

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 ?

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

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

Esc
(+) Pre Acq Profit
(-) 80% Share in Net Assets ——— XXX
OF Subsidiary

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 Grp

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 300,000

Prepare Consolidated B/S on 31/3/26

Solution:-

1/4/25	DOA 1/10	31/3/26
Invest = 75%		
ESC = 1200000		ESC 1200000
R&S = 300000		R&S 750000

WN-1 AOP & Net Assets

Particulars	Pre Acq.	Post Acq.	Total
R&S	300000	450000	750000
(+) ESC	12,00,000	-	
100% Net Assets	15,00,000	450000	
		A's share 337500 75% M/E's share 112500 25%	

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

$$\text{Investments (75\%)} = 16,20,000$$

$$(90000 \times 18)$$

$$(-) \text{ prop. share in N. Assets} = 11,25,000$$

$$(15,00,000 \times 75\%)$$

$$\text{Goodwill} \underline{4,95,000}$$

WN-3 Minority Interest

$$\begin{aligned} 1/4/25 \text{ Prop. share of Net Assets} \\ 15,00,000 \times 25\% &= 3,75,000 \end{aligned}$$

$$\begin{aligned} (+) \text{ Share in post Acq Profit} &= 1,12,500 \\ \hline &4,87,500 \end{aligned}$$

WN-4 Consolidated Res of Grp.

$$\begin{aligned} \text{Bal. of A (as per SFS)} &= 10,00,000 \\ (+) \text{ Share in post Acq} &= 3,37,500 \\ \hline &13,37,500 \end{aligned}$$

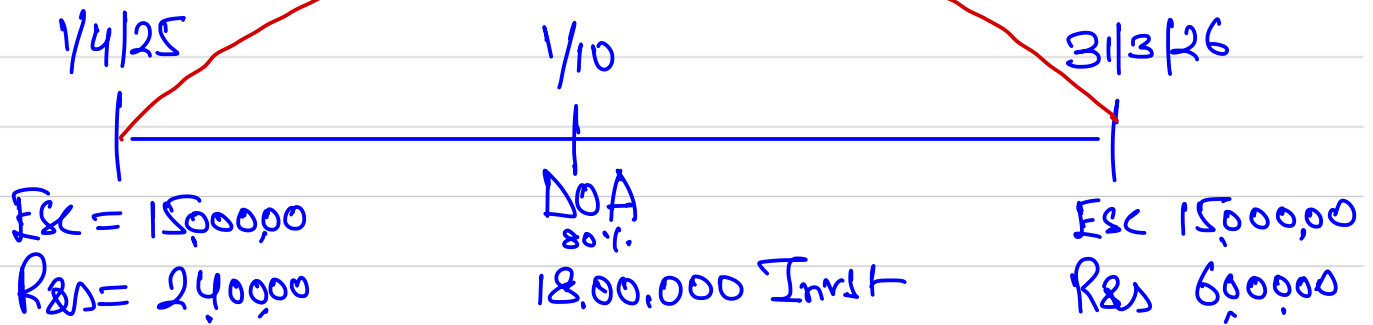
Consolidated B/S

Esc	15,00,000
Consol. Res	13,37,500
M/I	4,87,500
Liab. (25 + 10.50)	35,50,000
	<u>68,75,000</u>
PPE (20 + 18)	32,00,000
Goodwill	4,95,000
Investment (other)	30,000
CA (13.5 + 12)	25,50,000

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)

$\hookrightarrow$ Here on 1/10 :- Esc is 15,00,000 but R&S on 1/10 is not known

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

$$NP \text{ during the year} = 360000$$

$\downarrow$
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 $\cdot 180000 \quad \left(\frac{360000}{12} \times 6 \right)$

Final. Bal. $\underline{420000} \quad \underline{180000}$

(+) Esc $\underline{15,00,000}$

$\underline{19,20,000}$

100% Net Asset

$\underline{180000}$

H

144000

M/I

36000

Cons. R&S

WN-2 COC :-

Invst (80%) = 18,00,000

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

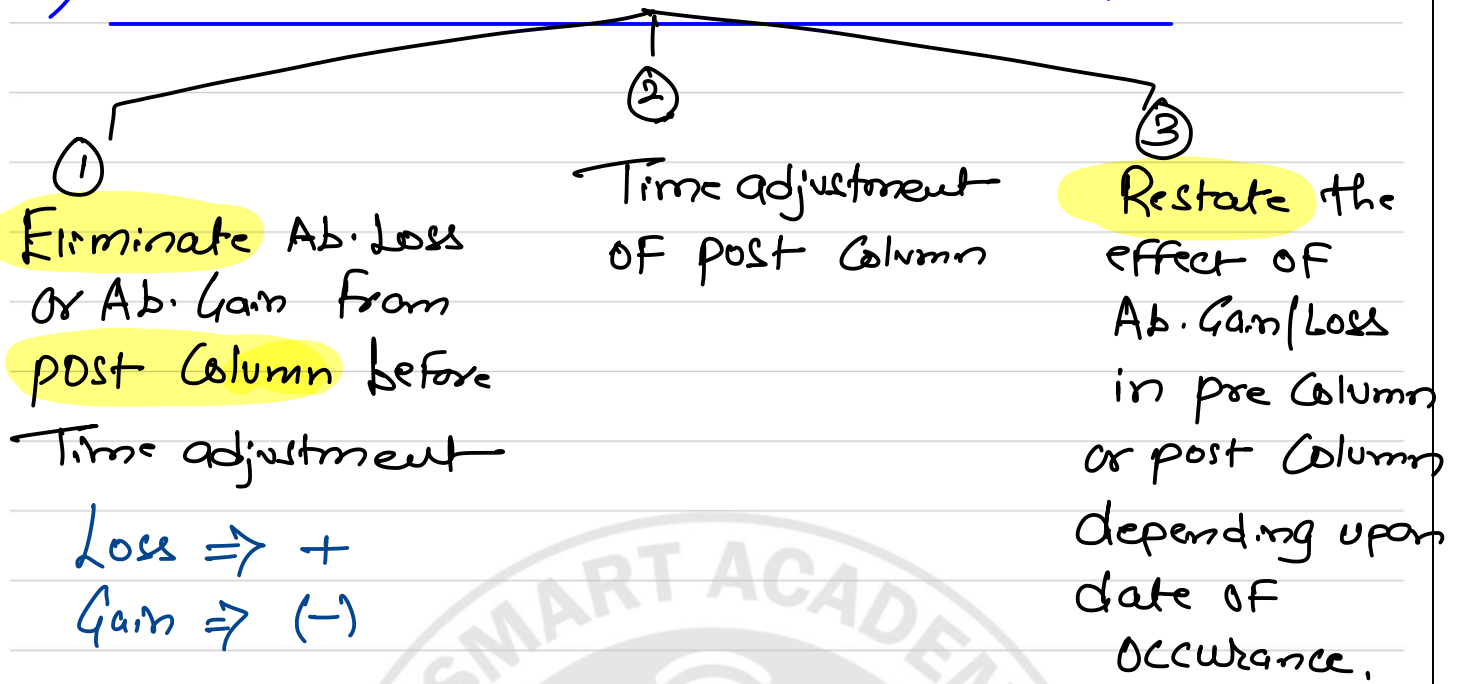
$19,20,000 \times 80\%$ $\underline{2,64,000}$

WN-3 M/I

on 1/10 $\Rightarrow 19,20,000$
 $\underline{\times 20\%}$
 $\underline{3,84,000}$

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

9) Treatment of Abnormal items in AOP :-



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

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

→ 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) 100% Net Assets (MV)
(-) BV (DOA)

Calculation of Revaluation Gain/Loss

(assuming DOA is 1st Nov. 2025)

<u>Date</u>	<u>Particulars</u>	<u>Amnt.</u>
31/3/26	Book value of PPE (Closing Bal.)	24,00,000 (eg)
	Dep Rate 20%.	
1/4/25	Opng. value of PPE	$\frac{24,00,000}{20\%}$ 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 Subsd. = 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 Depreciation 16.667

→ AOP

→ Post Column

Final Effect in Consolidated B/S

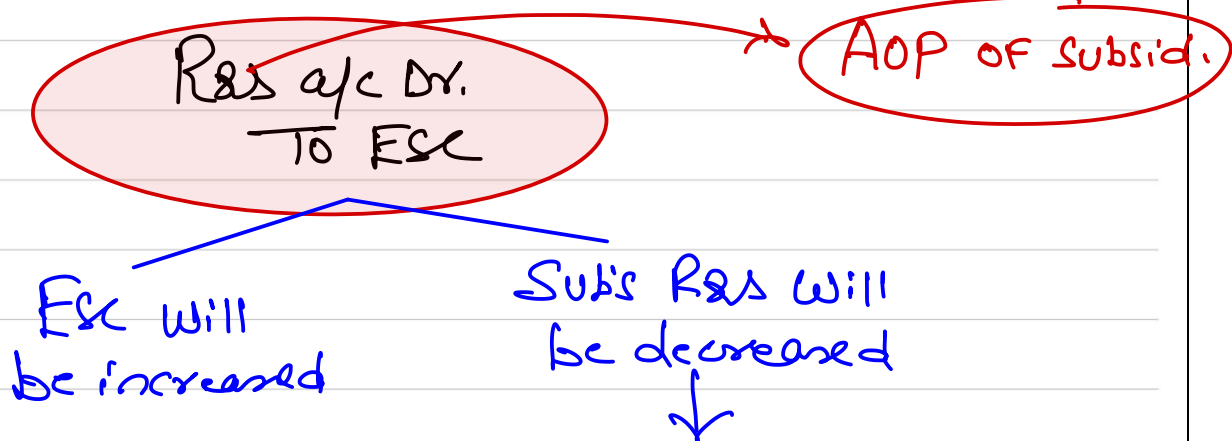
B/S

PPE :-

H	XXXX
S	24,000,00
(+/-) R. Gain/Loss	150000
(+/-) Saving/Additional Dep	16667

V'Smart Academy

11) Bonus shares issued by Subsidiary



Out of Pre acquisition profits
(as per SEBI, Bonus should always out of Pre Acq profit if sufficient)

Two Situations

Bonus entry already passed by Subsidiary

(OR)

Bonus entry not passed by Subsidiary

1) Add Back Bonus Amt in Post Column (before Time adj.)

Directly deduct from pre Acq. Column (before Time adjust)

2) Less in Pre Column (before Time adjust)

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

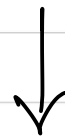
(Refer Ex no. 11
to 15)

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

(or)
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

Rectification

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

COC:-

Invest xxx
(-) Pre Acq Divd.

Cons. R&S (Grp.)

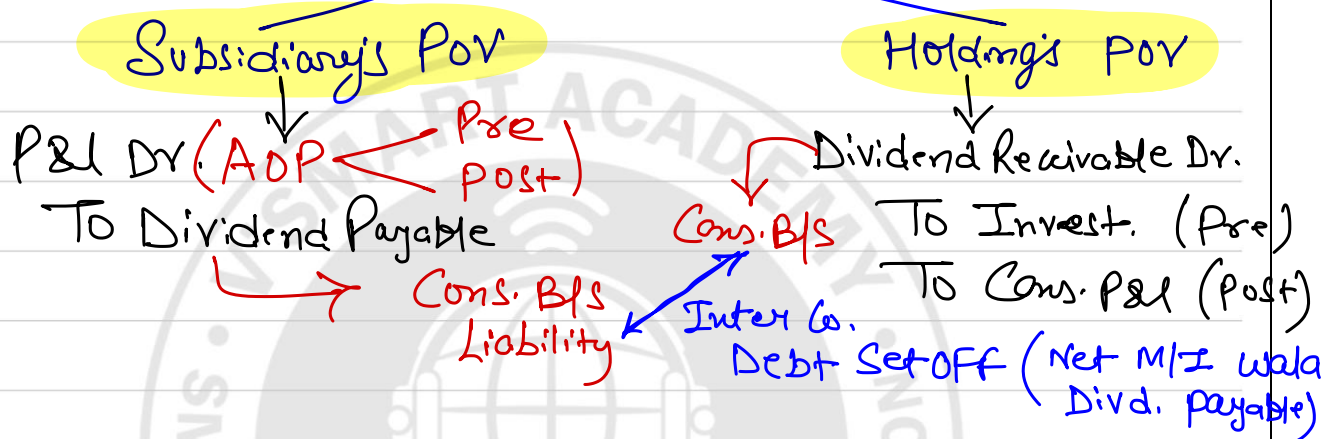
H's P&L Balance xxx
(-) Pre Acq Divd (xxx)
Wrongly Credited

Do nothing in
Coc
(Refer Q304A)

Note:-

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

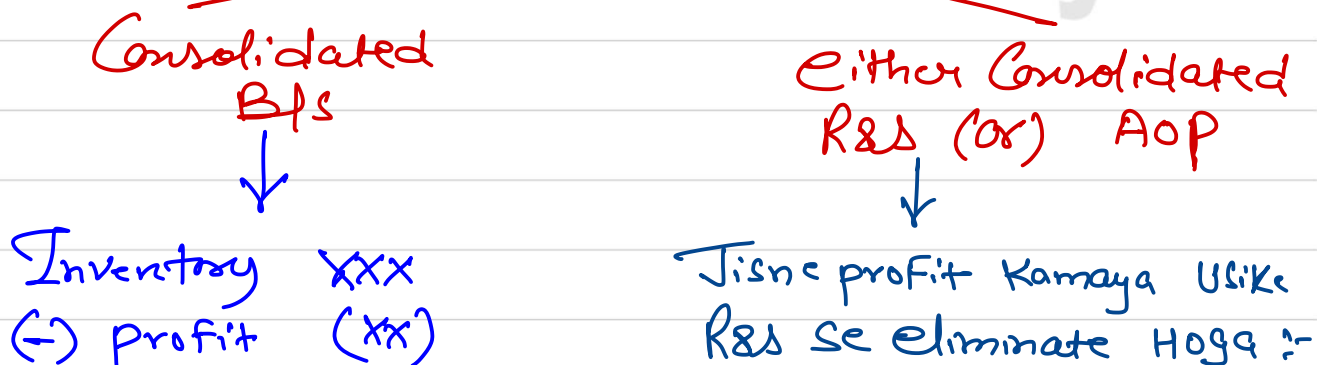
2) IF Dividend is Declared by Subsd. at end of Cy, Kindly Consider following entries from H & S Point of View



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 2:- 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

Interest Receivable

→ Cons. B/S

→ To Interest
Income (P&L)

→ AOP (Post column)
before Tadj

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			
	900000	612000	
(+/-) T. adj 3m.	153000	$\left(\frac{612000}{12} \times 3\right)$	
	1053000	459000	

V'Smart Academy

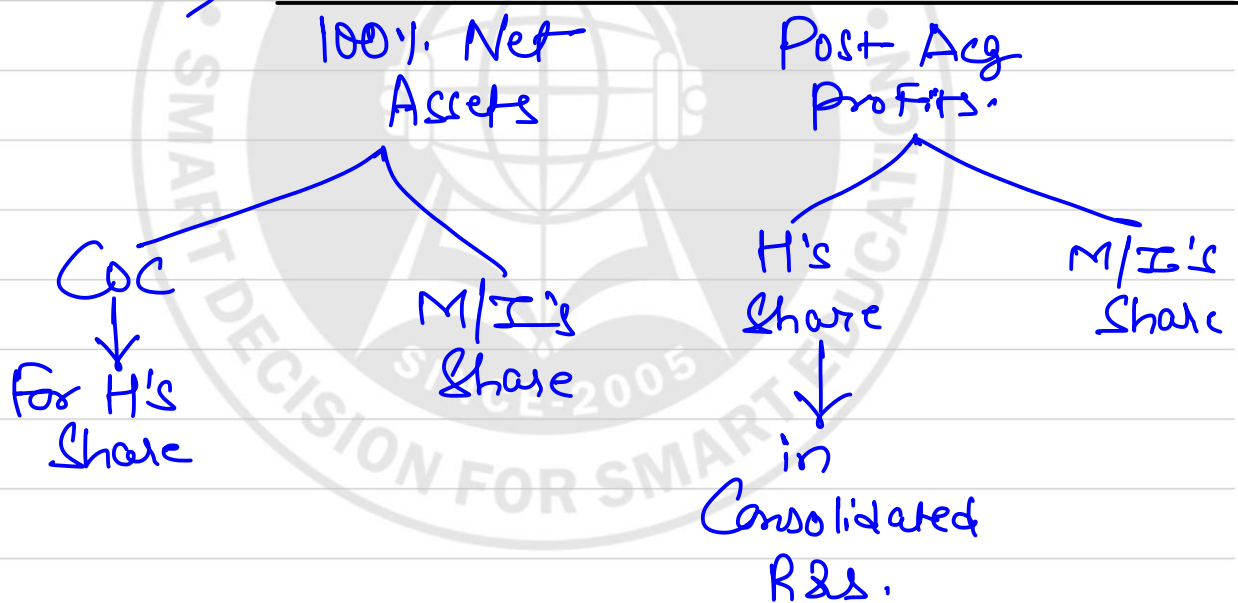
16) Format of AOP & Net Assets :-

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

- (+/-) Revaluation & Depreciation XXX Gain (+)
Loss (-) XX Savings in Dep (+)
Add. Dep. (-)
- (-) Eliminate Unrealised Profit (XX) (XX) (Depending on Date of Transaction)
(on Upstream)

Final Profits	Pre Acq Profit	Post Acq Profit
	XXX	XXX

(+) Esc of Subsd. (With Bonus) XXX



V'Smart Academy

17) Formate of Consolidated R&S of Grp:-

Balance of R&S 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.

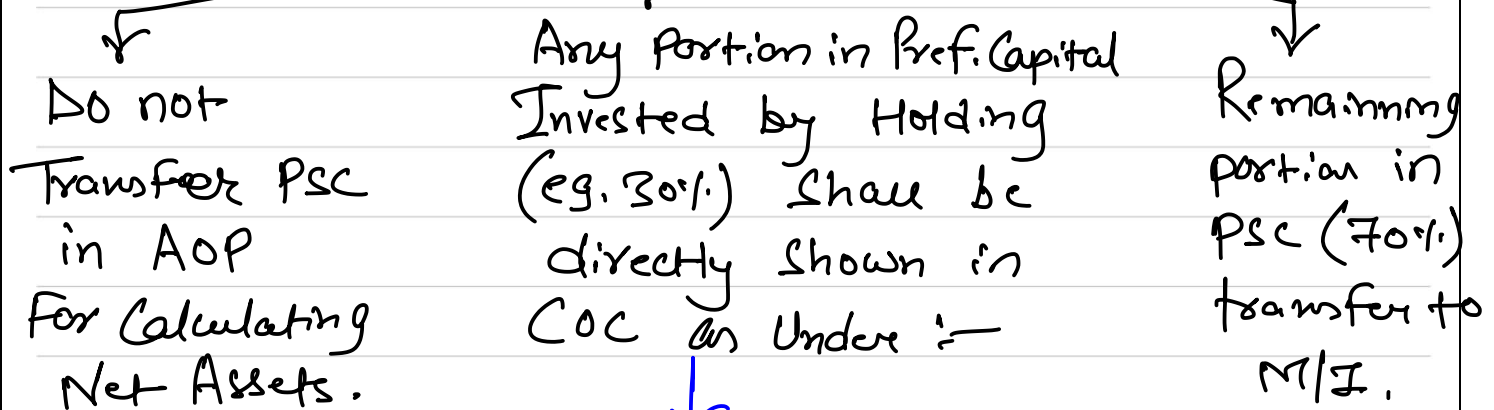
(+) Capital Reserve
From CoC

XXX

XXX

XXX

18) Preference Share Capital of Subsidiary



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

Net Investments

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

G/W or CR

V'Smart Academy

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 ESK 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 Deb't Liability
(H + S)

Asset Side
of CBS

(-) Face Value of Deb't
Held by Holding

Total Investments
(-) Cost of Deb't
of Subs. purchased

Difference in
Consolidated Res of H