Pre (1/7)	Post	B/S
P&L	120000	180000	300000
(+/-) T.adj 3m	45000	(45000)	
	165000	135000	
	×30%	×30%	
	49500	40500	

Cons. B/S OF H Ltd.

ESC		10,00,000
Cons. R&S	1215000 CR (+) 39500	1254500
Minority Interest		310000
Liabilities	H 1100000 S 650000 J 275000	20,25,000
		4589500
Investment in Ass. (30%)		240000
Goodwill	S 22000 JV 87500	109500

Other Assets	H 1240000 S 2200000 Jv 800000	42,40,000
		4589500

Q2

Calculation of Carrying Amt of Assets (Combined)

Particulars	Org. Cost	Dep.	Closg WDV
Building	1200000	60,000	11,40,000
Pipeline	60,00,000	9,00,000	51,00,000
Computers etc	300000	1,20,000	180000
Vehicles	900000	180000	720000
	84,00,000	12,60,000	7140000

Combined B/s

Capital	7140000
PPE :-	7140000
Gross 8400000	
(-) Prov. for Dep. 1260000	

A Ltd.

B/S (extract)

PPE :-	
Gross 2800000	23,80,000
(-) Prov. for Dep. (420000)	

Stat. P&L (extract)

Depreciation	420000
Maintenance exp	200000

Same for B Ltd. & C Ltd.

Q1

A		B		C	
Land purchase	60,00,000	Material	950000	Other exp	90000
Loan taken	50,00,000			Labour Adv.	
Interest on loan	200000				
Registration Fees	60000				

Books of Mr. A

JV A/c (outflow & inflow)

To Land	60,00,000	By One Flat	10,00,000
To Interest	200000	By Sales.	40,00,000
To Registration	60000	By B [Debtors]	1420000
To profit	630000	By C [Debtors]	470000

Books of Mr. B

JV A/c

To Material	950000	By One Flat	10,00,000
To profit	630000	By Sale	20,00,000
To Mr. A	1420000		

1420

Books of Mr. C

JV A/c

To Exp. (Lab., Adv. etc)	900000	By One Flat	10,00,000
		By Sales	10,00,000
To profit	630000		
To Mr. A	470000		

470

Consolidated P&L of JV

To Land	60,00,000	By Venturers (1 flat each)	30,00,000
To Inter.	200000	By Sales	70,00,000
To Reg.	80000		
To Material	950000		
To Other exp.	900000		
To Profit	1890000		
A 630000			
B 630000			
C 630000			

V. Imp.

Transactions between Venturers & JV

Ex:-1 There is a JV of Mr. A & Mr. B

Ratio 1:1

Mr. A has PPE in its own Books = 100000

This PPE is sold by Mr. A to its JV at 1,20,000

Sol):- No Profit booking shall be done on its own share by Mr. A

Books of A		Books of B	
Share in PPE Dr.	50000	Share in PPE Dr.	60000
B Dr.	60000	To A a/c	60,000
To PPE	100000		
To Gain	10000		

Ex:- 2

There is a JV of Mr. A & Mr. B
Ratio 1:1

JV has PPE of = 100000

This PPE is sold by JV to Mr. A at 120000

Sol):-

Books of A	Books of B
PPE a/c Dr. 110000 (B/F)	A a/c Dr. 60000
To Share in PPE 50000	To Share in PPE 50000
To B 60000	To Gain 10000