Consolidation

AOP & Net Assets Calculations

Particulars	Pre Acq (upto DOA) Profit	Post Acq (after DOA) Profit	B/S Date
Balance of P&L	300000 1/4 1/7 XXX	200000 12m XXX	500000 XXX
Balance of GR	XXX	XXX (Bal. Fig.)	XXX
(+) Abnormal items	–	+ Loss – Gain	
(+) Bonus	(XXX) always	+ XXX if entry passed	
(+) Dividend Paid / Declared during the year	–	+ XXX if entry passed	
Adjusted profit			
(+/-) Time adjust	XXX	(XXX)	
(+/-) Abnormal items	XX	XX	
(–) Dividend paid / Declared	XX	XX	
(+/-) Revaluation of Assets & Depreciation	XX Rev. Gain / Loss	XX (Add Dep)	

		SavingInDept
(-) Unrealised profit (upstream)	XX	XX
Final profits	XXX	XXX
(+) Esc of Subsd. including Bonus	XXX	-
	Net Assets (FV) as on DOA	Post Acq profit
	H / M/I	H / M/I

Cost of Control :-

Investment original Cost in Subsd.	—	XXX
(-) pre Acq Dividend received Wrongly Credited to P&L	—	(XX)
		Net Investment
(-) Share of Parent in Net Assets as on DOA		(XXX)
		Goodwill / CR

Minority Interest :-

Net Assets As on DOA	—	XXX
M/I's Share as on DOA	—	XXX
(+) Post Acq Profit Share	—	XXX
M/I on B/S		XXX

Revaluation of Assets & Depreciation thereon

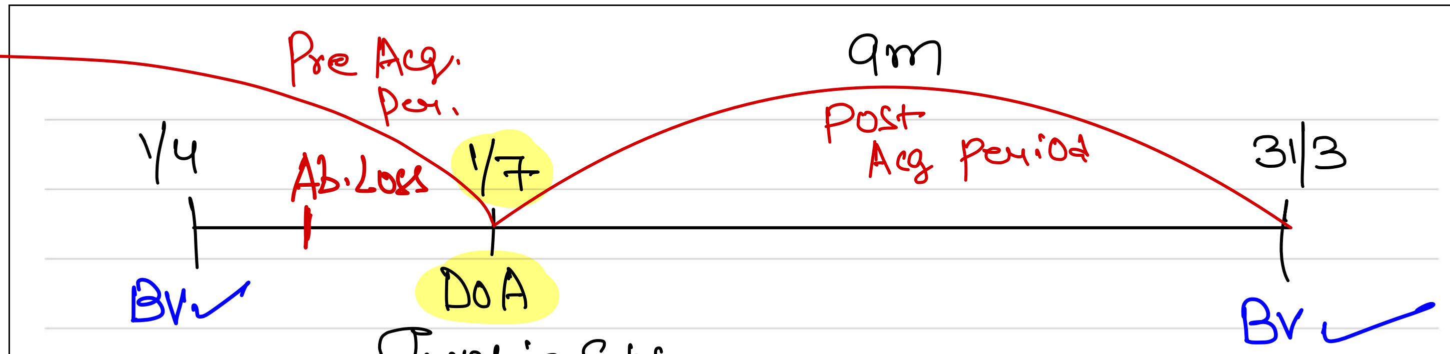
Year ending	Book Value of Asset	900000	xxx
	Dep 10%		
Opng. 1/4	Book Value of Asset (Considering Dep %)	$\frac{9}{90\%}$	10 lacs. xxx
DOA 1/7	Book Value of Asset (after proportionate Dep.)	9.75 lacs.	xxx
DOA	Market Value of Asset (Given)	12	xxx
	Revaluation Gain/Loss → AOP Pre Column		

Depreciation :- (For post Acq Period)

Actual Depreciation Charged by Sub. — xxx 50000
DOA BV − Closg BV

Depreciation that Should be Charged by Holding on MV (For post period) — xxx 60000

10000 Adding Dep (or) Saving in Dep. → AOP (Post Column)



Invst in Subs. 80%

Asset MV 500000

BV ?

Bonus issued by Subsidiary :-

Bonus entry already passed during the year

↓

AoP Post Column = Add Back

Bonus entry not yet passed

↓

Only Less in Pre Column

AoP Pre Column = Less

Unrealised profit on Unsold Stock

Case 1:- Goods Sold by H to Sub.
Downstream
Profit earned by H

Case 2:- Goods Sold by Subs. to H
upstream
Profit earned by S

Unsold Stock ⟶ Unrealised Profit
↓ eliminate

Jis entity ne profit earn kiya Ha:
Uske R&S se eliminate karo

Case 1:-
UP eliminate from Consolidated R&S of H

Case 2:-
UP eliminate from R&S of Subsd. i.e AOP Pre or post

Consolidated R&S (P&L) of Holding

Balance of R&S of H (As per SFs) — xxx

(-) Pre Acq Divd. Received & Wrongly Credited to P&L — xxx

(+) Share in post Acq Profit of Subsd. — xxx

(-) Unrealised profit on Downstream Transaction — xxx

(+) Dividend Receivable by H from Sub. (if Divd. is Declared at Cy end) — xxx

Post Acq Wala

(+/-) Any other adjustment — xxx

Solution of Master problem :-

75%

1/4/x2 — 1/7 — 1/8 — 1/10 — 31/3/x3

1/4/x2: GR 210000, P&L 150000

1/7 (75%): DOA
Dep 15%
$\frac{MV}{L\&B} = 2200000$

1/8: Divd. 12% (PY) 120000 → Pre Acq.

1/10: A.Loss 15000

31/3/x3 (Bonus): GR 600000, P&L 450000
$\frac{L\&B}{BV} = 17$ lacs.
Dep 15%

a) Unrealised profit earned by H

$50000 \times 60\% = 30000$

- Cons. P&L (−)
- Stock (B/S) (−)

b) Unrealised profit earned by S

$50000 \times 20\% = 10000$

- Post Column (−)
- Stock (B/S) (−)

WN-1 AOP & Net Assets Statement

Particulars	Pre Acq Profit upto 1/7	Post Acq. GR 1/7 to 31/3	Post Acq. P&L 1/7 to 31/3	B/S 31/3
Bal. of GR	210000 (1/4)	390000 12m	–	600000
Bal. of P&L	150000 (1/4)	–	300000 12m	450000
(+) Abnormal Loss	–	–	15000	
(+/-) Bonus 1000000 × 1/5	(200000)	–	–	
(+) Dividend	–	–	120000	
Adj Profit	160000	390000	435000	
(+/-) T. adjust 3m	97500 108750	(390000 × 3/12)	(435000 × 3/12)	
	366250	292500	326250	
(-) A.b. Loss	–	–	(15000)	
(-) Divd. (Pre)	(120000)	–	–	
(+/-) Revaluation	275000	–	(22500)	
(-) Unrealised Profit	–	–	(10000)	

Final profit =	521250	292500	278750
(+) ESC OF Sub. With Bonus =	12,00,000	—	—
	1721250	292500	278750
	Net Asset on 1/7	H 219375	209063
		M/I 73125	69687

WN-2 Revaluation & Depreciation

31/3	BV of L&B Dep 15%	—	1700000
1/4	BV of L&B $\frac{17 \text{ lac}}{85\%}$	—	20,00,000
1/7	BV of L&B 20,00,000 − 75000	—	19,25,000
1/7	MV of L&B	—	22,00,000
		R. Gain	275000

Depreciation :- (Post Period)

a) actual Dep by Sub. — 225000
DOA (BV) — Closg BV

b) Dep by H on MV

2200000 × 15% × 9/12 ——— 247500

Additional Dep 22,500

3) Cost of Control :-

Investment in equity ——— 1,500,000

(-) H's share in NA on DOA ——— 1290937

1721250 × 75%

Goodwill 2,09,063

4) M/I :-

M/I @ 25% on NA on DOA = 430313

(+) post Acq share of
GR = 73125
P&L = 69687

(+) PSC of Subsd (100%) = 300,000

~~8,73,125~~

5) Consolidated R&S of H :-

	GR	P&L
H's Balance	750000	600000
(-) Pre Acq Divd Wrongly Credited	—	—

(+) Share of post Acq profit	219375	209063	
(-) Unrealised profit earned by H	-	(30000)	
(+) Gain on Debn Setoff	-	60000	
	969375	839063	= 1808438

→ Subsid.

Debn a/c Dr. 360000

To Invst in Debn (H) 300000

To Con P&L 60000

Dividend Declared & Paid by Subsidiary

Part 1 :- From Subsd. POV :-

1) P&L Dr.
   To Dividend Payable

⇒ AOP

Pre Acq P. Dr.
Post Acq P Dr.
   To Divd. Payable

2) Divd Payable Dr.
   To Bank

2) Dividend Declaration Time :-

If Declared during the year (not at Closg. Date) → means already Paid

↓

Then this Dividend belongs to Py.

(means Entry Passed)

↓

Step 1 :- Add Divd. in Post Column (AOP)

Step 2 :- Time adjust.

Step 3 :- Less Divd. amt From Pre & Post depending on DOA

If Dividend is Declared at end of Cy

↓

Then this Dividend belongs to Cy

(Or)

Dividend payable shown in Cy B/S → apply same 3 steps

Dividend payable Not shown in Cy B/S → Directly Deduct From Pre or Post depending on DOA

Part 2 :- From M/I POV :-

(or)

Dividend paid already

↓

i.e M/I has already received the Dividend

↓

Hence, Do Nothing

Dividend Payable by Subsidiary at year end

↓

M/I's share of Divd. shall be separately shown in Cons. B/S (OCL)

Part 3 :- From Holding Co. POV (H is Receiver)

If Declared & paid during the year, then H Co. must have received

↓

H Co. must have passed either of these Two entries :-

If Declared at cy ending i.e Payable by Subsd. Co., then it is receivable by H

(H Co. has not passed any entry)

Case 1

Bank a/c Dr.
To Investm. a/c (Pre portion)
To P&L a/c (Post portion)

effect of this entry :-

Give direct effect in CFS

Invst a/c is already shown net of pre Divd.

↓

COC

Ignore pre Acq Divd. in COC working

Post wala Divd. is already added in P&L of H Co.

↓

Cons. P&L

Ignore Post wala Divd here because it is already included in P&L of H as per SFS

a) Pre wala portion to be deducted from Investment under COC

b) Post wala portion to be added in Cons. P&L / R&S of H Co.

(or)

Case 2 :- H Co. has passed wrong entry of Receipt of Dividend :-

Full Divd received 10000

6 pre

4 post

Bank a/c Dr.

To P&L a/c (Full pre + Post)

Now Rectification is required directly in CFS

⇓

P&L of H Dr. (Pre wala)

To Investment (Pre wala)

COC		Cons. P&L/R&S	
Invst Cost (as per B/s SFS)	xxx	Bal. of H as per SFS	xxx
(-) Pre wala Divd.	(xx)	(-) Pre wala Divd. (rectification)	(xxx)

isme galti se
pura 10K
chala gaya,
pre ko Nikalo

Class Example 7:-

Balance Sheet 31/3/25

	H	S
ESC	1200000	900000
R&S	800000	600000
Liabilities	1500000	1000000
	35 lacs	25 lacs
Investments (80%)	13,00,000	-
Other Assets	22,00,000	25,00,000
	35 lacs	25 lacs.

1) DOA = 1/8/24   Opng R&S 1/4/24 = 150000

2) Divd by Subsd. Declared & paid on 1/9 @ 10%.

3) H has wrongly Credited the Dividend received in P&L Only.

Solution   Divd amt = 90000

AOP :-

Particulars	upto 1/8 Pre	8m Post	31/3 B/S
R&S	150000 (1/4)	450000	600000
(+) Divd.	–	90000	
	150000	540000 (Profit before Divd.)	
(+/-) T. adjust for 4 months	180000	$\left(\frac{540000}{12} \times 4\right)$	
	330000	360000	
(-) Dividend	(90000)	–	
	240000	360000	
H 80%	192000 CoC	288000 Cons. P&L	
M/I 20%	48000	72000	

WN-2 M/I :-

	ESC (20%) =	180000
(+)	Pre Acq Share =	48000
		228000
(+)	Post Acq Share =	72000
		300000

WN-3 COC

	Investments =	1300000 (Gross)
(–)	pre Acq Divd Received (80%) =	(72000)
	Net Invest. =	12,28,000

H's share in NA :-

(–)	ESC (80%) =	(720000)
(–)	Pre Acq Share =	(192000)
	Goodwill =	316000

WN-4 Cons. R&S :-

	Bal. of R&S of H (as per SFS) =	800000
(–)	Pre Acq Divd wrongly Credited now rectified =	(72000)
(+)	Post Acq Share of profit =	288000
		10,16,000

Consolidated B/S

ESC	12,00,000
Cons. Res	10,16,000
M/I	3,00,000
Liabilities	25,00,000
	50,16,000
Goodwill	3,16,000
Other Assets	47,00,000
	50,16,000

Class Ex-8 Same as Class Ex. 7. H Co. has correctly deducted the pre Divd from Investments already.

Sol.) :- ADP → Same

M/I → Same

COC

Investment = 1300000 (already net)

(–) H's share in NA

ESC (80%) = (720000)

pre Acq Profit = (192000)

Goodwill = 3,88,000

Cons. R&S

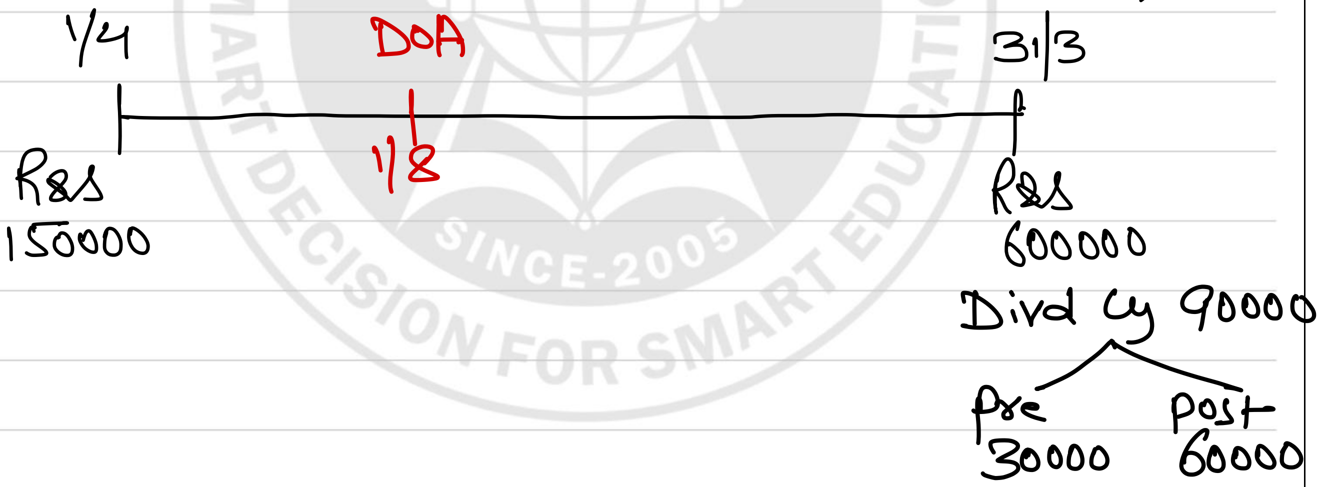
H's Bal (SFS) = 800000
(+) post Acq share = 288000
10,88000

B/s Total ⇒ 50,88,000

Class Ex:- 9

Same as Class Ex:7 with following changes

Dividend is Declared on 31/3/25 (instead of 1/8)



WN-1 AOP:-

Particulars	Upto 1/8 Pre	8m Post	31/3 B/s
R&S	150000 (1/4)	450000	600000
(+/-) T. adj	150000	$\left(450000 \times \frac{4}{12}\right)$	
	300000	300000	

Profit before Divd.

(-) Divd. Cy	(30000)	(60000)
	270000	240000
H 80%	216000	192000
M/I 20%	54000	48000

WN-2 **M/I :-**

ESC (20%)	=	180000
(+) Pre Acq	=	54000
		234000
(+) post Acq	=	48000
		282000

WN-3 **COC**

Investm. Cost	=	1300000
(-) pre Acq Divd Share 80%	=	(24000)
Net Invest.	=	1276000
(-) H's share in NA		
ESC 80%	=	(720000)
pre Acq share	=	(216000)
Goodwill	=	340000

WN-4 Consolidated R&S :-

Bal. with H (SFS) = 800000

(+) Post Acq Divd share = 48000

(+) post Acq share of profit = 192000

1040000

B/S Total = 50,40,000

Class Ex:-10 Same as Class Ex. 7 with following changes :-

a) Divd Declared by S on 31/3 & Entry also passed (Divd. Payable is Included in Liabilities)

b) But H Co. not passed any entry on 31/3

Sol) :- WN-1 AOP

	Pre	Post	B/S
R&S	150000	450000	600000
(+) Divd	-	90000	
	150000	540000	
(+/-) T. adj	180000	(180000)	

	330000	360000
(-) Dividend	(30000)	(60000)
	300000	300000
H 80%	240000	240000
M/I 20%	60000	60000

WN-2 M/I

ESC	=	180000
(+) Pre	=	60000
(+) post	=	60000
		300000

WN-3 COC :-

Investments	=	1300000
(-) Pre Acq Divd	=	(24000)
		1276000
(-) H's share in NA		
ESC 80%	=	720000
Pre Acq	=	240000
Goodwill	=	316000

WN-4 Cons. R&S

H's Bal. of R&S (SFS)	=	800000
(+) post Acq Divd	=	48000
(+) post Acq share of profit	=	240000
		1088000

Consolidated B/S

ESC	1200000
Cons. R&S	1088000
M/I	300000
Liab. (Other) H 1500000 S 910000	2410000
Divd payable to M/I (OCL)	18000
	50,16,000
Goodwill	3,16,000
Other Assets	47,00,000
	50,16,000