

CONSOLIDATED FINANCIAL STATEMENT (AS 21)

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SECTION A – QUESTIONS

**Questions of Study Material, RTPs, MTPs and Past Exams
to be Practiced in the Class**

SERIES 100

**SMALL QUESTIONS ON CALCULATION OF GOODWILL or CR and
Minority Interest**

Q.CFS.SM.101(A):

From the following data, determine in each case:

- (1) Minority interest at the date of acquisition and at the date of consolidation.
- (2) Goodwill or Capital Reserve.
- (3) Amount of holding company's profit in the consolidated Balance Sheet assuming holding company's own Profit & Loss Account to be ₹2,00,000 in each case:



Case	Subsidiary Company	% shares owned	Cost	Date of acquisition		Consolidation Date	
				1.1.2016		31.12.2016	
				Share Capital	Profit & Loss Account	Share Capital	Profit & Loss Account
			₹	₹	₹	₹	
Case 1	A	90%	1,40,000	1,00,000	50,000	1,00,000	70,000
Case 2	B	85%	1,04,000	1,00,000	30,000	1,00,000	20,000
Case 3	C	80%	56,000	50,000	20,000	50,000	20,000
Case 4	D	100%	1,00,000	50,000	40,000	50,000	55,000

SOLUTION

(1) Minority Interest = Equity attributable to minorities

Equity is the residual interest in the assets of an enterprise after deducting all its liabilities i.e. in this case it should be equal to Share Capital + Profit & Loss A/c

	Minority % Shares Owned	Minority interest as at the date of acquisition [E] x [A + B] ₹	Minority interest as at the date of consolidation [E] X [C + D] ₹
Case 1 [100-90]	10%	15,000	17,000
Case 2 [100-85]	15 %	19,500	18,000
Case 3 [100-80]	20 %	14,000	14,000
Case 4 [100-100]	NIL	Nil	Nil

A = Share capital on 1.1.2016

B = Profit & loss account balance on 1.1.2016 C = Share capital on 31.12.2016

D = Profit & loss account balance on 31.12.2016

(2) Calculation of Goodwill or Capital Reserve

	Shareholding % [F]	Cost [G]	Total Equity [A] + [B] = [H]	Parent's Portion of equity [F] x [H]	Goodwill ₹ [G] – [H]	Capital Reserve ₹ [H] – [G]
Case 1	90 %	1,40,000	1,50,000	1,35,000	5,000	—
Case 2	85 %	1,04,000	1,30,000	1,10,500	—	6,500



Case 3	80 %	56,000	70,000	56,000	Nil	Nil
Case 4	100 %	1,00,000	90,000	90,000	10,000	—

(3) The balance in the Profit & Loss Account on the date of acquisition (1.1.2016) is Capital profit, as such the balance of Consolidated Profit & Loss Account shall be equal to Holding Co.'s profit.

On 31.12.2016 in each case the following amount shall be added or deducted from the balance of holding Co.'s Profit & Loss account.

	% Shareholding [K]	P & L as on 1.1.2016 [L]	P & L as on consolidation date [M]	P & L post-acquisition [N] = [M] - [L]	Amount to be added / (deducted) from holding's P & L [O] = [K] x [N]
1	90 %	50,000	70,000	20,000	18,000
2	85 %	30,000	20,000	(10,000)	(8,500)
3	80 %	20,000	20,000	NIL	NIL
4	100 %	40,000	55,000	15,000	15,000

Q.CFS.RMP.102(A): (RTP May'21)

A Ltd. acquired 70% equity shares of B Ltd. @ Rs.20 per share (Face value - Rs.10) on 31st March, 2021 at a cost of Rs. 140 lakhs. Calculate the amount of share of A Ltd. and minority interest in the net assets of B Ltd. on this date. Also compute goodwill/capital reserve for A Ltd. on acquisition of shares of B Ltd. from the following information available from the balance sheet of B Ltd. as on 31st March, 2021:

	Rs. in lakhs
Property, plant and equipment	360
Investments	90
Current Assets	140
Loans & Advances	30
15% Debentures	180
Current Liabilities	100

SOLUTION

Net assets of B Ltd. as on 31st March, 2021

	Rs. in lakhs	Rs. in lakhs
Property, plant and equipment		360
Investments		90
Current Assets		140
Loans and Advances		30
Total Assets		620
Less: 15% Debentures	180.0	
Current Liabilities	100.0	(280)
Equity / Net Worth		340
Share of Minority Interest in net assets (30% of 340)		102
A Ltd.'s share in net assets (70% of 340)		238
A Ltd.'s cost of acquisition of shares of B Ltd. (Rs.140 lakhs)		(140)
Capital reserve		98

Q.CFS.RMP.103(A): (RTP Nov'21 & Similar in ICAI Module)

On 31st March, 2015, P Ltd. acquired 1,05,000 shares of Q Ltd. for Rs. 12,00,000. The position of Q Ltd. on that date was as under:



	Rs.
Property, plant and equipment	10,50,000
Current Assets	6,45,000
1,50,000 equity shares of Rs. 10 each fully paid	15,00,000
Pre-incorporation profits	30,000
Profit and Loss Account	60,000
Trade payables	1,05,000

P Ltd. and Q Ltd. give the following information on 31st March, 2021:

	P Ltd.	Q Ltd.
	Rs.	Rs.
Equity shares of Rs. 10 each fully paid (before bonus issue)	45,00,000	15,00,000
Securities Premium	9,00,000	–
Pre-incorporation profits	–	30,000
General Reserve	60,00,000	19,05,000
Profit and Loss Account	15,75,000	4,20,000
Trade payables	5,55,000	2,10,000
Property, plant and equipment	79,20,000	23,10,000
Investment: 1,05,000 Equity shares in Q Ltd. at cost	12,00,000	–
Current Assets	44,10,000	17,55,000

Directors of Q Ltd. made bonus issue on 31.3.2021 in the ratio of one equity share of Rs. 10 each fully paid for every two equity shares held on that date. Bonus shares were issued out of post-acquisition profits by using General Reserve.

Calculate as on 31st March, 2021

- (i) Cost of Control/Capital Reserve;
- (ii) Minority Interest;
- (iii) Consolidated Profit and Loss Account in each of the following cases:
 - Before issue of bonus shares.
 - Immediately after issue of bonus shares.

SOLUTION

Q.CFS.RMP.104(A): (Exam Nov'23)

GB Limited acquired 80% of equity shares of TB Limited on 1st April,2016 at a cost of Rs. 58,00,000 when TB Limited had an Equity share capital of Rs. 50,00,000 and Reserves and Surplus of Rs. 4,64,000.

The following information is provided:

Year	Profit /(Loss) of TB Limited (Rs.)
2016-17	(14,50,000)
2017-18	(23,20,000)
2018-19	(29,00,000)
2019-20	(6,96,000)
2020-21	1,90,000
2021-22	6,80,000
2022-23	12,70,000

You are required to calculate the minority interests and cost of control at the end of each year for the purpose of consolidation.

SOLUTION

Year	Profit / (Loss)	Minority Interest (20%)	Additional Consolidated P & L (Dr.) Cr.	Minority's Share of losses borne by GB Ltd.		Cost of Control
				Rs.	Balance	
At the time of acquisition in 2016		10,92,800 (W.N.)	-			
2016-17	(14,50,000)	<u>(2,90,000)</u>	(11,60,000)			14,28,800 (W.N.)
Balance		8,02,800				
2017-18	(23,20,000)	<u>(4,64,000)</u>	(18,56,000)			14,28,800

Balance 2018-19	(29,00,000)	3,38,800 <u>(5,80,000)</u> (2,41,200)	(23,20,000)			14,28,800
	Loss of minority borne by Holding Co.	<u>2,41,200</u>	<u>(2,41,200)</u>	2,41,200	2,41,200	
Balance 2019-20	(6,96,000)	Nil (1,39,200)	<u>(25,61,200)</u> (5,56,800)			14,28,800
	Loss of minority borne by Holding Co.	<u>1,39,200</u>	<u>(1,39,200)</u>	1,39,200	3,80,400	
Balance 2020-21	1,90,000	Nil 38,000	(6,96,000) 1,52,000			14,28,800
	Profit share of minority adjusted against losses of minority absorbed by Holding Co.	<u>(38,000)</u>	<u>38,000</u>	(38,000)	3,42,400	
Balance 2021-22	6,80,000	Nil 1,36,000	1,90,000 5,44,000			14,28,800
	Profit share of minority adjusted against losses of minority absorbed by Holding Co.	<u>(1,36,000)</u>	<u>1,36,000</u>	(1,36,000)	2,06,400	
Balance 2022-23	12,70,000	Nil 2,54,000	6,80,000 10,16,000	(2,06,400)	Nil	14,28,800
		<u>(2,06,400)</u>	<u>2,06,400</u>			
Balance		47,600	12,22,400			

Working Note:

Calculation of Minority interest and Cost of control on 1.4.2016

		Share of Holding Co.	Minority Interest
	100%	80%	20%
	(Rs.)	(Rs.)	(Rs.)
Share Capital	50,00,000	40,00,000	10,00,000
Reserve	4,64,000	<u>3,71,200</u>	<u>92,800</u>
		43,71,200	<u>10,92,800</u>
Less: Cost of investment		<u>(58,00,000)</u>	
Goodwill		14,28,800	

Q.CFS.SM.105(A):

A Ltd. and B Ltd. provide the following information:

	₹ '000s	
	A Ltd.	B Ltd.
Equity Shares	6,000	5,000
6% Preference Shares	NIL	1,000
General Reserve	1,200	800
Profit and Loss Account	1,020	1,790
Trade Payables	3,850	3,410
Dividend Payable	600	500
Goodwill	100	20
Property, Plant and Equipment	3,850	2,750
Investment	1,620	1,100
Inventory	1,900	4,150
Trade Receivables	4,600	4,080
Cash & Bank	600	400

A Ltd. purchased 3/4th interest in B Ltd. at the beginning of the year at the premium of 25%. Following other information is available:

- Profit & Loss Account of B Ltd. includes ₹ 1,000 thousands brought forward from the previous year.
- The General Reserve balance is brought forward from the previous year.
- The directors of both the companies have declared a dividend of 10% on equity share capital for the previous and current year.
- From the above information calculate Pre- and Post-acquisition Profits, Minority Interest and Cost of Control.

SOLUTION

Calculation of Pre- and Post-Acquisition Profits:

	Pre-Acquisition Profits (₹)	Post-Acquisition Profits (₹)
Profit & Loss Account	10,00,000	7,90,000
General Reserve	8,00,000	NIL
	18,00,000	7,90,000
Less: Share of Minority Interest: (1/4)	(4,50,000)	(1,97,500)
Attributable to Parent	13,50,000	5,92,500
	(Cost of Control)	(Post-acquisition Profits)

Calculation of Minority Interest:

Particulars	₹
Paid-up Equity Share Capital (₹ 50,00,000 x 1/4)	12,50,000
Paid-up Preference Share Capital	10,00,000
Share in Reserves:	
Profit & Loss Account: ₹ 17,90,000 x 1/4	4,47,500
General Reserve: ₹ 8,00,000 x 1/4	2,00,000
Minority Interest	28,97,500

Calculation of Goodwill/Capital Reserve

	₹	₹
Cost of Investment in Subsidiary:	46,87,500	
₹ 50,00,000 x 75% x 125% (cost + 25% premium)		
Less: Pre-acquisition dividend	(3,75,000)	43,12,500
Less: Net Worth of B Ltd. on Date of Acquisition (attributable to A Ltd.):		
Paid-up Capital	37,50,000	
Pre-acquisition Reserves	13,50,000	(51,00,000)
Capital Reserve		7,87,500

SERIES 200

**QUESTIONS ON IMPORTANT ADJUSTMENTS
(DIVIDENDS; UNREALIZED GAINS ETC.)**

Q.CFS.SM.201(A):

XYZ Ltd. purchased 80% shares of ABC Ltd. on 1st January, 2016 for ₹ 1,40,000. The issued capital of ABC Ltd., on 1st January, 2016 was ₹ 1,00,000 and the balance in the Profit & Loss Account was ₹ 60,000.

During the year ended 31st December, 2016, ABC Ltd. earned a profit of ₹ 20,000 and at year end, **declared and paid a dividend of ₹ 15,000.**

Show by an entry how the dividend should be recorded in the books of XYZ Ltd.

What is the amount of minority interest as on 1st January, 2016 and 31st December, 2016? Also please check whether there should be any goodwill/ capital reserve at the date of acquisition.

SOLUTION

Total dividend paid is ₹ 15,000 (out of post-acquisition profits), hence dividend received by XYZ will be credited to P & L.

XYZ Ltd.'s share of dividend = ₹ 15,000 X 80% = ₹ 12,000

In the books of XYZ Ltd.

		₹	₹
Bank A/c To Profit & Loss A/c (Dividend received from ABC Ltd credited to P&L A/c being out of post-acquisition profits – as explained above)	Dr.	12,000	12,000
Goodwill on consolidation (at the date of acquisition):		₹	₹
Cost of shares			1,40,000
Less: Face value of capital i.e., 80% of capital		80,000	
Add: Share of capital profits [60,000 X 80 %]		48,000	(1,28,000)
Goodwill			12,000
Minority interest on:			
- 1st January, 2016: 20% of ₹ 1,60,000 [1,00,000 + 60,000]			32,000
- 31st December, 2016: 20% of ₹ 1,65,000 [1,00,000 + 60,000 + 20,000 – 15,000]			33,000

Q.CFS.SM.202(A):

Exe Ltd. acquires 70% of equity shares of Zed Ltd. as on 31st March, 2017 at a cost of ₹ 70 lakhs. The following information is available from the balance sheet of Zed Ltd. as on 31st March, 2017:

	₹ in lakhs
Property, plant & Equipment	120
Investments	55
Current Assets	70
Loans & Advances	15
15% Debentures	90
Current Liabilities	50

The following revaluations have been agreed upon (not included in the above figures):

Property, plant & Equipment Up by 20%

Investments Down by 10%

Zed Ltd. **declared and paid dividend @ 20%** on its equity shares as on 31st March, 2017. Exe Ltd. purchased the shares of Zed Ltd. @ ₹20 per share.

Calculate the amount of goodwill/capital reserve on acquisition of shares of Zed Ltd.

SOLUTION

Revalued net assets of Zed Ltd. as on 31st March, 2017

	₹ in lakhs	₹ in lakhs
Property, plant & Equipment [120 X 120%]		144.0
Investments [55 X 90%]		49.5
Current Assets		70.0
Loans and Advances		15.0
Total Assets after revaluation		278.5
Less: 15% Debentures	90.0	
Current Liabilities	50.0	(140.0)
Equity / Net Worth		138.5
Exe Ltd.'s share of net assets (70% of 138.5)		96.95
Exe Ltd.'s cost of acquisition of shares of Zed Ltd. (₹70 lakhs – ₹7 lakhs*)		63.00
Capital reserve		33.95

* Total Cost of 70 % Equity of Zed Ltd	₹ 70 lakhs
Purchase Price of each share	₹ 20
Number of shares purchased [70 lakhs / ₹ 20]	3.5 lakhs
Dividend @ 20 % i.e., ₹ 2 per share	₹ 7 lakhs

Since dividend received is for pre-acquisition period, it has been reduced from the cost of investment in the subsidiary company.

Q.CFS.SM.203(A): (Unsold Inventory – Unrealised Profit)

a) A Ltd hold 80% of the equity capital and voting power in B Ltd. A Ltd sells inventories costing ₹ 180 lacs to B Ltd at a price of ₹ 200 lacs. The entire inventories remain unsold with B Ltd at the financial year end i.e., 31 March 20X1.

b) A Ltd hold 75% of the equity capital and voting power in B Ltd. A Ltd purchases inventories



costing ₹ 150 lacs from B Ltd at a price of ₹ 200 lacs. The entire inventories remain unsold with A Ltd at the financial year end i.e., 31 March 20X1.

Suggest the accounting treatment for the above-mentioned transactions in the consolidated financial statements of A Ltd giving reference of the relevant guidance/standard.

SOLUTION

Intragroup balances and intragroup transactions and resulting unrealised profits should be eliminated in full. Unrealised losses resulting from intragroup transactions should also be eliminated unless cost cannot be recovered.

Intragroup balances and intragroup transactions, including sales, expenses and dividends, are eliminated in full. Unrealised profits resulting from intragroup transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full. Unrealised losses resulting from intragroup transactions that are deducted in arriving at the carrying amount of assets are also eliminated unless cost cannot be recovered.

One also needs to see whether the intragroup transaction is “upstream” or “down- stream”. Upstream transaction is a transaction in which the subsidiary company sells goods to holding company. While in the downstream transaction, holding company is the seller and subsidiary company is the buyer.

In the case of upstream transaction, since the goods are sold by the subsidiary to holding company; profit is made by the subsidiary company, which is ultimately shared by the holding company and the minority shareholders. In such a transaction, if some goods remain unsold at the balance sheet date, the unrealized profit on such goods should be eliminated from minority interest as well as from consolidated profit on the basis of their share-holding besides deducting the same from unsold inventory.

But in the case of downstream transaction, the whole profit is earned by the holding company, therefore, whole unrealized profit should be adjusted from unsold inventory and consolidated profit and loss account only irrespective of the percentage of the shares held by the parent.

Using above mentioned guidance, following adjustments would be required:

(a) This would be the case of downstream transaction

In the consolidated profit and loss account for the year ended 31 March 2019, entire transaction of sale and purchase of 130 lacs each, would be **eliminated by reducing both sales and purchases (cost of sales)**.

Further, the unrealized profits of ₹ 20 lacs (i.e. ₹ 200 lacs – ₹ 180 lacs), would be eliminated from the consolidated financial statements for financial year ended 31 March 20X1, by **reducing the consolidated profits/ increasing the consolidated losses, and reducing the value of closing inventories** as of 31 March 20X1.

(b) This would be the case of upstream transaction:

In the consolidated profit and loss account for the year ended 31 March 20X1, entire transaction of sale and purchase of ₹ 200 lacs each, would be eliminated by reducing both sales and purchases (cost of sales).

Further, the unrealized profits of ₹ 50 lacs (i.e. ₹ 200 lacs – ₹ 150 lacs), would be eliminated in the consolidated financial statements for financial year ended 31 March 20X1, by **reducing the value of closing inventories** by ₹ 50 lacs as of 31 March 20X1. In the consolidated balance sheet as of 31 March 20X1, **A Ltd’s share of profit from B Ltd will be reduced by ₹ 37.50 lacs (being 75% of ₹50 lacs) &the minority’s share of the profits of B Ltd would be reduced by ₹ 12.50 lacs (being 25% of ₹ 50 lacs).**

SERIES 300
QUESTIONS ON CONSOLIDATED BALANCE SHEET WITH IMP
ADJUSTMENTS

Q.CFS.RMP.301(A): (Exam Nov'22)

H Ltd. and S Ltd. provide the following information as at 31st March, 20X2:

	H Ltd.	S Ltd.
	Rs.	Rs.
PPE	2,00,000	2,60,000
Investments (14,000 equity shares of S Ltd.)	2,52,000	-
Current Assets	1,48,000	1,40,000
Share capital (Fully paid equity shares of Rs.10 each)	3,00,000	2,00,000
Profit and loss account	1,00,000	80,000
Trade Payables	2,00,000	1,20,000

Additional information

H Ltd. acquired the shares of S Ltd. on 1-7-20X1 and Balance of profit and loss account of S Ltd. on 1-4-20X1 was 60,000.

Prepare consolidated balance sheet of H Ltd. and its subsidiary as at 31st March, 20X2.

SOLUTION

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 2022

	Note No	Amount (₹)
I Equity and Liabilities		
1 Shareholders' Fund:		
(a) Share Capital	1	3,00,000
(b) Reserve and Surplus	2	1,10,500
2 Minority interest	3	84,000
3 Current Liabilities		
Trade payables	4	3,20,000
Total		8,14,500
II Assets		
1 Non-Current Assets:		
Property, plant and equipment	5	4,60,000
Intangible Asset	6	66,500
2 Current Assets	7	2,88,000
Total		8,14,500

Notes to Accounts

	Amount (₹)
1 Share capital 30,000 Equity Shares @ ₹10 each	3,00,000
2 Reserve and Surplus	

	Profit and loss account (₹ 1,00,000 + 70% of 9/12 x 20,000 i.e. ₹ 10,500)	1,10,500
3	Minority Interest (W/N 2)	84,000
4	Trade payables H Ltd. S Ltd.	2,00,000 1,20,000
		3,20,000
5	Property, plant and equipment H Ltd. S Ltd.	2,00,000 2,60,000
		4,60,000
6	Intangible Asset: Goodwill (W/N 3)	66,500
7	Current Assets H Ltd. S Ltd.	1,48,000 1,40,000 2,88,000

Working Notes:

1.

Percentage of holding

	No. of Shares	Percentage
Holding Co.	14,000	(70%)
Minority shareholders	6,000	(30%)
Total Shares	20,000	

2.

Calculation of Minority Interest

Share capital (30% of ₹ 2,00,000)	60,000	
Share in Profit and loss account (₹ 80,000 X 30%)	24,000	84,000

3.

Calculation of Cost of Control (Goodwill)

Cost of Investment	2,52,000
Less: Paid up value of shares (70% of ₹ 2,00,000)	(1,40,000)
Share in pre-acquisition profits 0% of [60,000+3/12(80,000-60,000)]	(45,500)
	66,500

Q.CFS.RMP.302(A): (RTP May'20, May'22)

From the following information of Beta Ltd. and its subsidiary Gamma Ltd. drawn up at 31st March, 2021, prepare a consolidated balance sheet as at that date:

	Beta Ltd.	Gamma Ltd.
	Rs.	Rs.
Share Capital:		
Shares of Rs. 100 each	15,00,000	2,50,000
Reserves	5,00,000	1,87,500
Profit and Loss Account	2,50,000	62,500
Trade Payables	3,75,000	1,42,500
Property, plant and Equipment:		
Machinery	7,50,000	2,25,000
Furniture	3,75,000	42,500
Other non-current assets	11,00,000	3,75,000

Non-current Investments:		
Shares in Gamma Ltd.: 2,000 shares at Rs. 200 each	4,00,000	

Other information:

- Reserves and Profit and Loss Account of Gamma Ltd. stood at Rs. 62,500 and Rs. 37,500 respectively on the date of acquisition of its 80% shares by Beta Ltd. on 1st April, 2020.
- Machinery (Book-value Rs. 2,50,000) and Furniture (Book value Rs. 50,000) of Gamma Ltd. were revalued at Rs. 3,75,000 and Rs. 37,500 respectively on 1st April, 2020 for the purpose of fixing the price of its shares. [Rates of depreciation computed on the basis of useful lives: Machinery 10%, Furniture 15%.

SOLUTION

Consolidated Balance Sheet of Beta Ltd. and its Subsidiary Gamma Ltd. as at 31st March, 2021

Particulars	Note No.	(Rs.)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital		15,00,000
(b) Reserves and Surplus	1	8,61,500
(2) Minority Interest (W.N.5)		1,20,375
(3) Current Liabilities		
(a) Trade Payables	2	5,17,500
Total		29,99,375
II. Assets		
(1) Non-current assets		
(a) (i) Property, Plant & Equipment	3	14,94,375
(ii) Intangible assets	4	30,000
(b) Other non-current assets	5	14,75,000
Total		29,99,375

Notes to Accounts

		Rs.	
1. Reserves and Surplus			
Reserves		5,00,000	
Add: 4/5th share of Gamma Ltd.'s post-acquisition reserves (W.N.3)		1,00,000	6,00,000
Profit and Loss Account		2,50,000	
Add: 4/5th share of Gamma Ltd.'s post-acquisition profits (W.N.4)		11,500	2,61,500
			8,61,500
2. Trade Payables			
Beta Ltd.		3,75,000	
Gamma Ltd.		1,42,500	5,17,500
3. Property, Plant & Equipment			
Machinery			
Beta Ltd.		7,50,000	

	Gamma Ltd.	2,50,000		
	Add: Appreciation	1,25,000		
		3,75,000		
	Less: Depreciation	(37,500)	3,37,500	
	Furniture			
	Beta Ltd.		3,75,000	
	Gamma Ltd.	50,000		
	Less: Decrease in value	(12,500)		
		37,500		
	Less: Depreciation	(5,625)	31,875	14,94,37
4.	Intangible assets			
	Goodwill [WN 6]			30,000
5.	Other non-current assets			
	Beta Ltd.		11,00,000	
	Gamma Ltd.		3,75,000	14,75,00

Working Notes:

1. Pre-acquisition profits and reserves of Gamma Ltd.	Rs.
Reserves	62,500
Profit and Loss Account	37,500
	1,00,000
Beta Ltd.'s = $4/5 \times 1,00,000$	80,000
Minority Interest = $1/5 \times 1,00,000$	20,000
2. Profit on revaluation of assets of Gamma Ltd.	
Profit on Machinery Rs. (3,75,000 – 2,50,000)	1,25,000
Less: Loss on Furniture Rs. (50,000 – 37,500)	12,500
Net Profit on revaluation	1,12,500
Beta Ltd.'s share $4/5 \times 1,12,500$	90,000
Minority Interest $1/5 \times 1,12,500$	22,500
3. Post-acquisition reserves of Gamma Ltd.	
Post-acquisition reserves (Total reserves less pre-acquisition reserves = Rs. 1,87,500 – 62,500)	1,25,000
Beta Ltd.'s share $4/5 \times 1,25,000$	1,00,000
Minority interest $1/5 \times 25,000$	25,000
4. Post -acquisition profits of Gamma Ltd.	
Post-acquisition profits (Profit & loss account balance less pre-acquisition profits = Rs. 62,500 – 37,500)	25,000
Add: Excess depreciation charged on furniture @ 15% on Rs. 12,500 i.e. (50,000 – 37,500)	1,875
	26,875
Less: Under depreciation on machinery @ 10% on Rs. 1,25,000 i.e. (3,75,000 – 2,50,000)	(12,500)
Adjusted post-acquisition profits	14,375
Beta Ltd.'s share $4/5 \times 14,375$	11,500

Minority Interest $1/5 \times 14,375$	2,875
5. Minority Interest	
Paid-up value of $(2,500 - 2,000) = 500$ shares held by outsiders i.e., $500 \times \text{Rs. } 100$	50,000
Add: $1/5$ th share of pre-acquisition profits and reserves	20,000
$1/5$ th share of profit on revaluation	22,500
$1/5$ th share of post-acquisition reserves	25,000
$1/5$ th share of post-acquisition profit	2,875
	1,20,375
6. Cost of Control or Goodwill	
Paid-up value of 2,000 shares held by Beta Ltd. i.e., $2,000 \times \text{Rs. } 100$	2,00,000
Add: $4/5$ th share of pre-acquisition profits and reserves	80,000
$4/5$ th share of profit on the revaluation	90,000
Intrinsic value of shares on the date of acquisition	3,70,000
Price paid by Beta Ltd. for 2,000 shares	4,00,000
Less: Intrinsic value of the shares	(3,70,000)
Cost of control or Goodwill	30,000

Q.CFS.SM.303(A):

A Ltd acquired 1,600 ordinary shares of ₹100 each of B Ltd on 1st July, 20X1. On 31st December, 20X1, the balance sheets of the two companies were as given below:

Balance Sheet of A Ltd. and its subsidiary, B Ltd. as at 31st December, 20X1

Particulars	Note No.	A Ltd. (₹)	B Ltd. (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1	5,00,000	2,00,000
(b) Reserves and Surplus	2	2,97,200	1,82,000
(2) Current Liabilities			
(a) Trade Payables		47,100	17,400
(b) Short term borrowings	3	80,000	
Total		9,24,300	3,99,400
II. Assets			
(1) Non-current assets			
(a) Property, Plant and Equipment	4	3,90,000	3,15,000
(b) Non-current Investments	5	3,40,000	--
(2) Current assets			
(a) Inventories		1,20,000	36,400
(b) Trade receivables		59,800	40,000
(c) Cash & Cash equivalents	6	14,500	8,000
Total		9,24,300	3,99,400

Notes to Accounts

	A Ltd. ₹	B Ltd. ₹
1. Share Capital		
5,000 shares of ₹ 100 each, fully paid up	5,00,000	-
2,000 shares of ₹ 100 each, fully paid up	-	2,00,000
Total	5,00,000	2,00,000
2. Reserves and Surplus		
General Reserves	2,40,000	1,00,000
Profit & loss	57,200	82,000
Total	2,97,200	1,82,000
3. Short term borrowings		
Bank overdraft	80,000	--
4. Property plant and equipment		
Land and building	1,50,000	1,80,000
Plant & Machinery	2,40,000	1,35,000
Total	3,90,000	3,15,000
5. Non-current Investments		
Investment in B Ltd (at cost)	3,40,000	--
6. Cash & Cash equivalents		
Cash	14,500	8,000

The Profit & Loss Account of B Ltd. showed a credit balance of ₹30,000 on 1st January, 20X1 out of which a dividend of 10% was paid on 1st August, 20X1; A Ltd. credited the dividend received to its Profit & Loss Account. The Plant & Machinery which stood at ₹ 1,50,000 on 1st January, 20X1 was considered as worth ₹1,80,000 on 1st July, 20X1; this figure is to be considered while consolidating the Balance Sheets. The rate of depreciation on plant & machinery is 10% (computed on the basis of useful lives).

Prepare consolidated Balance Sheet as at 31st December, 20X1.

SOLUTION

Consolidated Balance Sheet of A Ltd. and its subsidiary, B Ltd. as at 31st December, 20X1

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	5,00,000
(b) Reserves and Surplus	2	3,08,800
(2) Minority Interest		83,600
(3) Current Liabilities		
(a) Trade Payables	3	64,500
(b) Short term borrowings	4	80,000
Total		10,36,900
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	5	7,41,000
(b) Intangible assets	6	17,200
(2) Current assets		
(a) Inventories	7	1,56,400

(b) Trade receivables	8	99,800
(c) Cash & Cash equivalents	9	22,500
Total		10,36,900

Notes to Accounts

			₹
1. Share Capital			
5,000 shares of ₹ 100 each			5,00,000
2. Reserves and Surplus			
Reserves		2,40,000	
Profit & loss (Refer to W.N 8)		68,800	
Total			3,08,800
3. Trade Payables			
A Ltd.	47,100		
Add: B Ltd	17,400		
Total			64,500
4. Short term borrowings			
Bank overdraft			80,000
5. Property, plant and equipment			
Land and building- A Ltd	1,50,000		
Add: Land and building- B Ltd	1,80,000	3,30,000	
Plant & Machinery (Refer to W.N 7)		4,11,000	
Total			7,41,000
6. Intangible assets			
Goodwill (refer to W.N 6)			17,200
7. Inventories			
A Ltd.		1,20,000	
B Ltd.		36,400	
Total			1,56,400
8 Trade Receivables			
A Ltd.	59,800		
B Ltd.	40,000		
Total			99,800
9 Cash & Cash equivalents			
Cash of A Ltd		14,500	
Add: cash of B Ltd.		8,000	
Total			22,500

Share holding Pattern

Total Shares of B Ltd	2,000 shares
Shares held by A Ltd	1,600 shares i.e. 80 %
Minority Shareholding	400 shares i.e. 20 %

Working Notes:

1. The dividend @ 10% on 1,600 shares - ₹16,000 received by A Ltd. should have been credited to the investment A/c, being out of pre-acquisition profits. A Ltd., must pass a rectification entry, viz.

Profit & Loss Account	Dr.	₹ 16,000
To Investment		₹ 16,000



2. The Plant & Machinery of B Ltd. would stand in the books at ₹ 1,42,500 on 1st July, 20X1, considering only six months' depreciation on ₹ 1,50,000 total depreciation being ₹ 15,000. The value put on the assets being ₹ 1,80,000, there is an appreciation to the extent of ₹ 37,500 (1,80,000 – 1,42,500).

3. Capital profits of B Ltd.

	₹	₹
Reserve on 1st January, 20X1 (Assumed there is no movement in reserves during the year and hence balance as on 1 st January 20X1 is same as of 31 st December 20X1)		1,00,000
Profit & Loss Account Balance on 1st January, 20X1	30,000	
Less: Dividend paid	(20,000)	10,000
Profit for 20X1:		
Total	₹ 82,000	
Less:	₹ 10,000	
	₹ 72,000	
Proportionate upto 1st July, 20X1 on time basis (₹ 72,000/2)		36,000
Appreciation in value of Plant & Machinery		37,500
		1,83,500
Less: 20% due to outsiders		(36,700)
Holding company's share		1,46,800

4. Revenue profits of B Ltd.:

Profit after 1st July, 20X1 [(82,000 – 10,000) x ½]	36,000
Less: Depreciation	
10% depreciation on ₹1,80,000 for 6 months	9,000
Less: Depreciation already charged for 2 nd half year on 1,50,000	(7,500)
	34,500
Less: 1/5 due to outsiders	(6,900)
Share of A Ltd.	27,600

5. Minority interest:

Par value of 400 shares (2,00,000 X 20%)	40,000
Add: 1/5 Capital Profits [WN 3]	36,700
1/5 Revenue Profits [WN 4]	6,900
	83,600

6. Cost of Control:

Amount paid for 1,600 shares	3,40,000	
Less: Dividend out of pre-acquisition profits	(16,000)	3,24,000
Par value of shares	1,60,000	
Capital Profits –share of A Ltd. [WN 3]	1,46,800	(3,06,800)
Cost of Control or Goodwill		17,200

7.

Value of plant & Machinery:

A Ltd.		2,40,000
B Ltd.	1,35,000	
Add: Appreciation on 1st July, 20X1 [1,80,000 – (1,50,000 – 7,500)]	37,500	
	1,72,500	
Add: Deprecation for 2 nd half charged on pre- revalued value	7,500	
Less: Depreciation on ₹1,80,000 for 6 months	(9,000)	1,71,000
		4,11,000

8.

Profit & Loss Account (Consolidated):

A Ltd. as given	57,200	
Less: Dividend transferred to Investment A/c	(16,000)	41,200
Share of A Ltd. in revenue profits of B Ltd. (WN 4)		27,600
		68,800

Q.CFS.RMP.304(A): (Nov'20 EXAM)

H Limited acquired 64000 Equity Shares of Rs. 10 each in S Ltd. as on 1st October, 2019. The Balance Sheets of the two companies as on 31st March, 2020 were as under:

Particulars	H Ltd. (Rs.)	S Ltd. (Rs.)
Equities and Liabilities:		
Equity Share Capital: Shares of Rs. 10 each	20,00,000	8,00,000
General Reserve (1st April, 2019)	9,60,000	4,20,000
Profit & Loss Account	2,28,800	3,28,000
Preliminary Expenses (1st April, 2019)	-	(20,000)
Bank Overdraft	3,00,000	-
Bills Payable	-	52,000
Trade Payables	1,66,400	80,000
Total	36,55,200	16,60,000
Assets:		
Land and Building	7,20,000	7,60,000
Plant & Machinery	9,60,000	5,40,000
Investment in Equity Shares of S Ltd.	12,27,200	-
Inventories	4,56,000	1,68,000
Trade Receivables	1,76,000	1,60,000
Bills Receivable	59,200	-
Cash in Hand	56,800	32,000
Total	36,55,200	16,60,000

Additional Information:

- 1) The Profit & Loss Account of S Ltd. showed credit balance of Rs. 1,20,000 on 1st April, 2019. S Ltd. paid a dividend of 10% out of the same on 1st November, 2019 for the year 2018-19. The dividend was correctly accounted for by H Ltd.
- 2) The Plant & Machinery of S Ltd. which stood at Rs. 6,00,000 on 1st April, 2019 was considered worth Rs. 5,20,000 on the date of acquisition by H Ltd. S Ltd. charges depreciation @ 10% per annum on Plant & Machinery.

Prepare consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31st March, 2020 as per Schedule III of the Companies Act, 2013.

SOLUTION

**Consolidated Balance Sheet of H Ltd. and its subsidiary, S Ltd.
as at 31st March, 2020**

Particulars	Note No.	(Rs.)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	20,00,000
(b) Reserves and Surplus	2	13,07,200
(2) Minority Interest (W.N 4)		2,96,400
(3) Current Liabilities		
(a) Trade Payables	3	2,96,400
(b) Short term borrowings		3,00,000
Total		42,02,000
II. Assets		
(1) Non-current assets		
(i) Property, Plant and Equipment	4	29,34,000
(ii) Intangible assets (W.N.5)		1,60,000
(2) Current assets		
(a) Inventories	5	6,24,000
(b) Trade receivables	6	3,95,200
(c) Cash & Cash equivalents (Cash)	7	88,800
Total		42,02,000

Notes to Accounts

		Rs.	Rs.
1. Share Capital			
	2,00,000 Equity shares of Rs. 10 each		20,00,000
2. Reserves and Surplus			
	Reserves	9,60,000	
	Profit & Loss		
	H Ltd. 2,28,800		
	S Ltd. (As per W.N. 3) 1,18,400	3,47,200	13,07,200
3. Trade Payables			
	H Ltd.	1,66,400	
	S Ltd. (80,000+52,000)	1,32,000	2,98,400
4. Property, Plant and Equipment			
	Land and building		
	H Ltd. 7,20,000		
	S Ltd. 7,60,000	14,80,000	
	Plant & Machinery		
	H Ltd. 9,60,000		
	S Ltd. (As per W.N. 7) 4,94,000	14,54,000	29,34,000
5. Inventories			
	H Ltd.	4,56,000	
	S Ltd.	1,68,000	6,24,000
6. Trade Receivables			
	H Ltd. 1,76,000		
	S Ltd. 1,60,000	3,36,000	
	Bills receivable: H Ltd.	59,200	3,95,200

7.	Cash & Cash equivalents		
	Cash		
	H Ltd.	56,800	
	S Ltd.	32,000	88,800

Working Notes:

1. Share holding pattern

Total Shares of S Ltd 80,000 shares
 Shares held by H Ltd 64,000 shares i.e., 80 %;
 Minority Shareholding 16,000 shares i.e., 20 %

2. Capital profits of S Ltd.

	Rs.	Rs.
Reserve on 1st October, 2019 (Assumed there is no movement in reserves during the year and hence balance as on 1st October, 2019 is same as of 31st March 2020)		4,20,000
Profit & Loss Account Balance on 1st April, 2019	1,20,000	
Less: Dividend paid	(80,000)	40,000
Profit for year:		
Total	Rs. 3,28,000	
Less:	Rs. 40,000 (opening balance)	
	Rs. 2,88,000	
Proportionate up to 1st October, 2019 on time basis (Rs. 2,88,000/2)		1,44,000
Reduction in value of Plant & Machinery (WN 6)		(50,000)
		5,54,000
Less: Preliminary expenses written off		(20,000)
Total Capital Profit		5,34,000
Holding company's share (5,34,000 X 80%)		4,27,200
Minority Interest (5,34,000 X 20%)		1,06,800

Note: Preliminary expenses as on 1st April, 2019 amounting Rs. 20,000 have been written off.

a. Revenue profits of S Ltd.

Profit after 1st October, 2019 (3,28,000 - 40,000)/2		1,44,000
Less 10% depreciation on Rs.5,20,000 for 6 months	(26,000)	
Add: Depreciation already charged for 2nd half year on 6,00,000	30,000	4,000
		1,48,000
Holding company's share (1,48,000 X 80%)		1,18,400
Minority Interest (1,48,000 X 20%)		29,600

b. Minority interest

Par value of 16,000 shares (8,00,000 X 20%)	1,60,000
Add: 1/5 Capital Profits [WN 2]	1,06,800
1/5 Revenue Profits [WN 3]	29,600
	2,96,400

c. Cost of Control

Amount paid for 64,000 shares		12,27,200
Less:		
Par value of shares (8,00,000 X 80%)	6,40,000	
Capital Profits – share of H Ltd. [WN 2]	4,27,200	(10,67,200)
Cost of Control or Goodwill		1,60,000

d. Calculation of revaluation loss on Plant and Machinery of S Ltd. on 1st October, 2019

	Rs.
Value of plant and machinery as on 1 st April, 2019	6,00,000
Less: Depreciation for the six months	(30,000)
Value of plant and machinery as on 1 st October, 2019	5,70,000
Less: Plant and machinery valued by H Ltd. on 1 st October, 2019	(5,20,000)
Revaluation Loss	50,000

e. Value of plant & Machinery of S Ltd. On 31st March, 2020

Value of machinery on 1 st October, 2019	5,20,000
Less: depreciation for next six month	(26,000)
	4,94,000

Q.CFS.RMP.305(A): (RTP Nov'22)

On 31st March, 2022, H Ltd. and S Ltd. give the following information:

	H Ltd. (Rs. in 000's)	S Ltd. (Rs. in 000's)
Equity Share Capital – Authorised	5,000	3,000
Issued and subscribed in Equity Shares of Rs. 10 each fully paid	4,000	2,400
General Reserve	928	690
Profit and Loss Account (Cr. Balance)	1,305	810
Trade payables	611	507
Provision for Taxation	220	180
Other Provisions	65	17
Plant and Machinery	2,541	2,450
Furniture and Fittings	615	298
Investment in the Equity Shares of S Ltd.	1,500	-
Inventory	983	786
Trade receivables	820	778
Cash and Bank Balances	410	102
Sundry Advances (Dr. balances)	260	190

Following Additional Information is available:

(a) H Ltd. purchased 90 thousand Equity Shares in S Ltd. on 1st April, 2021. On that date the following balances stood in the books of S Ltd.:

General Reserve Rs. 1,500 thousand; Profit and Loss Account Rs. 633 thousand.

(b) **On 14th July, 2021 S Ltd. declared a dividend of 20% out of pre-acquisition profits. H Ltd. credited the dividend received to its Profit and Loss Account.**

- (c) On 1st November, 2021, S Ltd. issued 3 fully paid Equity Shares of Rs. 10 each, for every 5 shares held as bonus shares out of pre-acquisition General Reserve.
- (d) On 31st March, 2022, the Inventory of S Ltd. included goods purchased for Rs. 50 thousand from H Ltd., which had made a profit of 25% on cost.
- (e) Details of Trade payables and Trade receivables:

	H Ltd. (Rs. in 000's)	S Ltd. (Rs. in 000's)
Trade payables		
Bills Payable	124	80
Sundry creditors	487	427
	611	507
Trade receivables		
Debtors	700	683
Bills Receivables	120	95
	820	778

Prepare a consolidated Balance Sheet as at 31st March, 2022.

Solution

Consolidated Balance Sheet of H Ltd. with its subsidiary S Ltd. as at 31st March, 2022

Particulars	Note No.	(Rs. in 000's)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	4,000
(b) Reserves and Surplus	2	3,063
(2) Minority Interest (W.N.6)		1,560
(3) Current Liabilities		
Trade payables	3	1,118
Short term provisions	4	482
Total		10,223
II. Assets		
(1) Non-current assets		
PPE	5	5,904
(2) Current assets		
(a) Inventories	6	1,759
(b) Trade receivables	7	1,598
(c) Cash and cash equivalents	8	512
(d) Short term loans and advances	9	450
Total		10,223

Notes to Accounts

	(Rs. in 000's)	(Rs. in 000's)
1. Share Capital		
Authorised share capital		5,000
5 lakhs equity shares of Rs. 10 each		

	Issued, Subscribed and Paid up		
	4 lakhs equity shares of Rs. 10 each fully paid		4,000
2.	Reserves and surplus		
	Capital Reserve (Note 5)	679.8	
	General Reserve	928	
	Profit and Loss Account:		
	H Ltd. Rs. 1,305		
	Add: Share in S Ltd Rs. 340.20		
	Rs. 1,645.20		
	Less: Dividend wrongly credited Rs. (180)		
	Rs. 1,465.20		
	Less: Unrealised profit (50 X 1/5) Rs. (10)	1,455.20	3,063
3.	Trade payables		
	H Ltd.	611	
	S Ltd.	507	1,118
4.	Short –term provisions		
	Provision for Taxation H Ltd. Rs. 220		
	S Ltd. Rs. 180	400	
	Other Provisions H Ltd Rs. 65		
	S Ltd. Rs. 17	82	482
5.	PPE		
	Plant and Machinery		
	H Ltd. Rs. 2,541		
	S Ltd. Rs. 2,450	4,991	
	Furniture and fittings		
	H Ltd. Rs. 615		
	S Ltd. Rs. 298	913	5,904
6.	Inventories		
	Inventory H Ltd. Rs. 983		
	S Ltd. Rs. 786	1,769	
	Less: Unrealised profit (Rs. 50 x 1/5)	(10)	1,759
7.	Trade receivables		
	H Ltd.	820	
	S Ltd.	778	1,598
8.	Cash and cash equivalents		
	Cash and Bank Balances H Ltd	410	
	S Ltd.	102	512
9.	Short term loans and advances		
	Sundry Advances H Ltd.	260	
	S Ltd.	190	450

Working Notes:
Share holding pattern

Particulars	Number of Shares	% of holding
a. S Ltd.		
(i) Purchased on 01.04.2021	90,000	
(ii) Bonus Issue (90,000/5 x 3)	54,000	
Total	1,44,000	60% (1,44,000 / 2,40,000 * 100)
b. Minority Interest	96,000	40%

*2,40,000 is after issue of bonus shares as per balance sheet as at 31.3.2022

1. S Ltd. General Reserve

		(Rs. in 000)			(Rs. in 000)
To	Bonus to equity shareholders (2,400/8 x 3)	900	By	Balance b/d	1,500
To	Balance c/d	690	By	Profit and Loss A/c (Balancing figure)	90
		1,590			1,590

2. S Ltd.'s Profit and Loss Account

		(Rs. in 000)			(Rs. in 000)
To	General Reserve	90	By	Balance b/d	633
To	Dividend paid on 14.7.2021 (1,500/100 x 20)	300	By	Net Profit for the year (Bal. fig.)	567*
To	Balance c/d	810			
		1,200			1,200

* Out of Rs. 5,67,000 profit for the year, Rs. 90,000 has been transferred to reserves by S Ltd.

3. Distribution of Revenue Profits

	Rs. in '000
Revenue Profit as above	567.00
Share of H Ltd. (60%)	340.20
Share of Minority shareholders (567- 340.20)	226.80

4. Computation of Capital Profits

	Rs. in 000	Rs. in 000
General Reserve on the date of acquisition		1,500
Less: Bonus issue of shares		(900)
		600
Profit and Loss Account balance on the date of acquisition	633	
Less: Dividends paid	(300)	333
		933
Share of H Ltd. (60%)		559.80
Share of Minority shareholders		373.20

5. Computation of Capital Reserve

	Rs. in '000
60% of share capital of S Ltd.	1,440

Add: Share of H Ltd. in the capital profits as in W.N. (4)		559.80
		1,999.80
Less: Investments in S Ltd.	1,500	
Less: Dividends received out of pre- acquisition profits Rs. 300/100 x 60	(180)	(1,320)
		679.80

6. Calculation of Minority Interest

	Rs. in '000
40% of share capital of S Ltd.	960.00
Add: Share of Revenue Profits (Note 3)	226.80
Share of Capital Profits (Note 4)	373.20
	1,560.00

Q.CFS.RMP.306(A): (RTP Nov'18) (Similar to Q305A)

The Summarised Balance Sheet of X Ltd. and its subsidiary Y Ltd. as on 31st March, 2017 are as follows:



Particulars	Amounts as at 31st March, 2017	
	X Ltd. (Rs in lakhs)	Y Ltd. (Rs in lakhs)
LIABILITIES		
Share Capital:		
Authorised	20,000	8,000
Issues and subscribed:		
Equity share of Rs. 10 each, fully paid up	15,000	6,000
15% preference shares of Rs. 10 each, fully paid up	4,000	1,000
General Reserves	2,500	1,450
Profit & Loss Account	2,750	1,250
Trade payables	1,646	1,027
	25,896	10,727
ASSETS		
Land & Building	3,550	1,510
Plant & Machinery	5,275	3,600
Furniture & Fittings	1,945	655
Investment in Y Ltd.: 450 Lakh Equity share in Y Ltd. purchased on 1st April, 2016	6,800	-
Inventory	4,142	2,520
Trade Receivables	3,010	1,882
Cash and Bank Balance	1,174	560
	25,896	10,727

The following information is also given to you:

- (a) 10% dividend on Equity shares was declared by Y Ltd. on 31st March, 2016 for the year ended 31st March, 2016. X Ltd. credited the dividend received to its Profit & Loss Account.
- (b) Credit Balance of Profit & Loss account of Y Ltd. as on 1st April, 2016 was Rs 650 Lakhs.
- (c) General Reserve of Y Ltd. stood at same Rs 1,450 Lakhs as on 1st April, 2016.

- (d) Y Ltd.'s Plant & machinery showed a balance of Rs 4,000 Lakh on 1st April 2016. At the time of purchase of shares in Y Ltd., X Ltd. revalued Y's Ltd. Plant & Machinery upward by Rs 1,000 Lakh.
- (e) Included in Trade Payables of Y Ltd. are Rs 50 Lakh for goods supplied by X Ltd.
- (f) On 31st March, 2017, Y's Ltd. inventory included goods for Rs 150 lakhs which it had purchased from X Ltd. X Ltd. sold goods to Y Ltd. at cost plus 25%.

You are required to prepare a Consolidated Balance Sheet of X Ltd. and its subsidiary Y Ltd. as on 31st March, 2017 giving working notes.

SOLUTION

Consolidated Balance Sheet of X Ltd. and its subsidiary Y Ltd. as on 31st March, 2017

Particulars		Note No.	Rs in lakhs
I	Equity and Liabilities		
1.	Shareholders' Funds		
(a)	Share Capital	1	19,000
(b)	Reserves and Surplus	2	5,620
2.	Minority interest	3	3,400
3.	Current Liabilities		
(a)	Trade payables	4	2,623
Total			30,643
II	Assets		
1	Non-Current Assets		
Fixed Assets			
(i)	Tangible Assets	5	17,435
2	Current Assets		
(a)	Inventories	6	6,632
(b)	Trade Receivables	7	4,842
(c)	Cash and Cash equivalents	8	1,734
Total			30,643

Notes to Accounts

		Rs in lakhs	
1.	Share Capital		
	Issued, Subscribed and Paid up (1,500 lakh Equity Shares of Rs 10 each fully paid up)		15,000
	400 lakh Preference Shares of Rs 10 each fully paid up		4,000
			19,000
2.	Reserves and Surplus		
	Credit Balance of Profit & Loss Account	2,750	
	Less: Capital Receipt wrongly credited (Dividend @ 10% on Rs 4500 Lakh Equity Shares)	450	
		2,300	
	Add: Share in Y Ltd. Revenue Profit (Working Note i)		825
		3,125	
	Less: Unrealised Profit (Working Note iv)	30	3,095
	Capital Reserve (Working Note iii)		25
	General Reserve	2,500	2,525
			5,620
3.	Minority interest		

100 Lakh Preference Shares of Rs 10 fully paid up	1,000	
150 Lakh Equity Shares of Rs10 each fully paid up	1,500	2,500
Share in Revenue Profits (Working Note i)	275	
Share in Capital Profit (working Note ii)	625	900
		3,400
4. Trade payables		
X Ltd.	1,646	
Y Ltd.	1,027	
	2,673	
Less: Mutual owing	50	2,623
5. Tangible Assets		
Land & Building		
X Ltd.	3,550	
Y Ltd	1,510	5,060
Plant & Machinery		
X Ltd.	5,275	
Y Ltd (Working note v)	4,500	9,775
Furniture & Fixtures		
X Ltd.	1,945	
Y Ltd	655	2,600
		17,435
6. Inventories		
X Ltd.	4,142	
Y Ltd	2,520	
	6,662	
Less: Unrealized Profit	(30)	6,632
7. Trade Receivables		
X Ltd.	3,010	
Y Ltd	1,882	
	4,892	
Less: Mutual Owing	50	4,842
8. Cash & cash Equivalents		
X Ltd.	1,174	
Y Ltd	560	1,734

Working Notes

(i) Calculation of Revenue Profits

Y's Ltd Profit & Loss Account

	Rs in lakh		Rs in lakh
To Equity Dividend		By Balance b/d	650
10 % of 6,000 lakh	600	By Net profit for the year (Bal Fig.)	1,200
To balance c/d	1,250		
	1,850		1,850

Depreciation provided on Plant & Machinery

Balance as on 1st April, 2016	4,000
-------------------------------	-------

Less Balance as 31st March 2017	3,600
	400
Hence rate of Depreciation = $400/4000 \times 100$	10%
Net Profit for the year ended 31st March 2017	1,200
Less: Additional Depreciation	100
Revenue Profit	1,100
X Ltd.'s share- $1100 \times 450/600$	825
Y Ltd.'s share = $1100 \times 150/600$	275

(ii) Calculation of Capital Profits

Profit & Loss Balance as on 1st April, 2016	650
Less: Dividend Paid	600
	50
Add: General Reserve as on 1st April, 2016	1,450
Add: Profit on Revaluation of Plant & machinery	1,000
Capital Profit	2,500
X Ltd.'s Share in Capital Profit = $2,500 \times 450/600$	1,875
Y Ltd.'s Share in Capital Profit = $2,500 \times 150/600$	625

(iii) Calculation of Capital Reserve

Paid up value of 450 Lakh equity shares	4,500
Add: Share in Capital Profits	1,875
	6,375
Amount Paid to acquire the 450 Lakh Equity Shares	6,800
Less: Dividend received out of Pre acquisition profits	450
	6,350
Capital Reserve = $6,375 - 6,350$	25

(iv) Unrealised Profit

Rs 150 Lakh $\times 25/125^* = 30$ lakh

(v) Plant & Machinery of Y Ltd.

Balance as on 31st March, 2017		3,600
Add: Addition due to revaluation	1,000	
Less: Depreciation on additional Value of Plant & Machinery @ 10 %	100	900
		4,500

* Rs 150 lakh considered as cost to Y ltd.

Q.CFS.RMP.307(A): (EXAM May'24)

The Balance Sheets of Art Limited and Craft Limited as on 31st March 2024 are as below:

Particulars	Note No	Art Limited (RS.)	Craft Limited (RS.)
I. Equity and Liabilities			
a. Shareholder's Fund			
i. Share Capital	1	6,50,000	4,00,000
ii. Reserve & Surplus	2	3,12,000	2,48,000
b. Current Liabilities			

i. Trade Payables		1,45,000	92,000
ii. Short term borrowings	3	70,000	-
		11,77,000	7,40,000
II. Assets			
a. non-current Assets			
i. property, plant & Equipment	4	4,21,000	3,60,000
ii. Non-current investment	5	4,32,000	-
b. Current Assets			
i. Inventories		1,66,000	2,05,000
ii. Trade Receivables		1,33,500	1,68,300
iii. Cash & Cash equivalent	6	24,500	6,700
		11,77,000	7,40,000

Notes to Accounts:

		Art Limited (Rs.)	Craft Limited (Rs.)
1	Share capital		
	6,500 shares of Rs. 100 each	6,50,000	-
	4,000 shares of Rs. 100 each fully paid – up	-	4,00,000
	Total	6,50,000	4,00,000
2	Reserves and surplus		
	General reserve	1,20,000	40,000
	Profit and Loss account	1,92,000	2,08,000
	Total	3,12,000	2,48,000
3	Short term borrowings		
	Bank Overdraft	70,000	-
4	Property Plant & Equipment		
	Land & Building	1,90,000	1,35,000
	Plant & Machinery	2,31,000	2,25,000
	Total	4,21,000	3,60,000
5	Non-current investments		
	Investment in Craft Limited (cost)	4,32,000	-
6	Cash & Cash equivalents		
	Cash	24,500	6,700

Additional information

- (i) Art Limited acquired 3,200 ordinary shares of Craft Limited on 1st October, 2023. The Reserve & Surplus and Profit & Loss Account of Craft Limited showed a credit balance of Rs. 40,000 and Rs. 58,700 respectively as on 1st April, 2023.
- (ii) The plant & Machinery of Craft Limited which stood at Rs. 2,50,000 as on 1st April, 2023 was considered worth Rs. 2,20,000 on the date of acquisition. The depreciation on Plant & Machinery is calculated @ 10% p.a. on the basis of useful life. The revaluation of Plant & Machinery is to be considered at the time of consolidation.
- (iii) Craft Limited deducts 1% from Trade Receivables as a general provision against doubtful debts. This policy is not followed by Art Limited.
- (iv) On 31st March 2024, Craft Limited's inventory includes goods which it had purchased from Art Limited for Rs. 1,03,500 which made a profit of 15% on cost price.

You are required to prepare a consolidated balance sheet as on 31st March 2024.

SOLUTION:

Consolidated Balance Sheet of Art and Craft Ltd As on 31st March, 2024

	Particulars	Note no.	₹
I.	Equity & Liabilities		
(1)	Shareholders' fund		
(a)	Share Capital	1	6,50,000
(b)	Reserves & Surplus	2	3,73,460
(2)	Minority Interest	3	1,26,740
(3)	Current Liabilities		
(a)	Short term borrowings	4	70,000
(b)	Trade Payables (1,45,000 + 92,000)		<u>2,37,000</u>
	Total		<u>14,57,200</u>
II.	Assets		
(1)	Non-current Assets		
(a)	Property, Plant & Equipment	5	7,65,000
(2)	Current Assets		
(a)	Inventories	6	3,57,500
(b)	Trade Receivables	7	3,03,500
(c)	Cash & Cash Equivalents	8	<u>31,200</u>
	Total		<u>14,57,200</u>

Notes to Accounts

Sr. No.	Particulars		₹
1.	Share Capital		
	<u>Issued, Subscribed & Paid-up Capital</u>		6,50,000
	a) Equity Share Capital		
	6,500 Equity Shares of ₹ 100 each		
2.	Reserves & Surplus		
	Profit & Loss A/c (WN 5)		2,40,100
	General Reserve (WN 5)		1,20,000
	Capital Reserve (W.N. 3)		<u>13,360</u>
			<u>3,73,460</u>
3.	Minority interest in Craft Ltd. (W.N.4)		1,26,740
4.	Short-term borrowings		
	Bank Overdraft		70,000
5.	Property, Plant & Equipment		
	Land & Building		
	Art Ltd.	1,90,000	
	Craft Ltd.	<u>1,35,000</u>	3,25,000

	Plant & Machinery		
	Art Ltd.	2,31,000	
	Craft Ltd. (2,25,000-17,500+1,500)	<u>2,09,000</u>	<u>4,40,000</u>
			<u>7,65,000</u>
6.	Inventories		
	Art Ltd.	1,66,000	
	Craft Ltd.	2,05,000	
	Less: unrealized profit	<u>(13,500)</u>	3,57,500
7.	Trade Receivables		
	Art Ltd.	1,33,500	
	Craft Ltd.	<u>1,70,000</u>	3,03,500
8.	Cash & Cash Equivalents		
	Art Ltd.	24,500	
	Craft Ltd.	<u>6,700</u>	<u>31,200</u>

Working Notes:

1. Shareholding Pattern

Total 4,000 shares	
3,200 shares	800 shares
Art Ltd (80%)	20% Minority Interest

2. Analysis of Profit

	General reserve	Profit and loss account
Opening balance	40,000	58,700
Closing balance	40,000	2,08,000
Changes during the year		1,49,300

Analysis of Profit

Particulars	Pre acquisition profit (6 months) (₹)	Post acquisition profit (6 months) (₹)
Opening Balances (40,000 + 58,700)	98,700	
Profit for 6 months (1,49,300 x 6/12)	74,650	74,650
Provision reversed (1,700) (W.N. 8)	850	850
Revaluation Loss (W.N. 6)	(17,500)	-
Savings in depreciation (W.N. 6)	-	<u>1,500</u>
Total	<u>1,56,700</u>	<u>77,000</u>
Holding (80%)	1,25,360	61,600
Minority Interest (20%)	31,340	15,400

3. Cost of Control

Particulars		
Cost of Investment (Given)		4,32,000
Less: Share in Net Assets:		(4,45,360)
a) Share Capital (3,200 shares × ₹100)	3,20,000	
b) Capital Profit (W.N. 2)	1,25,360	
Capital Reserve		13,360

4. Minority Interest

Particulars	-
Share Capital (800 shares × 100)	80,000
Capital Profit (W.N. 2)	31,340
Revenue Profit (W.N. 2)	15,400
Total	1,26,740

5. Consolidated Profit and General Reserve of Art Ltd

Particulars	Profit and loss account ₹	General reserve ₹
Balance as per Balance Sheet	1,92,000	1,20,000
Revenue Profit	61,600	-
Unrealized Profit (Downstream)	(13,500)	
Total	2,40,100	1,20,000

6. Calculation of Revaluation Profit /Loss

Particulars	₹
Balance as on 01.04.2023 (given)	2,50,000
Depreciation for 6 months (2,50,000 × 10% × 6/12)	(12,500)
WDV as on date of acquisition	2,37,500
Revalued amount	2,20,000
Revaluation Loss	17,500

7. Savings in Depreciation

= Depreciation Provided for 6 months – Depreciation Should be
 = 12,500 – (2,20,000 × 10% × 6/12)
 = 1,500

8. Calculation of provision reversed

Trade Receivable (Given) = 1,68,300 it is after provision i.e 99% So, 100% will be 1,70,000 therefor provision will be **1,700**

As per para 20 and 21 of AS 21, Consolidated financial statements: Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

SERIES 400

QUESTIONS ON CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Q.CFS.RMP.401(A): (MTP May'20)

The summarized Profit and Loss Accounts of A Ltd. and its subsidiary B Ltd. for the year ended 31st March, 2020 are given below:

Rs. in Lakhs

Incomes	A Ltd.	B Ltd.
Sales and other income	7,500	1,500
Increase in Inventory	1,500	300
Total	9,000	1,800
Expenses		
Raw material consumed	1,200	300
Wages and Salaries	1,200	225
Production expenses	300	150
Administrative expenses	300	150
Selling and distribution expenses	300	75
Interest	150	75
Depreciation	150	75
Total	3,600	1,050
Profit before tax	5,400	750
Provision for tax	1,800	300
Profit after tax	3,600	450

The following information is also given:

- A Ltd sold goods of Rs. 180 Lakhs to B Ltd at cost plus 25% (1/6 of such goods were still in inventory of B Ltd at the end of the year).
- Administrative expenses of B Ltd include Rs. 8 Lakhs paid to A Ltd as consultancy fees.
- Selling and distribution expenses of A Ltd include Rs. 15 Lakhs paid to B Ltd as commission.
- A Ltd. holds 72% of the Equity Capital of B Ltd. The Equity Capital of B Ltd prior to 2018-19 is Rs. 1,500 Lakhs.

Prepare a consolidated Profit and Loss Account of A Ltd. with its subsidiary B Ltd. for the year ended 31st March, 2020.

SOLUTION

Consolidated Profit & Loss Account of A Ltd. and its subsidiary B Ltd. for the year ended on 31st March, 2020

Particulars	Note No.	Rs. in Lacs
I. Revenue from operations	1	8,797
II. Total revenue		8,797
III. Expenses		
Cost of Material purchased/consumed	3	1,770
Changes of Inventories of finished goods	2	(1,794)
Employee benefit expense	4	1,425
Finance cost	6	225
Depreciation and amortization expense	7	225
Other expenses	5	802



Total expenses		2,653
IV. Profit before Tax (II-III)		6,144
V. Tax Expenses	8	2,100
VI. Profit After Tax		4,044

Notes to Accounts

	Rs. in Lacs	Rs. in Lacs
1. Revenue from Operations		
Sales and other income		
A Ltd.	7,500	
B Ltd.	1,500	
	9,000	
Less: Inter-company Sales	(180)	
Consultancy fees received by A Ltd. from B Ltd.	(8)	
Commission received by B Ltd. from A Ltd.	(15)	8,797
2. Increase in Inventory		
A Ltd.	1,500	
B Ltd.	300	
	1,800	
Less: Unrealized profits Rs. $180 \times \frac{1}{6} \times \frac{25}{125}$	(6)	1,794
3. Cost of Material purchased/consumed		
A Ltd.	1,200	
B Ltd.	300	
	1,500	
Less: Purchases by B Ltd. from A Ltd.	(180)	1,320
Direct Expenses		
A Ltd.	300	
B Ltd.	150	450
		1,770
4. Employee benefits and expenses		
Wages and Salaries:		
A Ltd.	1,200	
B Ltd.	225	1,425
5. Other Expenses		
Administrative Expenses		
A Ltd.	300	
B Ltd.	150	
	450	
Less: Consultancy fees received by A Ltd. from B Ltd.	(8)	442
Selling and Distribution Expenses:		
A Ltd.	300	
B Ltd.	75	
	375	
Less: Commission received from B Ltd. from A Ltd.	(15)	360
		802
6. Finance Cost		
Interest:		

A Ltd.	150	
B Ltd.	75	225
7. Depreciation and Amortization		
Depreciation:		
A Ltd.	150	
B Ltd.	75	225
8. Provision for tax		
A Ltd.	1800	
B Ltd.	300	2100

Q.CFS.RMP.402(A): (EXAM May'23)

G Ltd. and its subsidiary K Ltd. give the following information for the year ended 31st March, 2023:

	G Ltd.	K Ltd.
	(₹ in Crores)	(₹ in Crores)
Sales and other income	3,000	750
Increase in Inventory	750	100
Raw material consumed	600	100
Wages and Salaries	600	75
Production expenses	100	50
Administrative Expenses	75	50
Selling and Distribution Expenses	100	25
Interest	75	30
Depreciation	75	30

The following information is also given:

- (i) G Ltd. sold goods of Rs. 200 crores to K Ltd. at cost plus 25% (1/5th of such goods were still in inventory of k Ltd. at the end of the year)
- (ii) G Ltd. holds 75% of the Equity share capital of K Ltd. and the Equity share capital of K Ltd. is ₹ 800 crores on 01.04.2022 (date of acquisition of shares)
- (iii) Administrative expenses of K Ltd. included ₹ 5 crore paid to G Ltd. as consultancy fees. Also, selling and distribution expenses of G Ltd. include ₹ 20 crores paid to K Ltd. as commission.

Prepare a consolidated statement of Profit and Loss of G Ltd. with its subsidiary K Ltd. for the year ended 31st March, 2023.

SOLUTION

**Consolidated statement of profit and loss of G Ltd. and its subsidiary K Ltd.
for the year ended on 31st March, 2023**

Particulars	Note No.	₹ in Crores
Revenue from operations	1	3,525
Total Income		3,525
Expenses		650
Cost of material purchased/consumed	2	(842)
Changes of inventories of finished goods	3	675
Employee benefit expense	4	105
Finance cost	5	105
Depreciation and amortization expense	6	225
Other expenses	7	918

Total expenses		<u>2,607</u>
Profit before tax (II-III)		

Notes to Accounts

1	Revenue from operations		
	Sales and other income		
	G Ltd.	3,000	
	K Ltd.	750	
		3,750	
	Less: Inter-company sales	(200)	
	Consultancy fees received by G Ltd. from K Ltd.	(5)	
	Commission received by K Ltd. from G Ltd.	(20)	3,525
2	Cost of material purchased/consumed		
	G Ltd.	600	
	K Ltd.	<u>100</u>	
		700	500
	Less: Purchases by K Ltd. from G Ltd	(200)	
	Direct expenses (Production)		
	G Ltd.	100	150
	K Ltd	50	650
3	Changes of inventories of finished goods		
	G Ltd.	750	
	K Ltd.	<u>100</u>	
		850	
	Less: Unrealized profits Rs. 40 crores × 25/125	<u>(8)</u>	842
4	Employee benefits and expenses		
	Wages and salaries:		
	G Ltd	600	
	K Ltd.	<u>75</u>	675
5	Finance cost		
	Interest:	75	
	G Ltd.	30	105
	K Ltd		
6	Depreciation	75	
	G Ltd.	30	105
	K Ltd.		
7	Other expenses		
	Administrative expenses	75	
	G Ltd.	<u>50</u>	
	K Ltd.	125	
		<u>(5)</u>	120
	Less: Consultancy fees received by G Ltd. from		
	K Ltd	100	

Selling and distribution Expenses:	<u>25</u>	
G Ltd.	125	
K Ltd.	<u>(20)</u>	<u>105</u>
		<u>225</u>
Less: Commission received by K Ltd. from G Ltd.		

Note: The information (i) given in the question states that G Ltd. sold goods of ₹200 crores to K Ltd. at cost plus 25%. In the above solution it has been considered that the amount of ₹200 crores is sale value. Alternatively, ₹ 200 crores may be assumed as the cost of the goods sold. In that case, the solution will differ and will be as follows:

Alternative solution:

**Consolidated statement of profit and loss of G Ltd. and its subsidiary K Ltd.
for the year ended on 31st March, 2023**

Particulars	Note No.	₹ in Crores
Revenue from operations	1	<u>3,475</u>
Total income		<u>3,475</u>
<u>Expenses</u>		
Cost of material purchased / consumed	2	600
Changes of inventories of finished goods	3	(840)
Employee benefit expense	4	675
Finance cost	5	105
Depreciation and amortization expense	6	105
Other expenses	7	<u>225</u>
Total expenses		<u>870</u>
Profit before tax (II-III)		<u>2,605</u>

Notes to Accounts

		₹ in Crores	₹ in Crores
1	Revenue from operations		
	Sales and other income		
	G Ltd.	3,000	
	K Ltd	<u>750</u>	
		3,750	
	Less: Inter-company sales	(250)	
	Consultancy fees received by G Ltd. from K Ltd	(5)	
	Commission received by K Ltd. from G Ltd.	<u>(20)</u>	3,475
2	Cost of material purchased/consumed		
	G Ltd.	600	
	K Ltd.	<u>100</u>	
		700	
	Less: Purchases by K Ltd. from G Ltd.	<u>(250)</u>	450
	Direct expenses (Production)		
G Ltd.	100		
K Ltd.	<u>50</u>	<u>150</u>	
3	Changes of inventories of finished goods		
	G Ltd.	750	
	K Ltd.	<u>100</u>	<u>600</u>
		850	
	Less: Unrealized profits ₹ 40 crores × 25/100	<u>(10)</u>	<u>840</u>

4	Employee benefits and expenses		
	Wages and salaries:		
	G Ltd.	600	
	K Ltd.	<u>75</u>	<u>675</u>
5	Finance cost		
	Interest:		
	G Ltd.	75	
	K Ltd.	<u>30</u>	<u>105</u>
6	Depreciation		
	G Ltd.	75	
	K Ltd.	<u>30</u>	<u>105</u>
7	Other expenses		
	Administrative expenses		
	G Ltd.	75	
	K Ltd.	<u>50</u>	
		125	
	Less: Consultancy fees received by G Ltd. from K Ltd.	<u>(5)</u>	120
	Selling and distribution Expenses:		
	G Ltd.	100	
	K Ltd	<u>25</u>	
		125	
Less: Commission received by K Ltd. from G Ltd.	<u>(20)</u>	<u>105</u>	
		<u>225</u>	

Q.CFS.RMP.403(A): (RTP May'24 and Exam July'21)

The Trial Balances of X Limited and Y Limited as on 31st March, 2021 were as under:

	X Limited (Rs. In 000)		Y Limited (Rs. In 000)	
	Dr.	Cr.	Dr.	Cr.
Equity Share capital (Share of Rs. 100 each)		2,000		400
7% Preference share capital		-		400
Reserves		600		200
6% Debentures		400		400
Trade Receivables/Trade Payables	160	180	100	120
Profit & Loss A/c balance		40		30
Purchases /Sales	1,000	1,800	1,200	1,900
Wages and Salaries	200		300	
Debenture Interest	24		24	
General Expenses	160	-	120	
Preference share dividend up to 30.09.2020		7	14	
Inventory (as on 31.03.2021)	200		100	
Cash at Bank	27		12	
Investment in Y Limited	1,056		-	

Fixed Assets	2,200		1,580	
Total	5,027	5,027	3,450	3,450

- Investment in Y Limited was acquired on 1st July, 2020 and consisted of 80% of Equity Share Capital and 50% of Preference Share Capital.
- After acquiring control over Y Limited, X Limited supplied to Y Limited goods at cost plus 25%, the total invoice value of such goods being Rs. 1,20,000, one fourth of such goods were still lying-in inventory at the end of the year.
- Depreciation to be charged @ 10% in X Limited and @ 15% in Y Limited on Fixed Assets.

You are required to prepare the Consolidated Statement of Profit and Loss for the year ended on 31st March, 2021.

SOLUTION

**Consolidated Statement of Profit & Loss Account of X Ltd. and Y Ltd.
for the year ended 31st March, 2021**

Particulars	Note No.	Rs.
I. Revenue from operations	1	35,80,000
II. Total revenue		35,80,000
III. Expenses		
Cost of Material purchased/Consumed	2	20,80,000
Changes of Inventories of finished goods		-
Employee benefit expense	3	5,00,000
Finance cost	4	48,000
Depreciation and amortization expense	5	4,57,000
Other expenses	6	2,80,000
Total expenses		33,65,000
IV. Profit before Tax (II-III)		2,15,000
Profit transferred to Consolidated Balance Sheet		
Profit After Tax		2,15,000
Preference dividend	7,000	
Preference dividend payable	7,000	(14,000)
		2,01,000
Share in pre-acquisition loss (WN 3)		1,800
Share of Minority interest in losses (WN 1)		1,800
Less: Investment Account- dividend for 3 months (prior to acquisition)		(3,500)
Inventory reserve (WN 2)		(6,000)
Profit to be transferred to consolidated balance sheet		1,95,100

Notes to Accounts

		Rs.	Rs.
1	Revenue from Operations		
	X Ltd.	18,00,000	
	Y Ltd.	19,00,000	
	Total	37,00,000	
	Less: Intra-group sales (X sold to Y)	(1,20,000)	35,80,000
2	Cost of Materials Purchased/Consumed		
	X Ltd.	10,00,000	



	Y Ltd.	12,00,000	
	Total	22,00,000	
	Less: Intra-group sales (X sold to Y)	(1,20,000)	20,80,000
3	Employee benefit and expenses		
	Wages and salaries		
	H Ltd.	2,00,000	
	S Ltd.	3,00,000	5,00,000
4	Finance cost		
	Interest		
	H Ltd.	24,000	
	S Ltd.	24,000	48,000
5	Depreciation		
	H Ltd.	2,20,000	
	S Ltd.	2,37,000	4,57,000
6	Other expenses		
	H Ltd.	1,60,000	
	S Ltd.	1,20,000	2,80,000

Working Notes:

1.

	Profit of Subsidiary	Rs.
Revenue from Operations		19,00,000
Less: Expenses		
Cost of Material purchased/Consumed	12,00,000	
Changes of Inventories of finished goods	-	
Employee benefit expense	3,00,000	
Finance cost	24,000	
Depreciation and amortization expense	2,37,000	
Other expenses	1,20,000	
Total expenses		(18,81,000)
Profit Before Tax		19,000
Less: Preference Dividend	14,000	
Less: Preference Dividend Payable	14,000	(28,000)
Profit available for shareholders		(9,000)
Minority Share (20% of loss Rs. 9,000)		(1,800)

0. Inventory reserve = 120,000 x 25/125 = Rs. 6,000

- 1. Pre-acquisition loss** = 80% of 3 month's profit up to 30th June, 2020 i.e. 80 % of 1/4 of loss Rs. 9,000. Hence, pre-acquisition loss = Rs. 1,800
- Investment account includes Preference dividend for 3 months prior to acquisition i.e. Rs. 4,00,000 x 50% x 7% x 1/4 = Rs. 3,500

Note: Alternative Method can be applied in this question.

SERIES 500
MISC. CATEGORY

Q.CFS.SM.501(A):

Subsidiary B Ltd. provides the following balance sheet

Particulars	Note No.	20X0 (₹)	20X1 (₹)
Equity and Liabilities			
(I) Shareholder's Funds			
(a) Share Capital	1	5,00,000	5,00,000
(b) Reserves and Surplus	2	2,86,000	7,14,000
(2) Current Liabilities			
(a) Short term borrowings	3	--	1,70,000
(b) Trade Payables		4,90,000	4,94,000
(c) Short-term provisions	4	3,10,000	4,30,000
Total		15,86,000	23,08,000
II. Assets			
(1) Non-current assets			
(a) Property, Plant and Equipment	5	2,72,000	2,24,000
(b) Non-current Investment			4,00,000
(2) Current assets			
(a) Inventories		5,97,000	7,42,000
(b) Trade Receivables		5,94,000	8,91,000
(c) Cash & Cash Equivalents		51,000	3,000
(d) Other current assets	6	72,000	48,000
Total		15,86,000	23,08,000

Notes to Accounts

	20X0 (₹)	20X1 (₹)
1. Share capital		
5,000 equity shares of ₹10 each, fully paid up	5,00,000	5,00,000
2. Reserves and Surplus		
General Reserves	2,86,000	7,14,000
3. Short term borrowings		
Bank overdraft	--	1,70,000
4. Short term provisions		
Provision for taxation	3,10,000	4,30,000
5. Property, plant and equipment		
Cost	3,20,000	3,20,000
Less: Depreciation Total	(48,000)	(96,000)
6. Other current Assets		
Prepaid expenses	72,000	48,000

Also consider the following information:

- B Ltd. is a subsidiary of A Ltd. Both the companies follow calendar year as the accounting year.
- A Ltd. values inventory on weighted average basis while B Ltd. used FIFO basis. To bring B

Ltd.'s values in line with those of A Ltd, its value of inventory is required to be reduced by ₹12,000 at the end of 20X0 and ₹ 34,000 at the end of 20X1.

- (c) B Ltd. deducts 1% from Trade Receivables as a general provision against doubtful debts.
- (d) Prepaid expenses in B Ltd. include advertising expenditure carried forward of ₹ 60,000 in 20X0 and ₹ 30,000 in 20X1, being part of initial advertising expenditure of ₹ 90,000 in 20X0 which is being written off over three years. Similar amount of advertising expenditure of A Ltd. has been fully written off in 20X0.

Restate the balance sheet of B Ltd. as at 31st December, 20X1 after considering the above information, for the purpose of consolidation. Would restatement be necessary to make the accounting policies adopted by A Ltd. and B Ltd. uniform.

SOLUTION

As per para 20 and 21 of AS 21, Consolidated financial statements:

Consolidated financial statements should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. If it is not practicable to use uniform accounting policies in preparing the consolidated financial statements, that fact should be disclosed together with the proportions of the items in the consolidated financial statements to which the different accounting policies have been applied.

If a member of the group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements when they are used in preparing the consolidated financial statements.

Accordingly in the given case, restatement would be required to make the accounting policies of A Ltd and B Ltd uniform.

Adjusted reserves of B Ltd.:

	₹	₹
Reserves as given		7,14,000
Add: Provision for doubtful debts $\{[8,91,000 / 99 \times 100] - 8,91,000\}$		9,000
		7,23,000
Less: Reduction in value of Inventory	34,000	
Advertising expenditure to be written off	30,000	64,000
		6,59,000

Note: No adjustment would be required in respect of opening inventory of B Ltd as that will not have any impact on P&L.

Restated Balance Sheet of B Ltd. as at 31st December, 2016

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	5,00,000
(b) Reserves and Surplus	2	6,59,000
(2) Current Liabilities		
(a) Short term borrowings	3	1,70,000
(b) Trade Payables		4,94,000
(c) Short-term provision	4	4,30,000
Total		22,53,000
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment		

Tangible assets	5	2,24,000
(b) Non-current Investment		4,00,000
(2) Current assets		
(a) Inventories	6	7,08,000
(b) Trade Receivables	7	9,00,000
(c) Cash & Cash Equivalents		3,000
(d) Other current assets	8	18,000
Total		22,53,000

Notes to Accounts

			₹
1. Share Capital			
5,000 equity shares of ₹ 10 each, Fully Paid			5,00,000
2. Reserves and Surplus			
Reserves (refer to W.N.)			6,59,000
3. Short term borrowings			
Bank overdraft			1,70,000
4. Short-term provision			
Provision for taxation			4,30,000
5. Tangible Assets			
Cost	3,20,000		
Less: Depreciation to date	(96,000)		2,24,000
6. Inventory			
Cost	7,42,000		
Less: Adjustment because of change in method of valuation	(34,000)		7,08,000
7. Trade receivables			
Cost	8,91,000		
Add: Provision adjustment	9,000		9,00,000
8. Other current assets			
Prepaid expenses (48,000 – 30,000)			18,000

Q.CFS.RMP.502(A): (MTP Nov'21)

A Ltd. had acquired 80% shares of B Ltd. for Rs. 15 lakhs at the beginning of year. During the year, A Ltd. sold the investment for Rs. 30 lakhs and net assets of B Ltd. on the date of disposal was Rs. 35 lakhs. Calculate the profit or loss on disposal of this investment to be recognized in the Financial Statements of A Ltd.



SOLUTION

Calculation of Profit/Loss on disposal of investment in subsidiary

Particulars	Rs.
Proceeds from the sale of Investment	30,00,000
Less: A Ltd.'s share in net assets of B Ltd.	(28,00,000)
	2,00,000

Working Note: A Ltd.'s share in net assets of B Ltd.

	Rs.
Net Assets of B Ltd. on the date of disposal	35,00,000

Less: Minority Interest (20% of Rs. 35 lakhs)	(7,00,000)
A Ltd.'s share in the net assets of B Ltd.	28,00,000

Q.CFS.SM.503(A):

Variety Ltd. holds 46% of the paid-up share capital of VR Ltd. The shares were acquired at a market price of ₹ 17 per share. The balance of shares of VR Ltd. are held by a foreign collaborating company. A memorandum of understanding has been entered into with the foreign company providing for the following:



- (a) The shares held by the foreign company will be sold to Variety Ltd. The price per share will be calculated by capitalising the yield at 15%. Yield, for this purpose, would mean 40% of the average of pre-tax profits for the last 3 years, which were ₹ 30 lakhs, ₹ 40 lakhs and ₹ 65 lakhs.
- (b) The actual cost of the shares to the foreign company was ₹ 5,40,000 only. The profit that would accrue to them would be taxable at an average rate of 30%. The tax payable will be deducted from the proceeds and Variety Ltd. will pay it to the Government.
- (c) Out of the net consideration, 50% would be remitted to the foreign company immediately and the balance will be an unsecured loan repayable after two years.

The above agreement was approved by all concerned for being given effect to on 1.4.20X1. The total assets of VR Ltd. as on 31st March, 20X1 was ₹ 1,00,00,000. It was decided to write down Property, Plant and Equipment by ₹ 1,75,000. Current liabilities of VR Ltd. as on the same date were ₹ 20,00,000. The paid-up share capital of VR Ltd. was ₹ 20,00,000 divided into 2,00,000 equity shares of ₹ 10 each.

Find out goodwill/capital reserve to Variety Ltd. on acquiring wholly the shares of VR Ltd.

SOLUTION

1. Computation of Purchase Consideration

(a)	Yield of VR Ltd. $\{(40/100 \times [(30+40+65)/3])\}$	₹ 18 lakhs
(b)	Price per share of VR Ltd.	
	Capitalized Yield: (18 lakhs/0.15)	₹ 120 lakhs
	No. of Shares	2 lakhs
	Therefore, Price per share	₹ 60
(C)	Purchase Consideration for 54% shares in VR Ltd. 2 lakh shares x 54% x ₹ 60 per shares	₹ 64.80 lakhs
(d)	Discharge of Purchase Consideration:	
	Tax at source (₹ 64.80 lakhs - ₹ 5.40 lakhs) x 30/100	₹ 17.82 lakhs
	50% of Purchase Consideration (net of tax) in cash (₹ (64.80-17.82) x 50%)	₹ 23.49 lakhs
	Balance – Unsecured Loan	₹ 23.49 lakhs

2. Goodwill / Capital Reserve to Variety Ltd.

	₹ in lakhs	
Total Assets	100.00	
Less: Reduction in Value of Property, Plant and Equipment	(1.75)	
	98.25	
Less: Current Liabilities	(20.00)	
Net Assets of VR Ltd. on Date of Acquisition		78.25
Purchase Consideration: 54% purchased from Foreign Co.	64.80	
Investment: 46% existing stake	15.64	(80.44)

Goodwill on Date of Acquisition		2.19
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SECTION B – HOMEWORK QUESTIONS
Questions of Study Material, RTPs, MTPs and Past Exams to be Practiced at Home

SERIES 100
SMALL QUESTIONS ON CALCULATION OF GOODWILL or CR and
MINORITY INTEREST

Q.CFS.RMP.101(B): (RTP May'19 & Similar in Nov'20 & MTP May'22)

The following data is provided to you:



Case	Subsidiary Company	% shares Owned	Cost	Date of acquisition		Consolidation Date	
				1.1.2018		31.12.2018	
				Share Capital Rs.	P & L Account Rs.	Share Capital Rs.	P & L Account Rs.
Case 1	A	90%	1,40,000	1,00,000	50,000	1,00,000	70,000
Case 2	B	85%	1,04,000	1,00,000	30,000	1,00,000	20,000
Case 3	C	80%	56,000	50,000	20,000	50,000	20,000
Case 4	D	100%	1,00,000	50,000	40,000	50,000	55,000

Determine in each case:

- (1) Minority interest at the date of acquisition and at the date of consolidation.
- (2) Goodwill or Capital Reserve.

SOLUTION

Minority Interest = Equity attributable to minorities

Equity is the residual interest in the assets of an enterprise after deducting all its liabilities i.e., in this case it should be equal to Share Capital + Profit & Loss A/c.

	Minority % Shares Owned [E]	Minority interest as at the date of acquisition [E] X [A + B] Rs.	Minority interest as at the date of consolidation [E] [C + D] Rs.
Case 1 [100-90]	10 %	15,000	17,000
Case 2 [100-85]	15 %	19,500	18,000
Case 3 [100-80]	20 %	14,000	14,000
Case 4 [100-100]	NIL	Nil	Nil

- A = Share capital on 1.1.2018
- B = Profit & loss account balance on 1.1.2018
- C = Share capital on 31.12.2018
- D = Profit & loss account balance on 1.1.2018

Q.CFS.RMP.102(B): (Exam July'21)

Long Limited acquired 60% stake in Short Limited for a consideration of Rs. 112 lakhs. On the date of acquisition Short Limited's Equity Share Capital was Rs. 100 lakhs, Revenue Reserve was Rs. 40 lakhs and balance in Profit & Loss Account was Rs. 30 lakhs. From the above information you are required to calculate Goodwill / Capital Reserve in the following situations:



- 1. On consolidation of Balance Sheet.

2. If Long Limited showed the investment in subsidiary at a carrying amount of Rs. 104 lakhs.
3. If the consideration paid for acquiring the 60% stake was Rs. 92 lakhs.

SOLUTION

	Rs.
60% of the Equity Share Capital Rs. 100 Lakhs	60
60% of Accumulated Reserve Rs. 70 Lakhs (40+30) Lakhs	42
Book value of shares of Short Ltd.	102

- . Goodwill / Capital Reserve computation on consolidation of balance sheet Long Ltd. paid a positive differential of Rs. 10 Lakhs (112 - 102). This differential Rs. 10 Lakhs is called goodwill and is shown in the balance sheet under the head intangibles.
- ii. If Long Ltd. showed the investment in Short Ltd. at carrying amount of Rs. 104 Lakhs, then the goodwill will be Rs. 2 Lakhs.
- . If the consideration paid is Rs. 92 lakhs, then there would have been capital reserve amounting Rs. 10 Lakhs (102- 92).

Q.CFS.SM.103(B):

King Ltd. acquires 70% of equity shares of Queen Ltd. as on 31st March, 20X1 at a cost of ₹ 140 lakhs. The following information is available from the balance sheet of Queen Ltd. as on 31st March, 20X1:

	₹ in lakhs
Property, plant and equipment	240
Investments	110
Current Assets	140
Loans & Advances	30
15% Debentures	180
Current Liabilities	100

The following revaluations have been agreed upon (not included in the above figures):

- Property, plant and equipment- up by 20% and Investments- down by 10%.
- King Ltd. purchased the shares of Queen Ltd. @ ₹20 per share (Face value - ₹10).

Calculate the amount of goodwill/capital reserve on acquisition of shares of Queen Ltd.

SOLUTION

Revalued net assets of Queen Ltd. as on 31st March, 20X1

	₹ in lakhs	₹ in lakhs
PPE [240 X 120%]		288
Investments [110 X 90%]		99
Current Assets		140
Loans and Advances		30
Total Assets after revaluation		557
Less: 15% Debentures	180.0	
Current Liabilities	100.0	(280)
Equity / Net Worth		277
King Ltd.'s share of net assets (70% of 277)		193.9
King Ltd.'s cost of acquisition of shares of Queen Ltd. (₹140 lakhs)		(140)
Capital reserve		53.9

Q.CFS.RMP.104(B): (Exam May'18, May'19 & RTP May'23)



H Ltd. acquire 70% of equity share of S Ltd. as on 1st January, 2011 at a cost of Rs. 5,00,000 when S Ltd. had an equity share capital of Rs. 5,00,000 and reserves and surplus of Rs. 40,000.

Both the companies follow calendar year as the accounting year.

In the four consecutive years, S Ltd. performed badly and suffered losses of Rs. 1,25,000, Rs. 2,00,000, Rs. 2,50,000 and Rs. 60,000 respectively.

Thereafter in 2015, S Ltd. experienced turnaround and registered an annual profit of Rs. 25,000. In the next two years i.e., 2016 and 2017, S Ltd. recorded annual profits of Rs.50,000 and Rs. 75,000 respectively.

Show the Minority Interests and Cost of Control at the end of each year for the purpose of consolidation.

SOLUTION

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered. Accordingly,

Year	Profit / (Loss)	Minority Interest (30%)	Additional Consolidated P & L (Dr.) or Cr.	Minority's Share of losses borne by H Ltd.		Cost of Control
				₹	Balance	
At the time of acquisition on 1.1.2011		1,62,000 (W.N.)	-			
2011	(1,25,000)	(37,500)	(87,500)			1,22,000 (W.N.)
Balance		1,24,500				
2012	(2,00,000)	(60,000)	(1,40,000)			1,22,000
Balance		64,500				
2013	(2,50,000)	(75,000)	(1,75,000)			1,22,000
		(10,500)				
	Loss of minority borne by Holding Co.	10,500	(10,500)	10,500	10,500	
Balance		Nil	(1,85,500)			
2014	(60,000)	(18,000)	(42,000)			1,22,000
	Loss of minority borne by Holding Co.	18,000	(18,000)	18,000	28,500	
Balance		Nil	(60,000)			
2015	25,000 Profit share of minority adjusted against	7,500 (7,500)	17,500 7,500	(7,500)	21,000	1,22,000



	losses of minority absorbed by Holding Co.					
Balance		Nil	25,000			
2016	50,000	15,000 (15,000)	35,000 15,000	(15,000)	6,000	1,22,000
Balance		Nil	50,000			
2017	75,000	22,500 (6,000)	52,500 6,000	(6,000)	Nil	1,22,000
Balance		16,500	58,500			

Working Note:

Calculation of Minority interest and Cost of control on 1.1.2011

		Share of Holding Co.	Minority Interest
	100%	70%	30%
	(Rs.)	(Rs.)	(Rs.)
Share Capital	5,00,000	3,50,000	1,50,000
Reserve	40,000	28,000	12,000
		3,78,000	1,62,000
Less: Cost of investment		(5,00,000)	
Goodwill		1,22,000	

SERIES 200
QUESTIONS ON IMPORTANT ADJUSTMENTS (DIVIDENDS; UNREALIZED GAINS ETC.)

Q.CFS.SM.201(B): (Similar to Q202A)

A Ltd. acquired 60% shares of B Ltd. @ ₹ 20 per share. Following is the extract of Balance Sheet of B Ltd.:

	₹
10,00,000 Equity Shares of ₹ 10 each	1,00,00,000
10% Debentures	10,00,000
Trade Payables	55,00,000
Property, Plant and Equipment	70,00,000
Investments	45,00,000
Current Assets	68,00,000
Loans and Advances	22,00,000

On the same day B Ltd. **declared dividend at 20%** and as agreed between both the companies Property, Plant and Equipment were to be depreciated @ 10% and investment to be taken at market value of ₹ 60,00,000. Calculate the Goodwill or Capital Reserve to be recorded in Consolidated Financial Statements.

SOLUTION



Since dividend is declared by B Ltd. on the date of acquisition itself, it would be out of the divisible profits of B Ltd. existing on the date of acquisition i.e., pre-acquisition profits from the perspective of A Ltd. Accordingly, as per AS 13, such pre-acquisition dividend would be reduced from the cost of investment, as seen below in the determination of Goodwill on the date of acquisition.

	₹	₹
Assets		
Property, Plant and Equipment	70,00,000	
Less: Value written off (₹ 70 lakhs x 10%)	(7,00,000)	
	63,00,000	
Investments at Market Value	60,00,000	
Current Assets	68,00,000	
Loans and Advances	22,00,000	2,13,00,000
Less: Liabilities		
Trade Payables	55,00,000	
10% Debentures	10,00,000	(65,00,000)
Net Assets of B Ltd.		1,48,00,000
Share of A Ltd. in Net Assets of B Ltd.: 60%		88,80,000
Less: Cost of Investment in B Ltd. (60% stake):		
10,00,000 Equity Shares x 60% x ₹ 20 per share	1,20,00,000	
Less: Pre-acquisition dividend: 6,00,000 shares x ₹ 2	(12,00,000)	(1,08,00,000)
Goodwill on Date of Acquisition		19,20,000

Q.CFS.SM.202(B):

Hemant Ltd. purchased 80% shares of Power Ltd. on 1st January, 20X1 for ₹ 2,10,000. The issued capital of Power Ltd., on 1st January, 20X1 was ₹ 1,50,000 and the balance in the Profit & Loss Account was ₹ 90,000. During the year ended 31st December, 20X1, Power Ltd. earned a profit of ₹ 30,000 and at year end, **declared and paid a dividend of ₹ 22,500**. What is the amount of minority interest as on 1st January, 20X1 and 31st December, 20X1? Also compute goodwill/capital reserve at the date of acquisition.

SOLUTION

Total dividend paid is ₹ 22,500 (out of post-acquisition profits), hence dividend received by Hemant will be credited to P & L account. Hemant Ltd.'s share of dividend = ₹ 22,500 X 80% = ₹ 18,000

Goodwill on consolidation (at the date of acquisition):	₹	₹
Cost of shares		2,10,000
Less: Face value of capital i.e., 80% of capital	1,20,000	
Add: Share of capital profits [90,000 X 80 %]	72,000	(1,92,000)
Goodwill		18,000
Minority interest on:		
- 1st January, 20X1: 20% of ₹ 2,40,000 [1,50,000 + 90,000]		48,000
- 31st December, 20X1: 20% of ₹ 2,47,500 [1,50,000 + 90,000 + 30,000 – 22,500]		49,500

Q.CFS.RMP.203(B): (MTP April'19)

XYZ Ltd. purchased 80% shares of ABC Ltd. on 1st January, 2016 for Rs. 2,80,000. The issued capital of ABC Ltd., on 1st January, 2016 was Rs. 2,00,000 and the balance in the Profit & Loss Account was Rs. 1,20,000.



During the year ended 31st December, 2016, ABC Ltd. earned a profit of Rs. 40,000 and at year end, declared and paid a dividend of Rs. 60,000.

Show by an entry how the dividend should be recorded in the books of XYZ Ltd.

What is the amount of minority interest as on 1st January, 2016 and 31st December, 2016?

SOLUTION

Total dividend paid = Rs. 60,000

Out of post-acquisition profit = Rs. 40,000 Out of pre-acquisition profit = Rs. 20,000

Hence, 2/3rd of dividend received by XYZ will be credited to P & L and 1/3rd will be credited to Investment.

XYZ Ltd.'s share of dividend = Rs. 60,000 X 80% = Rs. 48,000

In the books of XYZ Ltd.

	Rs.	Rs.
Bank A/c Dr.	48,000	
To Profit & Loss A/c		32,000
To Investments in ABC Ltd.		16,000
(Dividend received from ABC Ltd. 1/3 credited to investment A/c being out of capital profits – as explained above)		

Goodwill on Consolidation:		Rs.
Cost of shares less dividend out of capital profits		2,64,000
Less: Face value of capital i.e. 80% of capital	1,60,000	
Add: Share of capital profits [1,20,000-20,000 (dividend portion out of pre-acquisition profits)] X 80 %	80,000	2,40,000
Goodwill		24,000
Minority interest on:		64,000
1st January, 2016: 20% of Rs. 3,20,000 [2,00,000 + 1,20,000]		

Q.CFS.RMP.204(B): (RTP Nov'20, May'22)

A Ltd. holds 75% of the equity capital and voting power in B Ltd. A Ltd purchases inventories costing Rs. 150 lacs from B Ltd at a price of Rs. 200 lacs. The entire inventories remain unsold with A Ltd at the financial year end i.e. 31 March 2019. Suggest the accounting treatment for this transaction in the consolidated financial statements of A Ltd. giving reference of the relevant accounting standard.



SOLUTION

As per para provisions of AS 21, intragroup balances and intragroup transactions and resulting unrealized profits should be eliminated in full. Unrealized losses resulting from intragroup transactions should also be eliminated unless cost cannot be recovered.

Intragroup balances and intragroup transactions, including sales, expenses and dividends, are eliminated in full. Unrealised profits resulting from intragroup transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full. Unrealised losses resulting from intragroup transactions that are deducted in arriving at the carrying amount of assets are also eliminated unless cost cannot be recovered. One also needs to see whether the intragroup transaction is “upstream” or “down-stream”. Upstream transaction is a transaction in which the subsidiary company sells goods to holding company. While in the downstream transaction, holding company is the seller and subsidiary company is the buyer.

In the case of upstream transaction, since the goods are sold by the subsidiary to holding company; profit is made by the subsidiary company, which is ultimately shared by the holding company and the minority shareholders. In such a transaction, if some goods remain unsold at the balance sheet date, the unrealized profit on such goods should be eliminated from minority

interest as well as from consolidated profit on the basis of their share-holding besides deducting the same from unsold inventory.

But in the case of downstream transaction, the whole profit is earned by the holding company; therefore, whole unrealized profit should be adjusted from unsold inventory and consolidated profit and loss account only irrespective of the percentage of the shares held by the parent.

The case given in the question is the case of upstream transaction. In the consolidated profit and loss account for the year ended 31 March 2019, entire transaction of sale and purchase of Rs. 200 lacs each, would be eliminated by reducing both sales and purchases (cost of sales). Further, the unrealized profits of Rs. 50 lacs (i.e., Rs. 200 lacs – Rs. 150 lacs), would be eliminated in the consolidated financial statements for financial year ended 31 March 2019, by reducing the value of closing inventories by Rs. 50 lacs as of 31 March 2019. In the consolidated balance sheet as of 31 March 2019, A Ltd.'s share of profit from B Ltd will be reduced by Rs. 37.50 lacs (being 75% of Rs. 50 lacs) and the minority's share of the profits of B Ltd would be reduced by Rs. 12.50 lacs (being 25% of Rs. 50 lacs).

SERIES 300

QUESTIONS ON CONSOLIDATED BALANCE SHEET

Q.CFS.SM.301(B):

H Ltd. and S Ltd. provide the following information as at 31st March, 20X2:

	H Ltd.	S Ltd.
	₹	₹
PPE	1,00,000	1,30,000
Investments (8,000 equity shares of S Ltd.)	1,26,000	
Current Assets	74,000	70,000
Share capital (Fully paid equity shares of ₹10 each)	1,50,000	1,00,000
Profit and loss account	50,000	40,000
Trade Payables	1,00,000	60,000

Additional information

H Ltd. acquired the shares of S Ltd. on 1-7-20X1 and Balance of profit and loss account of S Ltd. on 1-4-20X1 was 30,000.

Prepare consolidated balance sheet of H Ltd. and its subsidiary as at 31st March, 20X2.

SOLUTION

Percentage of holding:

	No. of Shares	Percentage
Holding Co	8,000	(80%)
Minority shareholders	2,000	(20%)
TOTAL SHARES	10,000	

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 20X2

			Note No	Amount (₹)
I		EQUITY AND LIABILITIES		
1		Shareholder's Fund		
	A	Share Capital	1	1,50,000
	B	Reserve and Surplus	2	56,000
2		Minority interest	3	28,000

3		Current Liabilities		
	A	Trade payables	4	1,60,000
		Total		3,94,000
II		ASSETS		
1.		Non-Current Assets		
	A	PPE	5	2,30,000
	B	Intangible Assets	6	20,000
2.		Current Assets	7	1,44,000
		Total		3,94,000

Notes to Accounts

		Amount (₹)
1	Share capital 15,000 Equity Shares @ ₹10 each	1,50,000
2	Reserve and Surplus Profit and loss account (₹ 50,000+ 80% of 9/12 x 10,000)	56,000
3	Minority Interest	
	Share capital (20% of ₹ 1,00,000) 20,000	
	Share in Profit and loss account (₹ 40,000 X 20%) 8,000	28,000
4	Trade payables H Ltd. S Ltd.	1,00,000 60,000
		1,60,000
5	PPE H Ltd. S Ltd.	1,00,000 1,30,000
		2,30,000
6	Intangible Asset	
	Cost of Investment	1,26,000
	Less: Paid up value of shares (80% of ₹ 1,00,000)	(80,000)
	Share in pre-acquisition profits 80% of [30,000+3/12(40,000-30,000)]	(26,000)
	Goodwill	20,000
7	Current Assets H Ltd. S Ltd.	74,000 70,000 1,44,000

Q.CFS.SM.302(B):

Prepare consolidated balance sheet of H Ltd. and its subsidiary as at 31 March, 20X1 from the following information:

	H Ltd.	S Ltd.
	₹	₹
PPE	5,00,000	3,00,000
Investments		
(2,000 equity shares of S Ltd.)	2,20,000	
Current Assets	1,55,000	1,00,000
	8,75,000	4,00,000

Share capital (Fully paid equity shares of ₹ 100 each)	5,00,000	2,50,000
Profit and loss account	2,00,000	1,00,000
Trade Payables	1,75,000	50,000
	8,75,000	4,00,000

H Ltd. acquired the shares of S Ltd. on 31st March, 20X1.

SOLUTION:

Percentage of holding:

	No. of Shares	Percentage
Holding Co	2,000	(80%)
Minority shareholders	500	(20%)
TOTAL SHARES	2,500	

Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 20X1

		Note No	Amount (₹)
I	EQUITY AND LIABILITIES		
1	Shareholder's Fund		
	A Share Capital	1	5,00,000
	B Reserve and Surplus	2	2,60,000
2	Minority interest	3	70,000
3	Current Liabilities		
	A Trade payables	4	2,25,000
	Total		10,55,000
II	ASSETS		
1.	Non-Current Assets		
	A PPE	5	8,00,000
2.	Current Assets	6	2,55,000
	Total		10,55,000

Notes to Accounts

		Amounts (₹)
1	Share capital 50,000 Equity Shares @ ₹10 each	5,00,000
2	Reserve and Surplus	
	Capital Reserve (W.N.)	60,000
	Profit and loss account	2,00,000
		2,60,000
3	Minority Interest	
	Paid up value of shares	50,000
	Add: Share in Profit and loss account	20,000
		70,000
4	Trade payables	
	H Ltd.	1,75,000
	S Ltd.	50,000
		2,25,000
5	PPE	
	H Ltd.	5,00,000
	S Ltd.	3,00,000

		8,00,000
6	Current Assets	
	H Ltd.	1,55,000
	S Ltd.	1,00,000
		2,55,000

Working Note:

Determination of Goodwill/(Capital Reserve)		(₹)
Cost of investment		2,20,000
Paid up value of shares (80% of 2,50,000)	2,00,000	
Share in pre-acquisition profits (80% of 1,00,000)	80,000	(2,80,000)
Capital Reserve		(60,000)

Q.CFS.SM.303(B): (Similar to Q305A)

On 31st March, 20X1, the Balance Sheets of H Ltd. and its subsidiary S Ltd. stood as follows:



**Balance Sheet of H Ltd.
and its subsidiary S Ltd. as at 31st March, 20X1**

Particulars	Note No.	H Ltd. (₹ in Lacs)	S Ltd. (₹ in Lacs)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1	12,000	4,800
(b) Reserves and Surplus	2	5,499	3,000
(2) Current Liabilities			
(a) Trade payables	3	1,833	1,014
(b) Short term provisions	4	855	394
(c) Other current liabilities (Dividend payable)		1,200	-
Total		21,387	9,208
II. Assets			
(1) Non-current assets			
Property, Plant and Equipment	5	9,468	5,486
Non-current Investments (Shares in S Ltd.)		3,000	
(2) Current assets			
(a) Inventories		3,949	1,956
(b) Trade receivables	6	2,960	1,562
(c) Cash and cash equivalents		1,490	204
(d) Short term loans and advances	7	520	
Total		21,387	9,208

Notes to Accounts

		H Ltd. (₹ in lacs)	S Ltd. (₹ in lacs)
1.	Share Capital		
	Authorized share capital	15,000	6,000
	Equity shares of ₹ 10 each, fully paid up		

	Issued and Subscribed:		
	Equity shares of ₹ 10 each, fully paid up	12,000	4,800
2.	Reserves and surplus		
	General Reserve	2,784	1,380
	Profit and Loss Account:	2,715	1,620
	Total	5,499	3,000
3.	Trade Payables		
	Creditors	1,461	854
	Bills Payable	372	160
		1,833	1,014
4.	Short term provisions		
	Provision for Taxation	855	394
5.	Property, plant and equipment		
	Land and Buildings	2,718	-
	Plant and Machinery	4,905	4,900
	Furniture and Fittings	1,845	586
	Total	9,468	5,486
6.	Trade receivables		
	Debtors	2,600	1,363
	Bills Receivable	360	199
	Total	2,960	1,562
7.	Short term loans and advances		
	Sundry Advances	520	--

The following information is also provided to you:

- H Ltd. purchased 180 lakh shares in S Ltd. on 31st March, 20X0 when the balances of General Reserve and Profit and Loss Account of S Ltd. stood at ₹ 3,000 lakh and ₹1,200 lakh respectively.
- On 1st April, 20X0, S Ltd. declared a dividend @ 20% for the year ended 31st March, 20X0. H Ltd. credited the dividend received by it to its Profit and Loss Account.
- On 1st January, 20X1, S Ltd. issued 3 fully paid-up bonus shares for every 5 shares held out of balances of its general reserve as on 31st March, 20X0.
- On 31st March, 20X1, all the bills payable in S Ltd.'s balance sheet were acceptances in favour of H Ltd. But on that date, H Ltd. held only ₹ 45 lakh of these acceptances in hand, the rest having been endorsed in favour of its trade payables.
- On 31st March, 20X1, S Ltd.'s inventory included goods which it had purchased for ₹ 100 lakh from H Ltd. which made a profit @ 25% on cost.

Prepare a Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as at 31st March, 20X1.

SOLUTION

Consolidated Balance Sheet of H Ltd.

and its subsidiary S Ltd. as at 31st March, 20X1

Particulars	Note No.	(₹ in Lacs)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	12,000

(b) Reserves and Surplus	2	7,159
(2) Minority Interest [W.N.6]		3,120
(3) Current Liabilities		
(a) Trade payables	3	2,802
(b) Short term provisions	4	1,249
(c) Other current liabilities	5	1,200
Total		27,530
II. Assets		
(1) Non-current assets		
Property, Plant and Equipment	6	14,954
(2) Current assets		
(a) Inventories	7	5,885
(b) Trade receivables	8	4,477
(c) Short term loans and advances	9	520
(d) Cash and cash equivalents	10	1,694
Total		27,530

Notes to Accounts

			(₹ in lacs)	(₹ in lacs)
1. Share Capital				
Authorized share capital				
Equity shares of ₹10 each, fully paid up				15,000
Issued and Subscribed:				
Equity shares of ₹ 10 each, fully paid up				12,000
Total				12,000
2. Reserves and surplus				
Capital Reserve (Note 5)			1,320	
General Reserve (2,784 + 108)			2,892	
Profit and Loss Account:				
H Ltd.	2,715			
Less: Dividend wrongly credited 360				
Unrealized Profit 20	(380)			
	2,335			
dd: Share in S Ltd.'s Revenue profits	612	2,947		
Total				7,159
3. Trade payables				
Creditors				
H Ltd.	1,461			
S Ltd.	854	2,315		
Bills Payable				
H Ltd.	372			
S Ltd.	160			
	532			
Less: Mutual owing	(45)	487	2,802	
4. Short term provisions				
Provision for Taxation				
H Ltd.		855		
S Ltd.		394		

	Total			1,249
5.	Other current liabilities			
	Dividend payable			
	H Ltd.			1,200
6.	Property, plant and equipment			
	Land and Buildings			
	H Ltd.		2,718	
	Plant and Machinery			
	H Ltd.	4,905		
	S Ltd.	4,900	9,805	
	Furniture and Fittings			
	H Ltd.	1,845		
	S Ltd.	586	2,431	
	Total			14,954
7.	Inventories			
	Stock			
	H Ltd.		3,949	
	S Ltd.		1,956	
			5,905	
	Less: Unrealized profit		(20)	5,885
8.	Trade receivables			
	Debtors			
	H Ltd.	2,600		
	S Ltd.	1,363	3,963	
	Bills Receivable			
	H Ltd.	360		
	S Ltd.	199		
		559		
	Less: Mutual Owing	(45)	514	4,477
9.	Short term loans and advances			
	Sundry Advances			520
10.	Cash and cash equivalents			
	Cash and Bank Balances			1,694

Share holding pattern of S Ltd.

Shares as on 31st March, 20X1 (Includes bonus shares issued on 1st January, 20X1)	480 lakh shares (4,800 lakhs/ ₹ 10)
H Ltd.'s holding as on 1st April, 20X0	180 lakhs
Add: Bonus received on 1st January, 20X1	108 lakhs (180 / 5 × 3)
Total H Ltd.'s holding as on 31st March, 20X1	288 lakhs i.e. 60 % [288/480×100]
Minority Shareholding	40%

Working Notes:

1. S Ltd.'s General Reserve Account

₹ in lakhs			₹ in lakhs		
To	Bonus to equity shareholders (WN-8)	1,800	By	Balance b/d	3,000

To	Balance c/d	1,380	By	Profit and Loss A/c (Balancing figure)	180
		3,180			3,180

2. S Ltd.'s Profit and Loss Account

		₹ in lakhs			₹ in lakhs
To	General Reserve [WN 1]	180	By	Balance b/d	1,200
To	Dividend paid (20% on ₹3,000 lakhs)	600	By	Net Profit for the year* (Balancing figure)	1,200
To	Balance c/d	1,620			
		2,400			2,400

*Out of ₹ 1,200 lakhs profit for the year, ₹ 180 lakhs has been transferred to reserves.

3. Distribution of Revenue profits

		₹ in lakhs
	Revenue profits (W. N. 2)	1,200
	Less: Share of H Ltd. 60% (General Reserve ₹ 108 + Profit and Loss Account ₹ 612)	(720)
	Share of Minority Shareholders (40%)	480

Note: The question can also be solved by taking ₹ 1,020 lakhs as post-acquisition Profit and Loss balance and ₹ 180 lakhs as post-acquisition General Reserve balance. The final answer will be same.

4. Calculation of Capital Profits

		₹ in lakhs
	General Reserve on the date of acquisition less bonus shares (₹ 3,000 – ₹ 1,800)	1,200
	Profit and loss account on the date of acquisition less dividend paid (₹ 1,200 – ₹ 600)	600
		1,800

H Ltd.'s share = 60% of ₹ 1,800 lakhs = ₹ 1,080 lakhs
Minority interest = ₹ 1,800 – ₹ 1,080 = ₹ 720 lakhs

5. Calculation of capital reserve

		₹ in lakhs
	Paid up value of shares held (60% of ₹4,800)	2,880
	Add: Share in capital profits [WN 4]	1,080
		3,960
	Less: Cost of shares less dividend received (₹ 3,000 – ₹ 360)	(2,640)
	Capital reserve	1,320

6. Calculation of Minority Interest

		₹ in lakhs
	40% of share capital (40% of ₹ 4,800)	1,920
	Add: Share in revenue profits [WN 3]	480
	Share in capital profits [WN 4]	720
		3,120

7. Unrealized profit in respect of inventory
 $\text{₹ } 100 \text{ Lakhs} \times 25 / 125 = \text{₹ } 20 \text{ Lakhs}$
8. Computation of bonus to equity shareholders

	₹ In lakhs
Shares as on 31 March 20X1 including bonus share issued on 1 January 20X1 Or we can say these are $1 + 3/5$ or $8/5$	4,800
i.e., Shares before bonus issue should have been $(4,800) / (8/5)$	3,000
Accordingly, bonus issue would be $(4,800 - 3,000)$	1,800

Q.CFS.SM.304(B): (Similar Q302A)

From the following summarized balance sheets of H Ltd. and its subsidiary S Ltd. drawn up at 31st March, 20X1, prepare a consolidated balance sheet as at that date, having regard to the following:



- (i) Reserves and Profit and Loss Account of S Ltd. stood at ₹25,000 and ₹ 15,000 respectively on the date of acquisition of its 80% shares by H Ltd. on 1st April, 20X0.
- (ii) Machinery (Book-value ₹ 1,00,000) and Furniture (Book value ₹ 20,000) of S Ltd. were revalued at ₹ 1,50,000 and ₹ 15,000 respectively on 1st April, 20X0 for the purpose of fixing the price of its shares. [Rates of depreciation computed on the basis of useful lives: Machinery 10%, Furniture 15%.]

Balance Sheet of H Ltd. and S Ltd. as at 31st March, 20X1

		Note No	H Ltd. (₹)	S Ltd. (₹)
I	EQUITY AND LIABILITIES			
1	Shareholder's Fund			
	A Share Capital	1	6,00,000	1,00,000
	B Reserve and Surplus	2	3,00,000	1,00,000
2	Current Liabilities			
	A Trade payables		1,50,000	57,000
	Total		10,50,000	2,57,000
II	ASSETS			
1.	Non-Current Assets			
	A PPE	3	4,50,000	1,07,000
	B Other Non-Current Investment	4	6,00,000	1,50,000
	Total		10,50,000	2,57,000

Notes to Accounts

	H Ltd. (₹)	S Ltd. (₹)
1. Share capital		
6,000 equity shares of ₹ 100 each, fully paid up	6,00,000	--
1,000 equity shares of ₹ 100 each, fully paid up	--	1,00,000
Total	6,00,000	1,00,000
2. Reserves and Surplus		
General reserves	2,00,000	75,000
Profit and loss account	1,00,000	25,000
Total	3,00,000	1,00,000

3.	Property, Plant and Equipment		
	Machinery	3,00,000	90,000
	Furniture	1,50,000	17,000
	Total	4,50,000	1,07,000
4.	Other Non-current investments		
	Non-current Investments	4,40,000	1,50,000
	Shares in S Ltd. (800 shares at ₹200 each)	1,60,000	--
	Total	6,00,000	1,50,000

SOLUTION

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2017

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	6,00,000
(b) Reserves and Surplus	2	3,44,600
(2) Minority Interest (W.N.5)	3	48,150
(3) Current Liabilities		
(a) Trade Payables		2,07,000
Total		11,99,750
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment		
(i) Tangible assets	4	5,97,750
(ii) Intangible assets	5	12,000
(b) Other non-current assets	6	5,90,000
Total		11,99,750

Notes to Accounts

			₹
1. Share capital			
6,000 equity shares of ₹ 100 each, fully paid up			6,00,000
Total			6,00,000
2. Reserves and Surplus			
Reserves		2,00,000	
Add: 4/5th share of S Ltd.'s post-acquisition reserves (W.N.3)		40,000	2,40,000
Profit and Loss Account		1,00,000	
Add: 4/5th share of S Ltd.'s post-acquisition profits (W.N.4)		4,600	1,04,600
Total			3,44,600
3. Minority interest in S Ltd. (WN 5)			48,150
4. Property, plant and equipment			
Machinery			
H. Ltd.		3,00,000	
S Ltd.	1,00,000		
Add: Appreciation	50,000		

		1,50,000		
	Less: Depreciation (1,50,000 X 10%)	(15,000)	1,35,000	
	Furniture			
	H. Ltd.		1,50,000	
	S Ltd.	20,000		
	Less: Decrease in value	(5,000)		
		15,000		
	Less: Depreciation (15,000 X 15%)	(2,250)	12,750	5,97,750
5.	Intangible assets			
	Goodwill [WN 6]			12,000
6.	Other non-current investments			
	H Ltd.		4,40,000	
	S Ltd.		1,50,000	
	Total			5,90,000

Working Notes:

1. Pre-acquisition profits and reserves of S Ltd.	₹
Reserves	25,000
Profit and Loss Account	15,000
	40,000
H Ltd.'s = $\frac{4}{5}$ (or 80%) \times 40,000	32,000
Minority Interest = $\frac{1}{5}$ (or 20%) \times 40,000	8,000
2. Profit on revaluation of assets of S Ltd.	
Profit on Machinery ₹ (1,50,000 – 1,00,000)	50,000
Less: Loss on Furniture ₹ (20,000 – 15,000)	5,000
Net Profit on revaluation	45,000
H Ltd.'s share $\frac{4}{5} \times 45,000$	36,000
Minority Interest $\frac{1}{5} \times 45,000$	9,000
3. Post-acquisition reserves of S Ltd.	
Post-acquisition reserves (Total reserves less pre-acquisition reserves = ₹ 75,000 – 25,000)	50,000
H Ltd.'s share $\frac{4}{5} \times 50,000$	40,000
Minority interest $\frac{1}{5} \times 50,000$	10,000
4. Post -acquisition profits of S Ltd.	
Post-acquisition profits (Profit & loss account balance less pre-acquisition profits = ₹ 25,000 – 15,000)	10,000
Add: Excess depreciation charged on furniture @ 15% on ₹ 5,000 i.e. (20,000 – 15,000)	750
	10,750
Less: Under depreciation on machinery @ 10% on ₹ 50,000 i.e. (1,50,000 – 1,00,000)	(5,000)
Adjusted post-acquisition profits	5,750
H Ltd.'s share $\frac{4}{5} \times 5,750$	4,600
Minority Interest $\frac{1}{5} \times 5,750$	1,150
5. Minority Interest	
Paid-up value of (1,000 – 800) = 200 shares held by outsiders i.e. $200 \times ₹ 100$ (or 1,00,000 X 20%)	20,000
Add: $\frac{1}{5}$ th share of pre-acquisition profits and reserves	8,000

1/5th share of profit on revaluation	9,000
1/5th share of post-acquisition reserves	10,000
1/5th share of post-acquisition profit	1,150
	48,150
6. Cost of Control or Goodwill	
Price paid by H Ltd. for 800 shares(A) Intrinsic value of the shares-	1,60,000
Paid-up value of 800 shares held by H Ltd. i.e. $800 \times ₹ 100$ (or $1,00,000 \times 80\%$)	80,000
Add: 4/5th share of pre-acquisition profits and reserves	32,000
4/5th share of profit on the revaluation	36,000
Intrinsic value of shares on the date of acquisition (B)	1,48,000
Cost of control or Goodwill (A – B)	12,000

Q.CFS.RMP.305(B): (EXAM May'23)

H Ltd. acquired 15,000 shares in S Ltd. for ₹ 1,55,000 on July 1, 2022. The balance sheet of the two companies as on 31st March, 2023 were as follows:



	H Ltd. (₹)	S Ltd. (₹)
Equity and Liabilities:		
Equity Share Capital (Fully paid shares of ₹ 10 each)	9,00,000	2,50,000
General Reserve	1,60,000	40,000
Surplus i.e., Balance in Statement of Profit and Loss	80,000	25,000
Bills Payable	40,000	20,000
Trade Creditors	50,000	30,000
Total	12,30,000	3,65,000
Assets		
Machinery	7,00,000	1,50,000
Furniture	1,00,000	70,000
Investment in Equity Shares of S Ltd.	1,55,000	-
Stock-in-Trade	1,00,000	50,000
Trade Debtors	60,000	35,000
Bills Receivable	25,000	20,000
Cash at Bank	90,000	40,000
Total	12,30,000	3,65,000

The following additional information is provided to you:

- (i) General reserve appearing in the Balance Sheet of S Ltd. remained unchanged since 31st March, 2022.
- (ii) Profit earned by S Ltd/ for the year ended 31st March, 2023 amounted to ₹ 20,000.
- (iii) H Ltd. sold goods to S Ltd. costing ₹ 8,000 for ₹ 10,000, 25% of these goods remained unsold with S Ltd. on 31st March, 2023.
- (iv) Creditors of S Ltd. include ₹ 4,000 due to H Ltd. on account of these goods.
- (v) Out of Bills payable issued by S Ltd. ₹ 15,000 are those which have been accepted in favour of H Ltd. Out of these, H Ltd. had endorsed by 31st March, 2023, ₹8,000 worth of bills receivable in favour of its creditors.

You are required to draw a consolidated balance sheet as on 31st March, 2023.

SOLUTION



**Working Note 1:
Analysis of Profit**

Particulars	CP (up to 1/7)	RP (July-March)	Balance Sheet (31/3)
Balance of GR	40,000	-	40,000
Balance of P&L	5,000	20,000	25,000
	45,000	20,000	
(+/-) Time Adjustment for 3 Months	5,000	(20,000 x 3/12)	
	50,000	15,000	
H @60%	30,000	9,000	
M/I @40%	20,000	6,000	

Working Note 2: Cost of Control

Investment	1,55,000
(-) Proportionate Share of Net Assets of S	
ESC @60%	(1,50,000)
Share in Capital Profit	(30,000)
Capital Reserve	25,000

Working Note 3: Minority Interest

ESC @60%	1,00,000
Capital Profit Share	20,000
Revenue Profit Share	6,000
	1,26,000

Working Note 4: Consolidated Reserves & Surplus

Particulars	GR	P&L	CR
Balance with H as pre SFS	1,60,000	80,000	-
(+) Share of RP of Subsidiary	-	9,000	-
(-) Elimination of Unrealised Profit (2,000 x 25% = 500)	-	(500)	-
(+) CR arising on DOA	-	-	25,000
	1,60,000	88,500	25,000
Gross Total		2,73,500	

Consolidated Balance Sheet of H Ltd. as on 31/3/2023

Particulars	(Rs.)
Equity Share Capital	9,00,000
Consolidated R&S	2,73,500
Minority Interest	1,26,000
Trade Payables	
(e) Creditors	76,000
H	50,000
S	30,000
(-) Interest on Co. Debt	(4,000)
(f) Bolls Payable	53,000
H	40,000
S	20,000

(-) Interest on Co. Debt (7,000)	
	14,28,500
Machinery	8,50,000
H 7,00,000	
S 1,50,000	
Furniture	1,70,000
H 1,00,000	
S 70,000	
Current Asset	
Stock In Trade	1,49,500
H 1,00,000	
S 50,000	
(-) Unrealised Profit (500)	
Debtors	91,000
H 60,000	
S 35,000	
(-) Interest (4,000)	
Bills Receivable	38,000
H 25,000	
S 20,000	
(-) Interest (7,000)	
Cash & Cash Equivalent	1,30,000
H 90,000	
S 40,000	
	14,28,500

Note: - Out of total 15,000 of Bills, 8,000 is endorsed in favor of Creditor of H i.e., it is payable outside of Group & then rest 7,000 is payable within the Group
Therefore, only within the Group item should be set-off under Inter Co. Debt.

Q.CFS.SM.306(B): (Also in MTP May'24)

From the Balance Sheets and information given below, prepare Consolidated Balance Sheet of Virat Ltd. and Anushka Ltd. as at 31st March. Virat Ltd. holds 80% of Equity Shares in Anushka Ltd. since its (Anushka Ltd.'s) incorporation.

Balance Sheet of Virat Ltd. and Anushka Ltd. as at 31st March, 20X1

Particulars	Note No.	Virat Ltd. (₹)	Anushka Ltd. (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1	6,00,000	4,00,000
(b) Reserves and Surplus	2	1,00,000	1,00,000
(2) Non-current Liabilities			
Long Term Borrowings		2,00,000	1,00,000
(3) Current Liabilities			
(a) Trade Payables		1,00,000	1,00,000
Total		10,00,000	7,00,000
II. Assets			

(1) Non-current assets			
(a) Property, Plant and Equipment		4,00,000	3,00,000
(b) Non-current investments	3	3,20,000	-
(2) Current Assets			
(a) Inventories		1,600,000	2,00,000
(b) Trade Receivables		80,000	1,40,000
(c) Cash & Cash Equivalents		40,000	60,000
Total		10,00,000	7,00,000

Notes to Accounts:

Particulars	Virat Ltd. (₹)	Anushka Ltd. (₹)
1. Share capital		
60,000 equity shares of ₹ 10 each fully paid up	6,00,000	--
40,000 equity shares of ₹ 10 each fully paid up	--	4,00,000
Total	6,00,000	4,00,000
2. Reserves and Surplus		
General Reserve	1,00,000	1,00,000
Total	1,00,000	1,00,000
3. Non-current investments		
Shares in Anushka Ltd	3,20,000	--

SOLUTION

Consolidated balance Sheet of Virat Ltd. and its Subsidiary Anushka Ltd. as at 31st March, 20X1

Particulars		Note	Amount (₹)
I	EQUITY AND LIABILITIES:		
(1)	Shareholders' Funds:		
(a)	Share Capital	1	6,00,000
(b)	Reserve and Surplus	2	1,80,000
(2)	Minority Interest	3	1,00,000
(3)	Non-Current Liabilities:		
	Long Term Borrowings	4	3,00,000
(4)	Current Liabilities:		
	Trade Payables	5	2,00,000
	Total		13,80,000
II	ASSETS:		
(1)	Non-Current Assets		
	Property, Plant & Equipment	6	7,00,000
(2)	Current Assets:		
(a)	Inventories	7	3,60,000
(b)	Trade receivables	8	2,20,000
(c)	Cash and Cash Equivalents	9	1,00,000
	Total		13,80,000

Notes to Accounts

Particulars	₹	₹
1. Share capital		

	60,000 equity shares of ₹10 each fully paid up		6,00,000
2. Reserves and Surplus			
	General Reserve	1,00,000	
	Add: General reserve of Anushka Ltd (80%)	80,000	
	Total		1,80,000
3. Minority interest			
	20% share in Anushka Ltd (WN 3)		1,00,000
4 Long term borrowings			
	Long term borrowings of Virat	2,00,000	
	Add: Long term borrowings of Anushka	1,00,000	
	Total		3,00,000
5. Trade payables			
	Trade payables of Virat	1,00,000	
	Add: Trade payables of Anushka	1,00,000	
	Total		2,00,000
6. Property, Plant and Equipment (PPE)			
	PPE of Virat Ltd	4,00,000	
	Add: PPE of Anushka Ltd	3,00,000	
	Total		7,00,000
7. Inventories			
	Inventories of Virat Ltd	1,60,000	
	Add: Inventories of Anushka Ltd	2,00,000	
	Total		3,60,000
8. Trade receivables			
	Trade receivables of Virat Ltd	80,000	
	Add: Trade receivables of Anushka Ltd	1,40,000	
	Total		2,20,000
9 Cash and cash equivalents			
	Cash and cash equivalents of Virat Ltd	40,000	
	Add: Cash and cash equivalents of Anushka Ltd	60,000	
	Total		1,00,000

Working Notes:

1. Basic Information

Company Status	Dates	Holding Status
Holding Co. = Virat Ltd. Subsidiary = Anushka Ltd.	Acquisition: Anushka's Incorporation Consolidation: 31 st March, 20X1	Holding Company = 80% Minority Interest = 20%

2. Analysis of General Reserves of Anushka Ltd

Since Virat holds shares in Anushka since its incorporation, the entire Reserve balance of ₹1,00,000 will be Revenue.

3. Consolidation of Balances

Holding- 80%, Minority - 20%	Total	Minority Interest	Holding Company	
Equity Capital	4,00,000	80,000	3,20,000	-

General Reserves	1,00,000	20,000	Nil (pre-acq)	80,000 (post-acq)
Total		1,00,000	3,20,000	80,000
Cost of Investment Goodwill/capital reserve			(3,20,000) NIL	-
Parent's Balance				1,00,000
Amount for Consolidated Balance Sheet				1,80,000

Q.CFS.RMP.307(B): (RTP Nov'19, MTP April'21, May'22 and May'18 EXAM)

The following summarised Balance Sheets of H Ltd. and its subsidiary S Ltd. were prepared as on 31st March, 2019:



	H Ltd. (Rs.)	S Ltd. (Rs.)
Equity and Liabilities		
Shareholders' Funds		
Equity Share Capital (fully paid up shares of Rs. 10 each)	12,00,000	2,00,000
Reserves and Surplus		
General Reserve	4,35,000	1,55,000
Profit and Loss Account	2,80,000	65,000
Current Liabilities		
Trade Payables	3,25,000	1,25,000
Total	22,40,000	5,45,000
Assets		
Non-Current Assets		
Property, Plant and Equipment		
Machinery	6,40,000	1,80,000
Furniture	3,75,000	34,000
Non-Current Investments		
Shares in S Ltd. - 16,000 shares @ Rs. 20 each	3,20,000	-
Current Assets		
Inventories	2,68,000	62,000
Trade Receivables	4,73,000	2,37,000
Cash and Bank	1,64,000	32,000
Total	22,40,000	5,45,000

- H Ltd. acquired the 80% shares of S Ltd. on 1st April, 2018.
- On the date of acquisition, General Reserve and Profit Loss Account of S Ltd. stood at Rs. 50,000 and Rs. 30,000 respectively.
- **Machinery (book value Rs. 2,00,000) and Furniture (book value Rs. 40,000) of S Ltd. were revalued at Rs. 3,00,000 and Rs. 30,000 respectively on 1st April, 2018 for the purpose of fixing the price of its shares (rates of depreciation computed on the basis of useful lives: Machinery 10% and Furniture 15%).**
- Trade Payables of H Ltd. includes Rs. 40,000 due to S Ltd. for goods supplied since the acquisition of the shares. These goods are charged at 10% above cost. The inventories of H Ltd. includes goods costing Rs. 55,000 (cost to H Ltd.) purchased from S Ltd.

You are required to prepare the Consolidated Balance Sheet of H Ltd. with its subsidiary S Ltd. as at 31st March, 2019.

SOLUTION



Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2019

Particulars	Note No.	(Rs.)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital (1,20,000 equity shares of Rs. 10 each)		12,00,000
(b) Reserves and Surplus	1	8,16,200
(2) Minority Interest (W.N.4)		99,300
(3) Current Liabilities		
(a) Trade Payables	2	4,10,000
Total		25,25,500
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment		
(i) Tangible assets	3	13,10,500
(ii) Intangible assets	4	24,000
(2) Current assets		
(i) Inventories	5	3,25,000
(ii) Trade Receivables	6	6,70,000
(iii) Cash at Bank	7	1,96,000
Total		25,25,500

Notes to Accounts

	IN Rs.		
1. Reserves and Surplus			
General Reserves		4,35,000	
Add: 80% share of S Ltd.'s post-acquisition reserves (W.N.3)		84,000	5,19,000
Profit and Loss Account		2,80,000	
Add: 80% share of S Ltd.'s post-acquisition profits (W.N.3)	21,200		
Less: Unrealised gain	(4,000)	17,200	2,97,200
			8,16,200
2. Trade Payables			
H Ltd.		3,25,000	
S Ltd.		1,25,000	
Less: Mutual transaction		(40,000)	4,10,000
3. Tangible Assets			
Machinery			
H Ltd.		6,40,000	
S Ltd.	2,00,000		
Add: Appreciation	1,00,000		
	3,00,000		
Less: Depreciation	(30,000)	2,70,000	9,10,000
Furniture			
H. Ltd.		3,75,000	
S Ltd.	40,000		
Less: Decrease in value	(10,000)		

	30,000		
Less: Depreciation	(4,500)	25,500	4,00,500
			13,10,500
4. Intangible assets			
Goodwill [WN 5]			24,000
5. Inventories			
H Ltd.		2,68,000	
S Ltd.		62,000	3,30,000
Less: Inventory reserve			(5,000)
			3,25,000
6. Trade Receivables			
H Ltd.		4,73,000	
S Ltd.		2,37,000	
			7,10,000
Less: Mutual transaction			(40,000)
			6,70,000
7. Cash and Bank			
H Ltd.		1,64,000	
S Ltd.		32,000	1,96,000

Working Notes:

1. Profit or loss on revaluation of assets in the books of S Ltd. and their book values as on 1.4.2018

Particulars	Amount (Rs.)
Machinery	
Revaluation as on 1.4.2018	3,00,000
Less: Book value as on 1.4.2018	(2,00,000)
Profit on revaluation	1,00,000
Furniture	
Revaluation as on 1.4.2018	30,000
Less: Book value as on 1.4.2018	(40,000)
Loss on revaluation	(10,000)

2. Calculation of short/excess depreciation

Particulars	Machinery	Furniture
Upward/ (Downward) Revaluation (W.N. 4)	1,00,000	(10,000)
Rate of depreciation	10% p.a.	15% p.a.
Difference [(short)/excess]	(10,000)	1,500

3. Analysis of reserves and profits of S Ltd. as on 31.03.2019

Particulars	Pre-acquisition profit up to 1.4.2018	Post-acquisition profits (1.4.2018 – 31.3.2019)	
	(Capital profits)	General Reserve	Profit and loss account
General reserve as on 31.3.2019	50,000	1,05,000	
Profit and loss account as on 31.3.2019	30,000	35,000	
Upward Revaluation of machinery as on 1.4.18	1,00,000		

Downward Revaluation of Furniture as on 1.4.18	(10,000)		
Short depreciation on machinery (W.N. 5)			(10,000)
Excess depreciation on furniture (W.N. 5)			1,500
Total	1,70,000	1,05,000	26,500

4. Minority Interest

Particulars	Amt.
Paid-up value of (2,00,000 x 20%)	40,000
Add: 20% share of pre-acquisition profits and reserves [(20% of (50,000 + 30,000))]	16,000
20% share of profit on revaluation	18,000
20% share of post-acquisition reserves	21,000
20% share of post-acquisition profit	5,300
	1,00,300
Less: Unrealised Profit on Inventory (55,000 x 10/110) x 20%	(1,000)
	99,300

5. Cost of Control or Goodwill:

Cost of Investment		3,20,000
Less: Paid-up value of 80% shares	1,60,000	
80% share of pre-acquisition profits and reserves		
(Rs. 64,000 + Rs.72,000)	1,36,000	(2,96,000)
Cost of control or Goodwill		24,000

Q.CFS.RMP.308(B): (May22)

White Ltd. acquired 2,250 shares of Black Ltd. on 1st October, 2020. The summarized balance sheets of both the companies as on 31st March, 2021 are given below:



	White Ltd. (Rs.)	Black Ltd. (Rs.)
(I) Equity and Liabilities		
(1) Shareholder's fund		
Share capital (Equity shares of Rs. 100 each fully paid up)	6,50,000	3,00,000
Reserves and Surplus		
General Reserve	60,000	30,000
Profit and loss account	1,50,000	90,000
(2) Current Liabilities		
Trade payables	1,15,000	75,000
Due to White Ltd.	-	30,000
Total	9,75,000	5,25,000
(II) Assets:		
Non-current assets		
Property, Plant and Equipment	5,80,000	3,51,000
Investments		
Shares in Black Ltd. (2,250 shares)	2,70,000	
Current assets		
Inventories	50,000	1,20,000

Due from Black Ltd.	36,000	
Cash and Cash equivalents	39,000	54,000
Total	9,75,000	5,25,000

Other information:

- (i) During the year, Black Limited fabricated a machine, which is sold to White Ltd. for Rs. 39,000, the transaction being completed on 30th March, 2021.
- (ii) Cash in transit from Black Ltd. to White Ltd. was Rs. 6,000 on 31st March, 2021.
- (iii) Profits during the year 2020-2021 were earned evenly.
- (iv) The balances of Reserve and Profit and Loss account as on 1st April, 2020 were as follows:

	Reserves Rs.	Profit and Loss A/c Rs.
White Ltd.	30,000	15,000 Profit
Black Ltd.	30,000	10,000 Loss

You are required to prepare consolidated Balance Sheet of the group as on 31st March, 2021 as per the requirement of Schedule III of the Companies Act, 2013.

SOLUTION

**Consolidated Balance Sheet of White Ltd. and its Subsidiary Black Ltd.
as at 31st March, 2021**

Particulars	Note No.	(Rs.)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	6,50,000
(b) Reserves and Surplus	2	2,55,000
(2) Minority Interest	3	1,05,000
(3) Current Liabilities		
(a) Trade Payables	4	1,90,000
Total		12,00,000
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	5	9,31,000
(2) Current assets		
(i) Inventory	6	1,70,000
(ii) Cash & cash equivalent	7	99,000
Total		12,00,000

Notes to Accounts

		Rs.
1. Share capital		
6,500 equity shares of Rs. 100 each, fully paid up		6,50,000
Total		6,50,000
2. Reserves and Surplus		
General Reserves		60,000
Profit and Loss Account	1,50,000	
Add: 75% share of Black Ltd.'s post-acquisition profits (W.N.1)	37,500	1,87,500

	Capital reserve (W.N. 5)		7,500
	Total		2,55,000
3.	Minority interest in Black Ltd. (WN 4)		1,05,000
4.	Trade payables		
	White Ltd.	1,15,000	
	Black Ltd.	75,000	1,90,000
5.	Property, plant and equipment		
	White Ltd.	5,80,000	
	Black Ltd.	3,51,000	9,31,000
6	Inventory		
	White Ltd.	50,000	
	Black Ltd.	1,20,000	1,70,000
7	Cash & cash equivalent		
	White Ltd.	39,000	
	Black Ltd.	54,000	
	Cash in transit	6,000	99,000

Working Notes:

1. Post-acquisition profits of Black Ltd.	Rs.
profits earned during the year = Rs. 90,000 + Rs.10,000	1,00,000
Pre-acquisition profits (1.4.20 to 30.9.20)	50,000
Post-acquisition profits (1.10.20 to 31.3.21)	50,000
White Ltd.'s share 75% of 50,000	37,500
Minority Interest 25% of 50,000	12,500
2. Pre-acquisition profits and reserves of Black Ltd.	
Reserves as on 1.4.2020	30,000
Profit and Loss Account [10,000 (loss as on 1.4.20) +50,000 (6 month Adjusted pre-acquisition profits)]	40,000 70,000
White Ltd.'s = (75%) × 70,000	52,500
Minority Interest= (25%) × 70,000	17,500
3. Post-acquisition reserves of Black Ltd.	
Post-acquisition reserves (Total reserves less pre-acquisition reserves = Rs. 30,000 – 30,000)	nil
4. Minority Interest	
Paid-up value of (3,000 – 2,250) = 750 shares held by outsiders i.e., 750 × Rs. 100	75,000
Add: 25% share of pre-acquisition reserves & Profit	17,500
25% share of post-acquisition profit	12,500
	1,05,000
5. Capital Reserve	
Price paid by White Ltd. for 2,250 shares (A)	2,70,000
Intrinsic value of the shares-	
Paid-up value of 2,250 shares held by White Ltd. i.e.,	2,25,000

2,250 × Rs. 100		
Add 75% share of pre-acquisition reserves & profit (70,000 × 75%)	52,500 (B)	2,77,500
Capital reserve (A – B)		7,500

SERIES 400

QUESTIONS ON CONSOLIDATED PROFIT AND LOSS STATEMENT

Q.CFS.SM.401(B):

Given below are the Profit & Loss Accounts of H Ltd and its subsidiary S Ltd for the year ended 31st March, 20X3:



	H Ltd.	S Ltd.
	(₹ in lacs)	(₹ in lacs)
Sales and other income	5,000	1,000
Increase in Inventory	1,000	200
Raw material consumed	800	200
Wages and Salaries	800	150
Production expenses	200	100
Administrative Expenses	200	100
Selling and Distribution Expenses	200	50
Interest	100	50
Depreciation	100	50

Other Information:

H Ltd. sold goods to S Ltd. of ₹ 120 lacs at cost plus 20%. Inventory of S Ltd. includes such goods valuing ₹ 24 lacs. Administrative expenses of S Ltd. include ₹ 5 lacs paid to H Ltd. as consultancy fees. Selling and distribution expenses of H Ltd. include ₹ 10 lacs paid to S Ltd. as commission. H Ltd. holds 80% of equity share capital of ₹ 1,000 lacs in S Ltd. prior to 20X1-20X2. H Ltd. took credit to its Profit and Loss Account, the proportionate amount of dividend declared and paid by S Ltd. for the year 20X1-20X2.

Prepare a consolidated profit and loss account.

SOLUTION

**Consolidated statement of profit and loss of H Ltd. and its subsidiary S Ltd.
for the year ended on 31st March, 20X3**

Particulars	Note No.	₹ in Lacs
I. Revenue from operations	1	5,865
II. Total Income		5,865
III. Expenses		
Cost of material purchased/consumed	2	1,180
Changes of inventories of finished goods	3	(1,196)
Employee benefit expense	4	950
Finance cost	5	150
Depreciation and amortization expense	6	150
Other expenses	7	535
Total expenses		1,769

IV. Profit before tax (II-III)		4,096
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Notes to Accounts

		₹ in Lacs	₹ in Lacs
1. Revenue from operations			
Sales and other income			
H Ltd.		5,000	
S Ltd.		1,000	
		6,000	
Less: Inter-company sales		(120)	
Consultancy fees received by H Ltd. from S Ltd.		(5)	
Commission received by S Ltd. from H Ltd.		(10)	5,865
2. Cost of material purchased/consumed			
H Ltd.		800	
S Ltd.		200	
		1,000	
Less: Purchases by S Ltd. from H Ltd. Direct expenses (Production)		(120)	880
H Ltd.		200	
S Ltd.		100	300
			1,180
3. Changes of inventories of finished goods			
H Ltd.		1,000	
S Ltd.		200	
Less: Unrealized profits ₹ 24 lacs X 20/120		(4)	1,196
4. Employee benefits and expenses			
Wages and salaries:			
H Ltd.		800	
S Ltd.		150	950
Finance cost Interest:			
H Ltd.		100	
S Ltd.		50	150
Depreciation			
H Ltd.		100	
S Ltd.		50	150
Other expenses			
Administrative expenses			
H Ltd.		200	
S Ltd.		100	
Less: Consultancy fees received by H Ltd. from S Ltd.		(5)	295
5. Selling and distribution Expenses:			
H Ltd.		200	
S Ltd.		50	
Less: Commission received by S Ltd. from H Ltd.		(10)	240
			535

Q.CFS.RMP.402(B): (RTP May'18 and MTP Aug'18; March'21 & Exam Nov'18)



Given below are the Profit & Loss Accounts of Hello Ltd. and its subsidiary Sun Ltd. for the year ended 31st March, 2017:

	Hello Ltd. (Rs. in lacs)	Sun Ltd. (Rs. in lacs)
Incomes:		
Sales and other income	10,000	2,000
Increase in Inventory	2,000	400
	12,000	2,400
Expenses:		
Raw material consumed	1,600	400
Wages and Salaries	1,600	300
Production expenses	400	200
Administrative Expenses	400	200
Selling and Distribution Expenses	400	100
Interest	200	100
Depreciation	200	100
	4,800	1,400
Profit before tax	7,200	1,000
Provision for tax	2,400	400
Profit after tax	4,800	600
Dividend paid	2,400	300
Balance of Profit	2,400	300

Other Information:

- Hello Ltd. sold goods to Sun Ltd. of Rs 240 lacs at cost plus 20%. Inventory of Sun Ltd. includes such goods valuing Rs 48 lacs.
- Administrative expenses of Sun Ltd. include Rs 10 lacs paid to Hello Ltd. as consultancy fees.
- Selling and distribution expenses of Hello Ltd. include Rs 20 lacs paid to Sun Ltd. as commission.
- Hello Ltd. holds 80% of equity share capital of Rs 2,000 lacs in Sun Ltd. prior to 2015-2016.
- Hello Ltd. took credit to its Profit and Loss Account, the proportionate amount of dividend declared and paid by Sun Ltd. for the year 2015-2016.

You are required to **prepare** a consolidated profit and loss account of Hello Ltd. and its subsidiary Sun Ltd. for the year ended 31st March, 2017.

SOLUTION

Consolidated Profit & Loss Account of Hello Ltd. and its subsidiary Sun Ltd. for the year ended on 31st March, 2017

Particulars	Note No.	Rs in Lakhs
I. Revenue from operations	1	11,730
II. Total revenue		11,730
III. Expenses		
Cost of Material purchased/Consumed	3	2,360
Changes of Inventories of finished goods	2	(2,392)
Employee benefit expense	4	1,900
Finance cost	6	300



Depreciation and amortization expense	7	300
Other expenses	5	1,070
Total expenses		3,538
IV. Profit before Tax (II-III)		8,192
V. Tax Expenses	8	2,800
VI. Profit After Tax		5,392
Profit transferred to Consolidated Balance Sheet		
Profit After Tax		5,392
Dividend paid		
Hello Ltd.	2,400	
Sun Ltd.	300	
	2,700	
Less: Share of Hello Ltd. in dividend of Sun Ltd.		
80% of Rs 300 lacs	(240)	(2,460)
Profit to be transferred to consolidated balance sheet		2,932

Notes to Accounts

	Rs in Lacs	Rs in Lacs
1. Revenue from Operations		
Sales and other income		
Hello Ltd.	10,000	
Sun Ltd.	2,000	
	12,000	
Less: Inter-company Sales	(240)	
Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	
Commission received by Sun Ltd. from Hello Ltd.	(20)	11,730
2. Increase in Inventory		
Hello Ltd.	2,000	
Sun Ltd.	400	
	2,400	
Less: Unrealized profits Rs 48 lacs × 20 120	(8)	2,392
		14,122
3. Cost of Material purchased/consumed		
Hello Ltd.	1,600	
Sun Ltd.	400	
	2,000	
Less: Purchases by Sun Ltd. from Hello Ltd.	(240)	1,760
Direct Expenses		
Hello Ltd.	400	
Sun Ltd.	200	600
		2,360
4. Employee benefits and expenses		
Wages and Salaries:		
Hello Ltd.	1,600	
Sun Ltd.	300	1,900
5. Other Expenses		
Administrative Expenses		

Hello Ltd.	400	
Sun Ltd.	200	
	600	
Less: Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	590
Selling and Distribution Expenses:		
Hello Ltd.	400	
Sun Ltd.	100	
	500	
Less: Commission received from Sun Ltd. from Hello Ltd.	(20)	480
		1,070
6. Finance Cost		
Interest:		
Hello Ltd.	200	
Sun Ltd.	100	300
7. Depreciation and Amortization		
Depreciation:		
Hello Ltd.	200	
Sun Ltd.	100	300
8. Provision for tax		
Hello Ltd.	2,400	
Sun Ltd.	400	2,800

Note: Since the amount of dividend received by Hello Ltd. for the year 2015-2016 is not given, it has not been deducted from 'sales and other income' in consolidated profit and loss account and not added to consolidated opening retained earnings (which is also not given).

SERIES 500
MISC. QUESTIONS

Q.CFS.RMP.501(B): (RTP May'19 & Nov'19, MTP Nov'21, Nov'22)

Consider the following summarized Balance Sheets of subsidiary MNT Ltd.

	2017-18	2018-19
	Amount in Rs.	Amount in Rs.
Liabilities		
Share Capital		
Issued and subscribed 7500 Equity Shares of Rs 100 each	7,50,000	7,50,000
Reserve and Surplus		
Revenue Reserve	2,14,000	5,05,000
Securities Premium	72,000	2,07,000
Current Liabilities and Provisions		
Trade Payables	2,90,000	2,46,000
Bank Overdraft	-	1,70,000
Provision for Taxation	2,62,000	4,30,000



	15,88,000	23,08,000
Assets		
Fixed Assets (Cost)	9,20,000	9,20,000
Less: Accumulated Depreciation	(1,70,000)	(2,82,500)
	7,50,000	6,37,500
Investment at Cost	-	5,30,000
Current Assets		
Inventory	4,12,300	6,90,000
Trade Receivable	2,95,000	3,43,000
Prepaid expenses	78,000	65,000
Cash at Bank	52,700	42,500
	15,88,000	23,08,000

Other Information:

- (1) MNT Ltd. is a subsidiary of LTC Ltd.
- (2) LTC Ltd. values inventory on FIFO basis, while MNT Ltd. used LIFO basis. To bring MNT Ltd.'s inventories values in line with those of LTC Ltd., its value of inventory is required to be reduced by Rs 5,000 at the end of 2017-2018 and increased by Rs 12,000 at the end of 2018-2019. (Inventory of 2017-18 has been sold out during the year 2018-19)
- (3) MNT Ltd. deducts 2% from Trade Receivables as a general provision against doubtful debts.
- (4) Prepaid expenses in MNT Ltd. include Sales Promotion expenditure carried forward of Rs 25,000 in 2017-18 and Rs 12,500 in 2018-19 being part of initial Sales Promotion expenditure of Rs 37,500 in 2017-18, which is being written off over three years. Similar nature of Sales Promotion expenditure of LTC Ltd. has been fully written off in 2017-18.

Restate the balance sheet of MNT Ltd. as on 31st March, 2019 after considering the above information for the purpose of consolidation. Such restatement is necessary to make the accounting policies adopted by LTC Ltd. and MNT Ltd. uniform.

SOLUTION

(a) Restated Balance Sheet of MNT Ltd. as at 31st December, 2019

Particulars	Note No.	(Rs)
III. Equity and Liabilities		
(2) Shareholder's Funds		
(a) Share Capital		7,50,000
(b) Reserves and Surplus	1	7,18,500
(3) Current Liabilities		
(a) Short term borrowings	2	1,70,000
(b) Trade Payables		2,46,000
(c) Short-term provision	3	4,30,000
Total		23,14,500
II. Assets		
(1) Non-current assets		
(a) Property, Plant & Equipment	4	6,37,500
(b) Non-current Investment		5,30,000
(2) Current assets		
(a) Inventories (6,90,000 +12,000)	5	7,02,000
(b) Trade Receivables $\frac{343000}{98} \times 100$		3,50,000
(c) Cash & Cash Equivalents		42,500

(d) Other current assets	6	52,500
Total		23,14,500

Notes to Accounts

			Rs
1. Reserves and Surplus			
Revenue Reserve (refer W.N.)	5,11,500		
Securities Premium	2,07,000		7,18,500
2. Short term borrowings			
Bank overdraft			1,70,000
3. Short-term provision			
Provision for taxation			4,30,000
4. Property, Plant and Equipment			
Cost	9,20,000		
Less: Depreciation to date	(2,82,500)		6,37,500
5. Inventories	6,90,000		
Increase in value as per FIFO	12,000		7,02,000
6. Other current assets			
Prepaid expenses (After adjusting sales promotion expenses to be written off each year) (65,000 -12,500)			52,500

Working Note:

Adjusted revenue reserves of MNT Ltd.:

	Rs	Rs
Revenue reserves as given		5,05,000
Add: Provision for doubtful debts [3,43,000 X 2/98]	7,000	
Add: Increase in value of inventory	12,000	19,000
		5,24,000
Less: Sales Promotion expenditure to be written off		(12,500)
Adjusted revenue reserve		5,11,500

SECTION C – MASTER QUESTIONS

Question 1:

Following is the Balance sheet of Holding Ltd. and Subsidiary Ltd. as on 31st March 20X3:

PARTICULARS	HOLDING LTD.	SUBSIDIARY LTD.
Equity and Liabilities		
Equity Share Capital (10/- Each)	12,00,000	10,00,000
Preference Share Capital (10/- Each)	5,00,000	3,00,000
Reserves and Surplus		
General Reserve	7,50,000	6,00,000
Profit and Loss A/c	6,00,000	4,50,000
10% Debentures	18,00,000	12,00,000
Trade Creditors	9,00,000	5,00,000
Bills Payables	4,00,000	1,50,000
	61,50,000	42,00,000
Assets		
Land and Building	13,50,000	17,00,000
Plant & Machinery	8,20,000	12,00,000
Goodwill	1,00,000	-
Investments:		
Equity Shares of Subsidiary Ltd.	15,00,000	-
10% Debentures of Subsidiary Ltd. (30% Debentures)	3,00,000	-
Trade Debtors	10,00,000	6,00,000
Bills Receivables	2,80,000	2,00,000
Inventory	5,00,000	4,00,000
Cash and Cash Equivalent	3,00,000	1,00,000
	61,50,000	42,00,000

Other Relevant Information:

- Investments were purchased on 1st July of 20X2.
- Holding Ltd. purchased 75,000 Equity Shares.
- Balances of Reserves and Surplus of Subsidiary Ltd. on 1st April 20X2 are:
 - General Reserve - 2,10,000
 - Profit and Loss A/c - 1,50,000
- On 1st August Dividend is Paid by subsidiary @ 12% on Equity Share Capital. Amount received by Holding is correctly recorded in the books
- There is an Abnormal loss of Rs. 15,000 in the month of October
- Market Value of Land & Building on 1st July 20X2 was 22,00,000 and Depreciation is 15%.
- In the month of January 20X3, Goods sold by Holding Ltd. having Cost of Rs. 2,50,000 at Rs. 3,00,000. 60% of such goods are unsold and laying with Subsidiary.
- In the month of March 20X3, Goods costing Rs. 1,25,000 sold by subsidiary at 20% Profit on Sales. Out of which, goods of 50,000 (sales value) are unsold with Holding.
- On 31st March, Subsidiary Ltd. has issued Bonus Equity Shares in the ratio of 1:5, whose entry is not yet passed.
- All Bills Payable of S Ltd. are accepted in favour of H Ltd. However H Ltd. has Already discounted 40% of those Bills from Bank

- 11.** Trade Creditors of S Ltd. includes 40,000 payable to H Ltd. but Trade Debtors of H Ltd. includes 50,000 receivable from S Ltd. The difference can be treated as Cash in Transit.

PREPARE CONSOLIDATED FINANCIAL STATEMENT ALONG WITH PROPER WORKING NOTES

SPACE FOR SOLUTION:

