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 ?

   Total Net Assets of Subsidiary × % held by M/I

M/I act like a Liability for Holding Co. because Holding Co. must have recorded 100% Net Assets of Subsidiary even though H 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 (subsdi.) a/c Dr.

   To All Liab. (Subs.) 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 of Subsidiary	xxx
	Goodwill/CR

ESC (+) Pre Acq Profit

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	XXX
M/I on DOA	Net Assets × %
(+) Share of M/I on post Acquisition profit of Subsidiary	XXX
	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
	50 lacs.	30 lacs
PPE	20,00,000	18,00,000
Investment	16,50,000	–
Current Assets	13,50,000	12,00,000
	50 lacs	30 lacs

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

2) R&S Balance of B Ltd on 1/4/25 was 3,00,000

Prepare Consolidated B/S on 31/3/26

Solution:-

1/4/25 — DOA 1/10 — 31/3/26

Invst = 75%

ESC = 1200000

R&S = 300000

At 31/3/26:

Esc 1200000

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	

Post Acq. 450000 split:

A's share	M/I's Share
337500	112500
75%	25%

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

Investments (75%) (90000 × 18) = 1620000

(−) prop. share in N. Assets (1500000 × 75%) = 11,25,000

Goodwill 495000

WN-3 Minority Interest

1/4/25 Prop. share of Net Assets
15,00,000 × 25% = 3,75,000

(+) Share in post Acq profit = 112500

487500

WN-4 Consolidated R&S 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. R&S	13,37,500
M/I	487500
Liab. (25 + 10.50)	35,50,000
Total	68,75,000
PPE (20 + 18)	38,00,000
Goodwill	4,95,000
Investment (other)	30,000
CA (13.5 + 12)	25,50,000

Total 68,75,000

Ex:-2

NP = 360000 ÷ 12

1/4/25	1/10	31/3/26
ESC = 1500000	DOA 80%	ESC 1500000
R&S = 240000	18,00,000 Invst	R&S 600000

Calculate AOP & Net Assets Statement

Solution:-

OFU

Problem ⇒ We need Net Asset Balance as on 1/10 (i.e on DOA)

↳ Here on 1/10 :- ESC is 1500000 but R&S on 1/10 is not known

Solution ⇒ Opng R&S = 240000 1/4

Closg R&S = 600000 31/3

NP during the year = 360000

↓

assume every month's profit is equal

WN-1 AOP & Changes in Net Assets

Particular	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	180000	$\left(\frac{360000}{12} \times 6\right)$	
Final. Bal.	420000	180000	
(+) ESC	15,00,000	—	
	19,20,000	180000	
	100% Net Asset	H 144000 → Cons. R&S; M/I 36000	

WN-2 COC :-

Invst (80%) = 18,00,000

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

19,20,000 × 80%

2,64,000

WN-3 M/I

on 1/10 ⇒ 19,20,000

× 20%

3,84,000

(+) Post Acq share 36,000

4,20,000

9) Treatment of Abnormal items in AOP :-

① Eliminate Ab. Loss or Ab. Gain from post Column before Time adjustment

Loss ⇒ +
Gain ⇒ (−)

② Time adjustment of post Column

③ Restate the effect of Ab. Gain/Loss in pre Column or post Column depending upon date of occurance.

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)
(−) BV (DOA)

100% Net Assets (MV)

Calculation of Revaluation Gain/Loss

(assuming DOA is 1st Nov. 2025)

Date	Particulars		Amt.
31/3/26	Book value of PPE (Closing Bal.)		24,00,000 (eg.)
	Dep Rate 20%		
1/4/25	Opng. value of PPE	$\frac{24 \text{ lac}}{80\%}$	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 ⇒ 1,50,000

↳ in AOP

↳ in pre column

Depreciation additional / Saving :-

(For post period only)

a) Depreciation already Charged by Subsd. = 2,50,000

BV (DOA) − BV (closg.)

26,50,000 − 24,00,000

b) Dep. that Should be Charged by H in CFS on Market Value = 2,33,333

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

Saving in Depreciation 16.667

Depreciation → AOP → Post Column

Final Effect in Consolidated B/S

B/S

PPE :-

	H	XXXX
	S	2400000
(+/-)	R. Gain/Loss	150000
(+/-)	Saving/Additional Dep	16667

11) Bonus shares issued by Subsidiary

R&S a/c Dr.
To ESC

AOP of Subsid.

ESC will be increased

Sub's R&S will be decreased

↓

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.)

2) Less in Pre Column (before Time adjust)

Directly deduct from pre Acq. 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 Q. 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

Should be deducted from Investment Cost

Check if pre Acq Dividend is Correctly entered by Holding

Yes, Correctly deducted from Investment

(Or)

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

B/S Standalone H

Investment (net)	XXX

Do nothing in COC (Refer Q304A)

Rectification

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

COC:-

Invst XXX
(-) Pre Acq Divd.

Cons. R&S (Grp.)

H's P&L Balance XXX
(-) Pre Acq Divd wrongly Credited (XXX)

Post Acq Dividend received by H Co.

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

Do nothing in Cons. P&L (Or) Conso. R&S

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

Note:-

1) Cy Dividend (%) Shall be applied on ESC 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

Subsidiary's POV

P&L Dr. (AOP ← Pre / Post)
To Dividend Payable → Cons. B/S Liability

Holding's POV

Dividend Receivable Dr. → Cons. B/S
To Invest. (Pre)
To Cons. P&L (Post)

Inter Co. Debt Set off (Net M/I wala Divd. payable)

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

Rule ⇒ Inventory should be Shown at Cost only in Consolidated B/S

Unrealised profit shall be eliminated from:-

Consolidated B/S

Inventory XXX
(-) profit (XX)

Either Consolidated R&S (or) AOP

Jisne profit Kamaya Usike R&S se eliminate Hoga:-

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 Tied;

AOP :-

	Pre 1/7	Post (9m)	31/3 Total
Balance	900000 (1/4)	600000	15,00,000
(+) Rectification Income	—	12000	
	900000	612000	
(+/-) T, adj 3m.	153000	$\left(\frac{612000}{12} \times 3\right)$	
	1053000	459000	

16) Formate of AoP & Net Assets :-

Particulars	Pre Acq	Post Acq.	Total
Balance of GR and P&L	XXX	XXX (B/F)	XXX
(+/-) Rectification of Ly 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	XXX	
(+/-) Restate Ab. Items	XX	XX	
(-) Dividend	(XX) Pre Divd.	(XX) Post Divd.	

(+/-) Revaluation & Depreciation	xxx	Gain (+) Loss (-)	xx	Saving in Dep (+) Add. Dep. (-)
(-) Eliminate Unrealised Profit (on upstream)	(xx)		(xx)	(Depending on Date of Transaction)

Final Profits	Pre Acq Profit	Post Acq Profit
	XXX	XXX
(+) Esc of Subsd. (With Bonus)	XXX	—
	100% Net Assets	Post Acq Profits.

100% Net Assets → COC → For H's Share; M/I's Share

Post Acq Profits. → H's Share → in Consolidated R&S.; M/I's Share

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

Balance of R&S with Holding (as per SFS)	——	xxx
(+) Post Acq share of Profit (From AOP)	——	xxx
(-) Pre Acq. Dividend wrongly Credited to P&L	——	(xx)
(+) Post Acq Divd. Receivable from Subsidiary (not yet entered in SFS of H)	——	xxx
(-) Unrealised Profit (Downstream Transaction)	——	(xxx)
(+/-) Difference due to Cancellation of Invest in Debn of Subsd.	——	xxx
		xxx
(+) Capital Reserve from COC		xxx
		xxx

18) Preference Share Capital of Subsidiary

- Do not Transfer PSC in AOP For Calculating Net Assets.
- Any Portion in Pref. Capital Invested by Holding (eg. 30%) Shall be directly shown in COC as Under :-
- Remaining portion in PSC (70%) transfer to M/I.

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

Net Investments

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

G/W or CR

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 → Pre Column → Add ESC without Bonus

b) Negetive Minority

- Losses of Subsidiary Can be distributed to M/I Untill 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	Increase in Reserves
Decrease in Asset	Decrease in Reserve
Increase in Liability	Decrease in Reserve
Decrease in Liability	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 R&S of H