

TOPIC – 21

ACCOUNTING STANDARD – 23

ACCOUNTING FOR INVESTMENTS IN ASSOCIATES IN CONSOLIDATED FINANCIAL STATEMENTS

TOTAL NO. OF QUESTIONS - 11

Q.AS23.OM.01

On 01/04/23 Investments (25%) in Associate purchased at a Cost of 4,00,000. ESC & R&S as on 01/04/23 are 10,00,000 and 5,00,000. On 1st June, Dividend paid by Associate 50,000 & also received by Investor. Closing Balance Of R&S of Associate is 8,00,000 as on 31/03/24. show Equity method Accounting on DOA & on 31/03/24.



Q.AS23.OM.02

In Continuation of above Q1, During FY 24-25, suppose Associate co. earned Net profit after Tax of 3,00,000 & Distributed Dividend of 60,000



Q.AS23.SM.03

A Ltd. acquired 45% of B Ltd. shares on April 01, 20X1, the price paid was ₹ 15,00,000. Following are the extracts of balance sheet of B Ltd. as of 1 April 20X1:

Paid up Equity Share Capital	₹ 10,00,000
Securities Premium	₹ 1,00,000
Reserve & Surplus	₹ 5,00,000

B Ltd. has reported net profits of ₹ 3,00,000 and paid dividends of ₹ 1,00,000 for the year ended 31 March 20X2. Calculate the amount at which the investment in B Ltd. should be shown in the consolidated balance sheet of A Ltd. as on March 31, 20X2.

Q.AS23.SM.04

Date of Acquisition of Investments	01/04/23
Investment Cost @ 30%	2,70,000
ESC of Associate co. as on (01/04/23)	5,00,000
R&S as on (01/04/23)	3,00,000

On 01/04/23, One PPE whose BV was 7,00,000 having FV was 9,00,000 Depreciation rate = 10% Net profit of Associate for 23-24 is 2,00,000.

Apply Equity method:

- a) On DOA; and
b) On B/S date

Q.AS23.SM.05 (Loss Making Associate Entity)

A Ltd. acquired 40% share in B Ltd. on April 01, 20X1 for ₹ 10 lacs. On that date B Ltd. had 1,00,000 equity shares of ₹ 10 each fully paid and accumulated profits of ₹ 2,00,000. During the year 20X1-20X2, B Ltd. suffered a loss of ₹ 10,00,000; during 20X2-20X3 loss of ₹ 12,50,000 and during 20X3-20X4 again a loss of ₹ 5,00,000. Show the extract of consolidated balance sheet of A Ltd. on all the four dates recording the above events.

**Q.AS23.SM.06**

Bright Ltd. acquired 30% of East India Ltd. shares for ₹ 2,00,000 on 01-06-20X1. By such an acquisition Bright can exercise significant influence over East India Ltd. During the financial year ending on 31-03-20X1 East India earned profits ₹ 80,000 and declared a dividend of ₹ 50,000 on 12-08-20X1. East India reported earnings of ₹ 3,00,000 for the financial year ending on 31-03-20X2 (assume profits to accrue evenly) and declared dividends of ₹ 60,000 on 12-06-20X2. Calculate the carrying amount of investment in:



- Separate financial statements of Bright Ltd. as on 31-03-20X2;
- Consolidated financial statements of Bright Ltd.; as on 31-03-20X2;
- What will be the carrying amount as on 30-06-20X2 in consolidated financial statements?

Q.AS23.SM.07

A Ltd. acquired 25% of shares in B Ltd. as on 31.3.20X1 for ₹ 3 lakhs. The Balance Sheet of B Ltd. as on 31.3.20X1 is given below:



	₹
Share Capital	5,00,000
Reserves and Surplus	5,00,000
	<u>10,00,000</u>
Fixed Assets	5,00,000
Investments	2,00,000
II. Current Assets	<u>3,00,000</u>
	<u>10,00,000</u>

During the year ended 31.3.20X2 the following are the additional information available:

- A Ltd. received dividend from B Ltd., for the year ended 31.3.20X1 at 40% from the Reserves.
- B Ltd., made a profit after tax of ₹ 7 lakhs for the year ended 31.3.20X2.
- B Ltd., declared a dividend @ 50% for the year ended 31.3.20X2 on 30.4.20X2.

A Ltd. is preparing Consolidated Financial Statements in accordance with AS 21 for its various subsidiaries. Calculate:

- Goodwill if any on acquisition of B Ltd.'s shares.
- How A Ltd., will reflect the value of investment in B Ltd., in the Consolidated Financial Statements?
- How the dividend received from B Ltd. will be shown in the Consolidated Financial Statements?

Q.AS23.OM.08: (CA FINAL)

B Ltd acquired a 30% interest in D Ltd and achieved significant influence. The cost of the investment was Rs. 2,50,000. The associate has net assets of Rs. 5,00,000 at the date of acquisition. The fair value of those net assets is Rs. 6,00,000 as a fair value of property, plant & equipment is Rs. 1,00,000 higher than its book value. This property, plant & equipment has a remaining useful life of 10 years.



After acquisition, D Ltd recognize profit after tax of Rs. 1,00,000 and paid a dividend out of these profits of 9,000.

Q.AS23.RMP.09: (RTP Sep'24)

Hill Ltd. Has a share capital of 50,000 shares @ Rs. 100 per share. Sun Ltd. Acquired 15% shares in Hill Ltd. On 1.4.2024. It also acquired all the 5,000 12% convertible debentures of Rs. 100 each of Hill Ltd. These debentures will be converted at par into equity shares of Hill Ltd. After 3 years. State whether, as per AS 23, Hill Ltd. is an Associate of Sun Ltd. or not with reasons?

Q.AS23.RMP.10: (Exam Sep'24)

On 1st February, 2024, Best Ltd. acquired 80% Equity shares of Cool Ltd. For ₹ 14,80,000.

On 31st March, 2024, Best Ltd. also acquired 25% Equity shares of Good Ltd. For ₹ 3,80,000.

The following are the balances extracted from the books of Best Ltd., Cool Ltd., and Good Ltd. as on 31st March, 2024 :

Particulars	Best Ltd. Amount in ₹	Cool Ltd. Amount in ₹	Good Ltd. Amount in ₹
Equity Shares of ₹ 100 each fully paid	30,00,000	20,00,000	10,00,000
Securities Premium	-	2,20,000	-
9% Debentures	6,30,000	-	2,40,000
General Reserve	2,69,000	84,000	1,20,000
Profit & Loss Account (Credit Balance)	3,26,000	2,70,000	50,000
Investments	17,50,000	6,10,000	-
Property, Plant, and Equipment	18,90,000	18,14,000	12,10,000
Current Assets	9,65,000	5,60,000	2,25,000
Trade Payable (Including Bills Payable)	3,80,000	4,10,000	25,000
Sales and other income	56,00,000	38,00,000	27,00,000
Raw material consumed	36,50,000	31,20,000	22,30,000

Wages and Salaries	5,07,000	4,01,000	2,69,000
Production expenses	1,35,000	1,06,000	98,000

Additional information :

- The Profit and Loss account of Cool Ltd. showed a credit balance of ₹ 30,000 on 1st April, 2023.
- The General Reserve balance is brought forward from the previous year.
- On 31st March, 2024, all the bills payable in Cool Ltd.'s balance sheet were acceptances in favour of Best Ltd. However, on the date, Best Ltd. held only ₹ 3,00,000 of these acceptances in hand, the rest having been endorsed in favour of its creditor.
- Best Ltd. purchased goods costing ₹ 5,00,000 from Cool Ltd. on 1st June, 2023 at a price of ₹ 6,50,000. The entire goods remain unsold with Best Ltd. at the end of the financial year.
- Best Ltd. is preparing Consolidated Financial Statements for the year ending 31.03.2024.

You are required to calculate :

- (1) Trade Payable (Consolidated)
- (2) Current Assets (Consolidated)
- (3) Minority Interest
- (4) Goodwill/Capital Reserve on the acquisition of Cool Ltd.'s shares
- (5) Goodwill/Capital Reserve on the acquisition of Good Ltd.'s shares
- (6) Profit & Loss Account (Consolidated)
- (7) General Reserve (Consolidated)
- (8) Revenue from Operations (Consolidated)
- (9) Cost of material purchased/consumed (Consolidated)

Q.AS23.RMP.II: (RTP Jan'25)

A Ltd. Invested ₹ 1,00,000 to acquire 10% stake (Investment I) in B Ltd. And later invested ₹ 3,00,000 to acquire additional 20% (Investment II). The net asset value of the B Ltd. At the respective investment dates was ₹ 7,50,000 and ₹ 12,50,000 respectively. Determine whether B Ltd. Is an associate of A Ltd. Also, calculate goodwill arising on the acquisition of the associate.

SOLUTIONS OF ABOVE QUESTIONS

Solution Q01

1) Equity method on DOA

Investment Cost	4,00,000
(-) Proportionate share in Net Assets of Associate Co. @ 25%:	
• ESC (10,00,000 × 25%)	(2,50,000)
• CP (4,50,000 × 25%)	(1,12,500)
Goodwill	37,500

2) Analysis of Profit of Associate:-

Particular	Pre-Acquisition Period Profit	Post Acquisition Period Profit	Balance on Balance Sheet
R&S	5,00,000	3,00,000	8,00,000
(+) Dividend	-	50,000	
Balance	5,00,000	3,50,000	
(+/-) Time adjustment	-	-	
(-) Dividend	(50,000)	-	
	4,50,000	3,50,000	
Share of Investor in Profits @ 25%	1,12,500	87,500	

3) Equity method as B/S date :-

Investment as on DOA (Including Goodwill - 37,500)	4,00,000
(+) Share in Post-Acquisition Profit (3,50,000 × 25%)	87,500
Investment Closing Balance 31/03/24	4,87,500

Solution Q02

Important Analysis:

Equity Method on 01/4/23	Equity Method on 31/03/24	Equity Method on 31/3/25
Net Assets - 14,50,000	Net Assets - 18,00,000	Net Assets - 20,40,000
Proportionate Share @ 25% is 3,62,500 + 37,500 Goodwill	Proportionate Share @ 25% is 4,50,000 + 37,500 Goodwill	Proportionate Share @ 25% is 5,10,000 + 37,500 Goodwill

Equity Method as on 31/03/25:-

Opening Balance (Carrying Amount) of Investment as on 01/04/24 (including Goodwill 37,500)	4,87,500
(+) Share in Post Acquisition profit 3,00,000 × 25%	75,000
(-) Dividend Received by Investor 60000 × 25%	(15,000)
Carrying Amount of Investments as on 31/03/25 (including Goodwill 37,500)	5,47,500

Solution Q03**Calculation of Goodwill/Capital Reserve under Equity Method**

Particulars		₹	₹
Investment in B Ltd.	(A)		15,00,000
Equity Shares		10,00,000	
Security Premium		1,00,000	
Reserves & Surplus		<u>5,00,000</u>	
Net Assets		<u>16,00,000</u>	
45% of Net Asset	(B)		<u>7,20,000</u>
Goodwill (A-B)			<u>7,80,000</u>

Calculation of Carrying Amount of Investment in the year ended on 31/03/X2

Particulars	₹
Investment in Associate as per AS 23:	
Share of Net Assets on 1 April 20X1	7,20,000
Add: Goodwill	<u>7,80,000</u>
Cost of Investment	15,00,000
Add: Profit during the year (3,00,000 x 45%)	1,35,000
Less: Dividend paid (1,00,000 x 45%)	<u>(45,000)</u>
Carrying Amount of Investment	<u>15,90,000</u>

Solution Q04

Alternate 1		Alternate 2			
1. Equity Method as on DOA		AOP of Associate			
Investment cost	2,70,000	Particulars	Pre-Profits	Post-Profits	On B/S Date
(-) Prop. Net Assets at FV		Reserves & Surplus	3,00,000	2,00,000	5,00,000
ESC (BV)	1,50,000	(+) FV of PPE	2,00,000	-	
R&S (BV)	90,000	(-) Additional	-	(20,000)	
FV Gain (9-7 x 30%)	60,000	Depreciation			
Capital Reserve	30,000	Final Balance	5,00,000	1,80,000	
Investment A/c Dr.	30,000	Share of Investor	1,50,000	54,000	
To Capital Reserve A/c	30,000	@ 30%			
Revised Investment as on DOA (as per Equity method)	3,00,000				
2. Equity method as B/S date		Equity Method as on DOA & B/S			
Carrying Amt. of Investment cost	3,00,000	Investment cost	2,70,000		
(+) Share in Post-Acquisition profit	60,000	(-) Prop. Net Assets at FV			
(-) Share in additional dep due to PPE FV (20,000 x 30%)	6,000	ESC (BV)	1,50,000		
Revised Investment as on B/s Date (as per Equity method)	3,54,000	Pre-Acquisition Profit	1,50,000		
		Capital Reserve	30,000		
		Revised Investment as on DOA (as per Equity method)	3,00,000		
		(+) Share in Post-Acquisition Profit	54,000		
		Carrying Amount of Investment as on BS date	3,54,000		

Solution Q05**Calculation of Goodwill/Capital Reserve under Equity Method**

Particulars	₹
Equity Shares	10,00,000
Reserves & Surplus	<u>2,00,000</u>
Net Assets	12,00,000
40% share of Net Assets	4,80,000
Less: Cost of Investment	<u>(10,00,000)</u>
Goodwill	<u>5,20,000</u>

Consolidated Balance Sheet (Extract) as on April 01, 20X1: ASSETS

	₹	₹
Investment in Associate as per AS 23		
Share of Net Assets on April 1	4,80,000	
Add: Goodwill	<u>5,20,000</u>	10,00,000

Calculation of Carrying Amount of Investment as at 31 March 20X2:

	₹
Investment in Associate as per AS 23	
Share of Net Assets on 1 April, 20X1	4,80,000
Add: Goodwill	<u>5,20,000</u>
Cost of Investment	10,00,000
Less: Loss for the year (10,00,000 x 40%)	<u>(4,00,000)</u>
Carrying Amount of Investment	<u>6,00,000</u>

Consolidated Balance Sheet (Extract) as on March 31, 20X2: ASSETS

	₹	₹
Investment in Associate as per AS 23		
Share of Net Assets on 1 April, 20X1	4,80,000	
Less: Share of Loss as above	<u>(4,00,000)</u>	
	80,000	
Add: Goodwill	<u>5,20,000</u>	6,00,000

Calculation of Carrying Amount of Investment as at 31 March 20X3:

	₹
Investment in Associate as per AS 23	
Carrying Amount of Investment as on 31 March 20X2	6,00,000
Less: Loss for the year (12,50,000 x 40%)	<u>(5,00,000)</u>
Carrying Amount of Investment	<u>1,00,000</u>

Consolidated Balance Sheet (Extract) as on March 31, 20X3: ASSETS

	₹	₹
Investment in Associate as per AS 23		
Share of Net Assets on 1 April, 20X1	4,80,000	
Less: Share of Loss as above (₹ 4,00,000 + ₹ 5,00,000)	<u>(4,20,000)</u>	
Add: Goodwill		1,00,000

Calculation of Carrying Amount of Investment as at 31 March 20X4:

	₹
Investment in Associate as per AS 23	
Carrying Amount of Investment	1,00,000
Less: Loss for the year (5,00,000 x 40% = 2,00,000, restricted to Carrying amount of Investment in B Ltd.) - refer note below	
Carrying Amount of Investment	

Consolidated Balance Sheet (Extract) as on March 31, 20X4: ASSETS

	₹
Investment in Associate as per AS 23	
Investment in B Ltd.	-

SOLUTION Q06

(i) Carrying amount of investment in Separate Financial Statement of Bright Ltd. as on 31.03.20X2

	₹
Amount paid for investment in Associate (on 1.06.20X1)	2,00,000
Less: Pre-acquisition dividend (₹ 50,000 x 30%)	<u>(15,000)</u>
Carrying amount as on 31.3.20X2 as per AS 13	<u>1,85,000</u>

(ii) Carrying amount of investment in Consolidated Financial Statements of Bright Ltd. as on 31.3.20X2 as per AS 23 *

	₹
Carrying amount as per separate financial statements	1,85,000
Add: Proportionate share of 10-month profit of investee as per equity method (30% of ₹ 3,00,000 x 10/12)	<u>75,000</u>
Carrying amount as on 31.3.20X2	<u>2,60,000</u>

(iii) Carrying amount of investment in Consolidated Financial Statement of Bright Ltd. as on 30.6.20X2 as per AS 23

	₹
Carrying amount as on 31.3.20X2	2,60,000
Less: Dividend received (₹ 60,000 x 30%)	<u>(18,000)</u>
Carrying amount as on 30.6.20X2	<u>2,42,000</u>

SOLUTION Q07

In terms of AS 23, B Ltd. will be considered as an associate company of A Ltd. as shares acquired represent to more than 20%.

(i) Calculation of Goodwill	(₹ in lakhs)
Amount paid towards acquisition of stake in B Ltd.	3.00
Less: Pre-acquisition dividend (₹ 5,00,000 x 40% x 25%)	<u>0.50</u>
Cost of Investment in B Ltd.	2.50
Less: Share in the value of Equity of B Ltd. as at the date of investment [25% of ₹ 10 lakhs (₹ 5 lakhs + ₹ 5 lakhs)]	<u>(2.50)</u>
Goodwill	<u>NIL</u>

(ii) A Ltd.

Consolidated Profit and Loss Account for the year ended 31st March, 20X2
(An extract)

		₹ in lakhs
Other income:		
Share of profits in B Ltd.		1.75
Pre-acquisition Dividend received from B Ltd.	0.50	
Transfer to investment A/c	<u>(0.50)</u>	Nil

Consolidated Balance Sheet as on 31.3.20X2 (An extract)

		₹ in lakhs
Non-current investments		
Investment in B Ltd.		
Cost of Investment in B Ltd.	2.50	
Share of profit for year 20X1 - 20X2	<u>1.75</u>	
	4.25	
Add: Goodwill	<u>NIL</u>	4.25

Working Notes:

1. Pre-acquisition dividend received from B Ltd. amounting to ₹ 0.50 lakhs will be reduced from investment value in the books of A Ltd.
2. B Ltd. made a profit of ₹ 7 lakhs for the year ended 31st March, 20X2. A Ltd.'s share in the profits of ₹ 7 lakhs is ₹ 1.75 lakhs.
3. Investment in B Ltd. will be increased by ₹ 1.75 lakhs and consolidated profit and loss account of A Ltd. will be credited with ₹ 1.75 lakhs in the consolidated financial statement of A Ltd.
4. Dividend declared on 30th April, 20X2 will not be recognized in the consolidated financial statement of A Ltd.

Solution Q08

B Ltd's interest in D Ltd at the end the year is calculated as follows: Rs.

Balance on requisition under the equity method (including goodwill of Rs. 70,000) (Rs 2,50,000 – (30% x Rs 6,00,000))	2,50,000
B Ltd's share of D Ltd's after tax profit (30% x Rs. 1,00,000)	30,000
Elimination of dividend received by B Ltd from D Ltd (30% x Rs. 9,000)	(2700)
B Ltd's share of Additional Depreciation (30% x Rs. 10,000)	(3000)
B Ltd's interest in D Ltd at the end of the year under the equity method (including goodwill)	2,74,300

D Ltd has net assets at the end of the year of Rs. 5,91,000 (that is, net assets at the start of the year of Rs. 5,00,000, plus profit during the year of Rs. 1,00,000, less dividend of Rs. 9,000.

B Ltd's interest in D Ltd at the end of the year is made up of:

B Ltd's share of D Ltd.'s net assets (30% x Rs. 5,91,000)	1,77,300
Goodwill	70,000
B Ltd's share of D Ltd's fair value adjustments (the initial fair value difference of Rs. 1,00,000 has been reduced by Rs. 10,000 due to depreciation in the year) (30% x Rs. 90,000)	27,000
B Ltd's interest in D Ltd	2,74,300

SOLUTION Q09

As per para 3 of AS 23 'Accounting for Investment in Associates in Consolidated Financial Statements', an associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor.

Standard further explains in para 4 that as regards share ownership, if an investor holds, directly or indirectly through subsidiary (ies), 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly through subsidiary (ies), less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated.

Further as per an explanation to para 4 of the standard, for the purpose of classification of associate, the potential equity shares of the investee held by the investor will not be taken into account for determining the voting power of the investor. In other words, the voting power should be determined on the basis of the current outstanding securities with voting rights.

As per the information given in the question, sun ltd. presently holds indirectly 22.7% shares (with and without voting rights) (refer W.N.) in Hill Ltd. however, the current outstanding securities with voting rights in Hill Ltd. is only 15% and the remaining holding is on account of potential equity shares. Since potential equity shares do not have voting rights they will not be taken into consideration while determining the significant influence of Sun Ltd. on Hill Ltd. Hence, Hill Ltd. is not an associate of Sun Ltd.

Working Note:**Calculation of percentage of holding of shares after conversion**

	₹
Current holding is 15% i.e. 7,500 shares of ₹ 100 each	7,50,000
Potential equity shares i.e. 5,000 shares of ₹ 100 each	5,00,000
	12,50,000

Total share capital of Hill Ltd. after conversion of debentures into equity shares will be = ₹ 50,00,000 + ₹ 5,00,000 = ₹ 55,00,000

Percentage of holding = ₹ (12,50,000 / 55,00,000) × 100 = 22.7% approx..

SOLUTION Q10**1. Trade payable (Consolidated)**

Best limited	3,80,000
Add: Cool Ltd	4,10,000
Less: Elimination	(3,00,000)
Total	4,90,000

2. Current assets (Consolidated)

Best limited		9,65,000
Add: Cool Ltd		5,60,000
Less: Elimination of inter company owing	(3,00,000)	
Less: Unrealized stock profit	(1,50,000)	(4,50,000)
Total		10,75,000

3. Minority interest Cool Ltd

Share Capital (20,00,000 × 20%)		4,00,000
Add: Securities premium (2,20,000 × 20%)		44,000
Add: General Reserve (84,000 × 20%)		16,800
Add: Profit and loss balance	2,70,000	
Less: Adjustment of unrealised profit stock	(1,50,000)	
Balance	1,20,000	
20% of above balance		24,000
Total		4,84,800

4. Goodwill/Capital Reserve on Acquisition of Cool Ltd.:

Purchase Consideration		14,80,000
Less: Share Capital (20,00,000 × 80%)		16,00,000
Less: Securities premium (2,20,000 × 80%)		1,76,000
Less: General Reserve (84,000 × 80%)		67,200
Less: Profit and loss balance opening (30,000 × 80%)		24,000
Less: Pre acquisition profits		
(2,70,000 - 30,000) × 10/12 × 80%	1,60,000	
Less: Unrealised profit stock (1,50,000 × 80%)	1,20,000	40,000
Capital Reserves		4,27,200

5. **Goodwill/Capital Reserve on Acquisition of Good Ltd.**

Purchase Consideration	3,80,000
Less: Share Capital (10,00,000 x 25%)	2,50,000
Less: General Reserve (1,20,000 x 25%)	30,000
Less: Profit and loss balance (50,000 x 25%)	12,500
Goodwill	87,500

6. **Profit and Loss Account (Consolidated)**

Best limited	3,26,000
Add: Post acquisition profit of Cool Ltd	
{(2,70,000-30,000) x 2/12}80%	32,000
Total	3,58,000

7. **General Reserve (Consolidated)**

Best limited 2,69,000

With reference to para no 15 of AS 21

If an enterprise makes two or more investments in another enterprise at different dates and eventually obtains control of the other enterprise, the consolidated financial statements are presented only from the date on which holding-subsidiary relationship comes in existence. If two or more investments are made over a period of time, the equity of the subsidiary at the date of investment, for the purposes of paragraph 13 above, is generally determined on a step-by-step basis; however, if small investments are made over a period of time and then an investment is made that results in control, the date of the latest investment, as a practicable measure, may be considered as the date of investment.

And para no 22 of AS 21 The results of operations of a subsidiary are included in the consolidated financial statements as from the date on which parent-subsidiary relationship came in existence. The results of operations of a subsidiary with which parent-subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss until the date of cessation of the relationship. The difference between the proceeds from the disposal of investment in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the consolidated statement of profit and loss as the profit or loss on the disposal of the investment in the subsidiary. In order to ensure the comparability of the financial statements from one accounting period to the next, supplementary information is often provided about the effect of the acquisition and disposal of subsidiaries on the financial position at the reporting date and the results for the reporting period and on the corresponding amounts for the preceding period.

8. **Revenue (Consolidated) as per para no 15 and 22 of AS 21**

Revenue of Best Ltd	56,00,000
Add: Revenue of Cool Ltd. (38,00,000 x 2/12)	6,33,333
	62,33,333

9. **Cost of materials purchased/consumed (Consolidated) as per para no 15 and 22 of AS 21**

Raw material of Best Ltd	36,50,000
Add: Raw material of Cool Ltd (31,20,000x 2/12)	5,20,000
	41,70,000

SOLUTION Q11

As per para 3 of AS 23 an associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. Significant influence may be gained by share ownership, statute or agreement. As regards share ownership, if an investor holds, directly or indirectly through subsidiary (ies), 20% or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the

case. In this case, A Ltd. has invested 30 % in B Ltd. so B Ltd. is to be considered as an associate of A Ltd.

The goodwill arising on the acquisition of the associate will be computed as follows:

		₹
Investment I		1,00,000
Share of net assets	(10 percent of ₹ 7,50,000)	(75,000)
Goodwill (A)		25,000
Investment II		3,00,000
Share of net assets	(20 percent of ₹ 12,50,000)	(2,50,000)
Goodwill (B)		50,000
Total goodwill (A + B)		75,000