

AS 21

Consolidated Financial Statements

Question 1

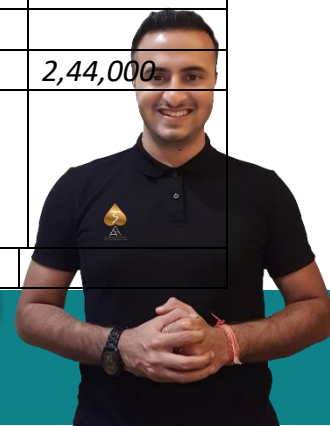
A Ltd. acquired 70% of equity shares of B Ltd. on 1.4.2010 at cost of Rs. 10,00,000 when B Ltd. had an equity share capital of Rs. 10,00,000 and reserves and surplus of Rs. 80,000. In the four consecutive years, B Ltd. fared badly and suffered losses of Rs. 2,50,000, Rs. 4,00,000, Rs. 5,00,000 and Rs. 1,20,000 respectively. Thereafter in 2014-15, B Ltd. experienced turnaround and registered an annual profit of Rs. 50,000. In the next two years i.e. 2015-16 and 2016-17, B Ltd. recorded annual profits of Rs. 1,00,000 and Rs. 1,50,000 respectively. Show the minority interests and cost of control at the end of each year for the purpose of consolidation.

(MTP 10 Marks Mar 19, MTP 12 Marks Oct 19, RTP May '23, PYP 10 Marks May '19, Old & New SM)

Answer 1

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, the minority interests will be computed as follows:

Year	Profit/(Loss) Interest (30%)	Minority P&L (Dr.) Cr.	Additional Consolidated	Minority's Share of losses borne by A Ltd. Rs. Balance		Cost of Control
At the time of acquisition in 2010		3,24,000 (W.N.)	-			
2010-11	(2,50,000)	(75,000)	(1,75,000)			2,44,000 (W.N)
Balance		2,49,000				
2011-12	(4,00,000)	(1,20,000)	(2,80,000)			2,44,000
Balance		1,29,000				
2012-13	(5,00,000)	(1,50,000)	(3,50,000)			2,44,000
		(21,000)				
	Loss of minority Borne by Holding Co.	21,000	(21,000)	21,000	21,000	
Balance		Nil	(3,71,000)			
2013-14	(1,20,000)	(36,000)	(84,000)			2,44,000
	Loss of minority bor by Holding Co.	36,000	(36,000)	36,000	57,000	
Balance		Nil	(1,20,000)			





2014-15	50,000	15,000	35,000			2,44,000
	Profit share o	(15,000)	15,000	(15,000)	42,000	
	minority					
	adjusted					
	against losse					
	of minority					
	absorbed by					
	Holding Co.	Nil	50,000			
2015-16	1,00,000	30,000	70,000			
	Profit share o	(30,000)	30,000	(30,000)	12,000	2,44,000
	minority					
	adjusted					
	against loses					
	of minority					
	absorbed by					
	Holding Co.					
Balance		Nil	100,000			
2016-17	1,50,000	45,000	1,05,000	(12,000)	Nil	2,44,000
		(12,000)	12,000			
Balance		33,000	1,17,000			

Working Note:

	100% (Rs.)	Share of Holding Co. 70% (Rs.)	Minority Interest 30% (Rs.)
Share Capital	10,00,000	7,00,000	3,00,000
Reserve	80,000	<u>56,000</u>	<u>24,000</u>
		<u>7,56,000</u>	3,24,000
Less: Cost of investment		<u>(10,00,000)</u>	
Goodwill		<u>2,44,000</u>	

Question 2

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? **(MTP 5 Marks, Apr 19, Mar 18) (Same concept different figures New SM)**

Answer 2

Total dividend paid = Rs. 60,000

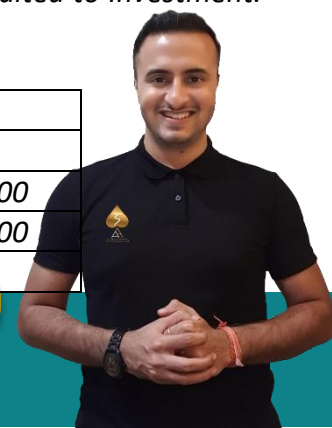
Out of post-acquisition profit = Rs. 40,000 Out of pre-acquisition profit = Rs. 20,000

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		<u>2,40,000</u>
Goodwill			<u>24,000</u>
Minority interest on: 1st January, 2016: 20% of Rs. 3,20,000 [2,00,000 + 1,20,000]			<u>64,000</u>
31st December, 2016: 20% of Rs. 3,00,000 [2,00,000 + 1,20,000 + 40,000 – 60,000]			<u>60,000</u>

Question 3

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	<u>2,000</u>	<u>400</u>
	<u>12,000</u>	<u>2,400</u>
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	<u>200</u>	<u>100</u>
	<u>4,800</u>	<u>1,400</u>
Profit before tax	7,200	1,000
Provision for tax	<u>2,400</u>	<u>400</u>
Profit after tax	4,800	600
Dividend paid	<u>2,400</u>	<u>300</u>
Balance of Profit	<u>2,400</u>	<u>300</u>

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.

(MTP 16 Marks Aug 18, RTP- May 18) (Same concept different figures to MTP 12 Marks Mar'18 & Oct '18)



**Answer 3****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 Lacs
I.	Revenue from operations	1	<u>11,730</u>
II.	Total revenue		<u>11,730</u>
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.	<i>Revenue from Operations</i>		
	<i>Sales and other income</i>		
	<i>Hello Ltd.</i>	10,000	
	<i>Sun Ltd.</i>	<u>2,000</u>	
		12,000	
	<i>Less: Inter-company Sales</i>	(240)	
	<i>Consultancy fees received by Hello Ltd. from Sun Ltd.</i>	(10)	
	<i>Commission received by Sun Ltd. from Hello Ltd.</i>	<u>(20)</u>	11,730
2.	<i>Increase in Inventory</i>		
	<i>Hello Ltd.</i>	2,000	
	<i>Sun Ltd.</i>	<u>400</u>	
		2,400	
	<i>Less: Unrealized profits Rs. 48 lacs × 20/120</i>	<u>(8)</u>	<u>2,392</u>
			<u>14,122</u>
3.	<i>Cost of Material purchased/consumed</i>		
	<i>Hello Ltd.</i>	1,600	
	<i>Sun Ltd.</i>	<u>400</u>	
		2,000	



	<i>Less: Purchases by Sun Ltd. from Hello Ltd.</i>	<u>(240)</u>	1,760
<i>Direct</i>	<i>Expenses</i>		
	<i>Hello Ltd.</i>	400	
	<i>Sun Ltd.</i>	<u>200</u>	<u>600</u>
			<u>2,360</u>
4.	<i>Employee benefits and expenses</i>		
	<i>Wages and Salaries:</i>		
	<i>Hello Ltd.</i>	1,600	
	<i>Sun Ltd.</i>	<u>300</u>	<u>1,900</u>
5.	<i>Other Expenses</i>		
	<i>Administrative Expenses</i>		
	<i>Hello Ltd.</i>	400	
	<i>Sun Ltd.</i>	<u>200</u>	
		600	
	<i>Less: Consultancy fees received by Hello Ltd. from Sun Ltd.</i>	<u>(10)</u>	590
	<i>Selling and Distribution Expenses:</i>		
	<i>Hello Ltd.</i>	400	
	<i>Sun Ltd.</i>	<u>100</u>	
		500	
	<i>Less: Commission received from Sun Ltd. from Hello Ltd.</i>	<u>(20)</u>	<u>480</u>
			<u>1,070</u>
6.	<i>Finance Cost</i>		
	<i>Interest:</i>		
	<i>Hello Ltd.</i>	200	
	<i>Sun Ltd.</i>	<u>100</u>	<u>300</u>
7.	<i>Depreciation and Amortization</i>		
	<i>Depreciation:</i>		
	<i>Hello Ltd.</i>	200	
	<i>Sun Ltd.</i>	<u>100</u>	<u>300</u>
8.	<i>Provision for tax</i>		
	<i>Hello Ltd.</i>	2,400	
	<i>Sun Ltd.</i>	<u>400</u>	<u>2,800</u>

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).

Question 4

H Ltd. and its subsidiary S Ltd. Give the following information as on 31st March, 2021:

	<i>H Ltd. (Rs.)</i>	<i>S Ltd. (Rs.)</i>
Share Capital		
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





Cr. Balance in Profit and Loss Account	2,80,000	65,000
Current Liabilities		
Trade Payables	3,22,000	1,23,000
Non-Current Assets		
<u>Property, Plant and Equipment</u>		
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	4,70,000	2,35,000
Cash and Bank	1,64,000	32,000

H Ltd. acquired the 80% shares of S Ltd. on 1st April, 2020. 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, 2020 for the purpose of fixing the price of its shares (rates of depreciation on W.D.V basis: Machinery 10% and Furniture 15%). Trade Payables of H Ltd. include Rs. 35,000 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.

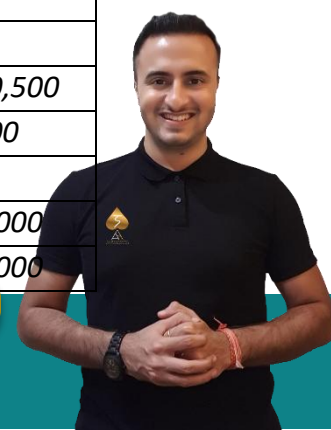
You are required to prepare the Consolidated Balance Sheet of H Ltd. With its subsidiary as at 31st March, 2021.

(MTP 16 Marks April 21, MTP 15 Marks Mar 22, RTP Nov 19, PYP 20 Marks May 18)

Answer 4

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

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital (1,20,000 equity shares of ₹ 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		
(i) Property, plant and equipment	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

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: Unrealized gain	(4,000)	17,200	2,97,200
2.	Trade Payables			8,16,200
	H Ltd.		3,22,000	
	S Ltd.		1,23,000	
	Less: Mutual transaction		(35,000)	4,10,000
3.	Property, plant and equipment			
	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
4.	Intangible assets			13,10,500
	Goodwill [WN 5]			24,000
5.	Inventories			
	H Ltd.		2,68,000	
	S Ltd.		62,000	3,30,000
	Less: Inventory reserve			(5,000)
6.	Trade Receivables			3,25,000
	H Ltd.		4,70,000	
	S Ltd.		2,35,000	
				7,05,000
	Less: Mutual transaction			(35,000)
7.	Cash and Bank			6,70,000
	H Ltd.		1,64,000	
	S Ltd.			1,96,000
			32,000	

Working Notes:



1. Profit or loss on revaluation of assets in the books of S Ltd. and their book values as on 1.4.2020

	Rs.
Machinery	
Revaluation as on 1.4.2020	3,00,000
Less: Book value as on 1.4.2020	<u>(2,00,000)</u>
Profit on revaluation	<u>1,00,000</u>
Furniture	
Revaluation as on 1.4.2020	30,000
Less: Book value as on 1.4.2020	<u>(40,000)</u>
Loss on revaluation	<u>(10,000)</u>

2. Calculation of short/excess depreciation

	Machinery	Furniture
Upward/ (Downward) Revaluation	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 31.03.2021

	Pre-acquisition profit upto 1.4.2020	Post-acquisition profits (1.4.2020 – 31.3.2021)	
	(Capital profits)	General Reserve	Profit and loss account
General reserve as on 31.3.2021	50,000	1,05,000	
Profit and loss account as on 31.3.2021	30,000		35,000
Upward Revaluation of machinery as on 1.4.2020	1,00,000		
Downward Revaluation of Furniture as on 1.4.2020	(10,000)		
Short depreciation on machinery			(10,000)
Excess depreciation on furniture			<u>1,500</u>
Total	<u>1,70,000</u>	<u>1,05,000</u>	<u>26,500</u>

4. Minority Interest

	Rs.
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	<u>5,300</u>
	1,00,300
Less: Unrealized Profit on Inventory	
(55,000 x 10/110) x 20%	<u>(1,000)</u>
	<u>99,300</u>





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)	<u>1,36,000</u>	<u>(2,96,000)</u>
Cost of control or Goodwill		<u>24,000</u>

Question 5

A Ltd. holds 80% of the equity capital and voting power in B Ltd. A Ltd sells inventories costing Rs. 180 lacs to B Ltd at a price of Rs. 200 lacs. The entire inventories remain unsold with B Ltd at the financial year end i.e. 31 March 2020. What will be the accounting treatment for this transaction in the consolidated financial statements of A Ltd? **(MTP 5 Marks Oct 20, MTP 4 Marks Mar 22 & Oct '23)**

Answer 5

This would be the case of downstream transaction. In the consolidated profit and loss account for the year ended 31 March 2020, 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. 20 lacs (i.e. Rs. 200 lacs – Rs. 180 lacs), would be eliminated from the consolidated financial statements for financial year ended 31 March 2020, by reducing the consolidated profits/ increasing the consolidated losses, and reducing the value of closing inventories as of 31 March 2020.

Question 6

Hemant Ltd. purchased 80% shares of Power Ltd. on 1st January, 2019 for Rs. 2,10,000. The issued capital of Power Ltd., on 1st January, 2019 was Rs. 1,50,000 and the balance in the Profit & Loss Account was Rs. 90,000. During the year ended 31st December, 2019, Power Ltd. earned a profit of Rs. 30,000 and at year end, declared and paid a dividend of Rs. 22,500. What is the amount of minority interest as on 1st January, 2019 and 31st December, 2019? Also compute goodwill/ capital reserve at the date of acquisition. **(MTP 6 Marks Oct 20, Old & New SM)**

Answer 6

Total dividend paid is Rs. 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 = Rs. 22,500 X 80% = Rs. 18,000

Goodwill on consolidation (at the date of acquisition):	Rs.	Rs.
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 %]	<u>72,000</u>	<u>(1,92,000)</u>
Goodwill		<u>18,000</u>
Minority interest on:		
- 1st January, 2019:		
20% of Rs. 2,40,000 [1,50,000 + 90,000]		48,000
-31st December, 2019:		49,500
20% of Rs.2,47,500 [1,50,000 + 90,000 + 30,000 – 22,500]		

Question 7

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

Incomes	A Ltd.	B Ltd.
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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. **(MTP 15 Marks May 20)**

Answer 7

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	<u>8,797</u>
II. Total revenue		<u>8,797</u>
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	<u>802</u>
Total expenses		<u>2,653</u>
IV. Profit before Tax (II-III)		6,144
V. Tax Expenses	8	<u>2,100</u>
VI. Profit After Tax		<u>4,044</u>

Notes to Accounts

6	Finance cost		
	Interest:		
	Chand Ltd.	17,500	
	Sitara Ltd.	5,250	22,750



7.	Depreciation			
	Chand Ltd.		31,500	
	Sitara Ltd.		14,000	45,500
8.	Other expenses			
	General & Administrative expenses:			
	Chand Ltd.	2,80,000		
	Sitara Ltd.	1,22,500		
		4,02,500		
	Less: Consultancy fees received by Sitara Ltd. from Chand Ltd.	(28,000)	3,74,500	
	Royalty:			
	Sitara Ltd.	5,000		
	Less: Received by Chand Ltd. Selling and distribution Expenses:	(5,000)	Nil	
	Chand Ltd.	3,32,500		
	Sitara Ltd.	1,57,500		
		4,90,000		
	Less: Brokerage received by Chand Ltd. from Sitara Ltd.	(21,250)	4,68,750	8,43,250

Question 8

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.

(MTP 4 Marks Oct '21 & Oct '23)

Answer 8

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

Question 9

On 31st March, 2023 H Ltd. and its subsidiary S Ltd. give the following information:

	H Ltd.	S Ltd.
	Rs.	Rs.
Shareholders' Fund:		
Equity shares of Rs. 10 each	13,40,000	2,40,000
Reserves and Surplus	4,80,000	1,80,000
Profit & Loss Account	2,40,000	60,000



Secured Loans:		
12% Debentures	1,00,000	-
Current Liabilities:		
Creditors	2,00,000	1,22,000
Bank Overdraft	1,00,000	-
Bills Payable	60,000	14,800
Property, Plant & Equipment:		
Machinery	7,20,000	2,16,000
Furniture	3,60,000	40,800
Investments:		
Investments in S Ltd. (19,200 shares at Rs. 20 each)	3,84,000	-
Current Assets:		
Inventories	6,00,000	2,00,000
Trade Receivables	3,00,000	90,000
Bill Receivables	1,00,000	30,000
Cash at Bank	56,000	40,000

The following information is also provided to you:

- H Ltd. purchased 19,200 shares of S Ltd. on 1st April, 2019, when the balances of Reserves & Surplus and Profit & Loss Account of S Ltd. stood at Rs. 60,000 and Rs. 36,000 respectively.
- Machinery (Book value Rs. 2,40,000) and Furniture (Book value Rs. 48,000) of S Ltd were revalued at Rs. 3,60,000 and Rs. 36,000 respectively on 1st April, 2019, for the purpose of fixing the price of its shares. (Rates of depreciation computed on the basis of useful lives: Machinery 10%, Furniture 15%).
- On 31st March, 2022, Bills payable of Rs. 12,000 shown in S Ltd.'s Balance Sheet had been accepted in favor of H Ltd.

You are required to prepare Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2023. (MTP 20 Marks Nov '21 & March '23 & April '23, PYP 20 Marks Jan 21)

Answer 9

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2023

Particulars	Note No.	(Rs.)
I. Equity and Liabilities		
1 Shareholder's Funds		
(a) Share Capital	1	13,40,000
(b) Reserves and Surplus	2	8,27,040
2 (Minority Interest		1,15,560
3 Non- Current Liabilities		
(a) 12% Debentures		1,00,000
4 Current Liabilities		
(a) Trade Payables	3	3,84,800
(b) Short term Borrowings (Bank)		1,00,000
Total		28,67,400
II. Assets		
1 Non-current assets		
(a)		
(i) Property, Plant and Equipment	4	14,34,600
(ii) Intangible assets	5	28,800
2 Current assets		



	(a)	Inventory (6,00,000+2,00,000)		8,00,000
	(b)	Trade Receivables	6	5,08,000
	(c)	Cash and Cash equivalents		96,000
		Total		28,67,400

Notes to Accounts

		Rs.	
1.	Share Capital Equity share capital 1,34,000 shares of Rs. 10 each fully paid up		13,40,000
2.	Reserves and Surplus		
	Reserves	4,80,000	
	Add: 4/5th share of S Ltd.'s post-acquisition reserves (W.N.3)	<u>96,000</u>	5,76,000
	Profit and Loss Account	2,40,000	
	Add: 4/5th share of S Ltd.'s post-acquisition profits (W.N.4)	<u>11,040</u>	<u>2,51,040</u>
3.	Trade Payables		<u>8,27,040</u>
	Creditors		
	H Ltd.	2,00,000	
	S Ltd.	<u>1,22,000</u>	3,22,000
	Bills Payables		
	H Ltd.	60,000	
	S Ltd.	<u>14,800</u>	<u>74,800</u>
			3,96,800
	Less: Mutual Owings	<u>(12,000)</u>	3,84,800
4.	Property Plant and Equipment		
	Machinery		
	H. Ltd.		7,20,000
	S Ltd.	2,40,000	
	Add: Appreciation	<u>1,20,000</u>	
		3,60,000	
	Less: Depreciation (3,60,000 X 10%)	<u>(36,000)</u>	3,24,000
	Furniture		
	H. Ltd.		3,60,000
	S Ltd.	48,000	
	Less: Decrease in value	<u>(12,000)</u>	
		36,000	
	Less: Depreciation (36,000 X 15%)	<u>5,400</u>	<u>30,600</u>
5.	Intangible assets		
	Goodwill [WN 6]		28,800
6.	Trade receivables		
	H Ltd.	3,00,000	
	S Ltd.	<u>90,000</u>	3,90,000
	Bills Receivables		
	H Ltd.	1,00,000	
	S Ltd.	<u>30,000</u>	<u>1,30,000</u>
			5,20,000





Less: Mutual Owings	(12,000)	5,08,000
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Working Notes:

1. Pre-acquisition profits and reserves of S Ltd.		Rs.
Reserves		60,000
Profit and Loss Account		<u>36,000</u>
		<u>96,000</u>
H Ltd.'s = $4/5$ (or 80%) \times 96,000		76,800
Minority Interest = $1/5$ (or 20%) \times 96,000		19,200
2. Profit on revaluation of assets of S Ltd.		
Profit on Machinery Rs. (3,60,000 – 2,40,000)		1,20,000
Less: Loss on Furniture Rs. (48,000 – 36,000)		<u>(12,000)</u>
Net Profit on revaluation		<u>1,08,000</u>
H Ltd.'s share $4/5 \times 1,08,000$		86,400
Minority Interest $1/5 \times 1,08,000$		21,600
3. Post-acquisition reserves of S Ltd. Total reserves		1,80,000
Less: Pre- acquisition reserves		<u>(60,000)</u>
Post-acquisition reserves		<u>1,20,000</u>
H Ltd.'s share $4/5 \times 1,20,000$		96,000
Minority interest $1/5 \times 1,20,000$		24,000
4. Post -acquisition profits of S Ltd.		
Post-acquisition profits (Profit & loss account balance less pre-acquisition profits = Rs. 60,000 – 36,000)		24,000
Add: Excess depreciation charged on furniture @ 15%		
on Rs. 12,000 i.e. (48,000 – 36,000)		<u>1,800</u>
Less: Under depreciation on machinery @ 10%		25,800
on Rs. 1,20,000 i.e. (3,60,000 – 2,40,000)		<u>(12,000)</u>
Adjusted post-acquisition profits		<u>13,800</u>
H Ltd.'s share $4/5 \times 13,800$		11,040
Minority Interest $1/5 \times 13,800$		2,760
5. Minority Interest		
Paid-up value of (24,000 – 19,200) = 4,800 shares held by outsiders i.e. 2,40,000 X 20%		48,000
Add: $1/5$ th share of pre-acquisition profits and reserves		19,200
$1/5$ th share of profit on revaluation		21,600
$1/5$ th share of post-acquisition reserves		24,000
$1/5$ th share of post-acquisition profit		<u>2,760</u>
6. Cost of Control or Goodwill		<u>1,15,560</u>
Price paid by H Ltd. for 19,200 shares		3,84,000
(A) Less: Intrinsic value of the shares		
Paid-up value of shares held by H Ltd. i.e. 2,40,000 X 80%		1,92,000
Add: $4/5$ th share of pre-acquisition profits and reserves		76,800
$4/5$ th share of profit on the revaluation		<u>86,400</u>
Intrinsic value of shares on the date of acquisition	(B)	<u>3,55,200</u>
Cost of control or Goodwill B)	(A) –	28,800



**Question 10**

Consider the following information of subsidiary MNT Ltd.

	2020-21	2021-22
	Amount in ₹	Amount in ₹
Share Capital		
Issued and subscribed 7500 Equity Shares of ₹ 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
Non-current assets		
Property, Plant and equipment (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

Other Information:

- MNT Ltd. is a subsidiary of LTC Ltd.
- 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 ₹ 5,000 at the end of 2020-21 and increased by ₹ 12,000 at the end of 2021-22. (Inventory of 2020-21 has been sold out during the year 2021-22)
- MNT Ltd. deducts 2% from Trade Receivables as a general provision against doubtful debts.
- Prepaid expenses in MNT Ltd. include Sales Promotion expenditure carried forward of ₹ 25,000 in 2020-21 and ₹ 12,500 in 2021-22 being part of initial Sales Promotion expenditure of ₹ 37,500 in 2020-21, which is being written off over three years. Similar nature of Sales Promotion expenditure of LTC Ltd. has been fully written off in 2020-21.

Restate the balance sheet of MNT Ltd. as on 31st March, 2022 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.

(MTP 10 Marks Sep'22, MTP 16 Marks Oct '21 & Oct '23, PYP 10 Marks Nov '19) (Same concept different figures MTP 12 Marks Apr 19)

Answer 10

Restated Balance Sheet of MNT Ltd. as at 31st March, 2022

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital		7,50,000
(b) Reserves and Surplus	1	7,18,500
(2) 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
3,43,000		3,50,000
(b) Trade Receivables $\times \frac{100}{98}$		
(c) Cash & Cash Equivalents		42,500
(d) Other current assets	6	52,500
Total		23,14,500

Notes to Accounts

			₹
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
	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 salesroom motion expenses to be written off each year) (65,000 -12,500)		52,500

Working Note

Adjusted revenue reserves of MNT Ltd.:

	₹	₹
Revenue reserves as given		5,05,000
Add: Provision for doubtful debts $[3,43,000 \times 2/98]$	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

Question 11

From the following data, determine Minority Interest on the date of acquisition and on the date of consolidation in each case:





Case	Subsidiary Company	% of Share Owned	Cost	Date of Acquisition		Consolidation date	
				01-01-2021		31-12-2021	
				Share Capital	Profit and Loss A/c	Share Capital	Profit and Loss A/c
				₹	₹	₹	₹
Case-i	X Y Z M	85%	1,85,000	1,35,000	60,000	1,35,000	70,000
Case-ii	N	70%	1,60,000	1,25,000	45,000	1,25,000	5,000
Case-iii		65%	83,000	25,000	5,000	25,000	5,000
Case-iv		90%	60,000	45,000	20,000	45,000	40,000
Case-v		100%	85,000	25,000	25,000	25,000	50,000

(MTP 5 Marks Sep'22, PYP 5 Marks Nov '19, RTP Nov 20, Old SM) (Same concept different figures RTP May'19)

Answer 11

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

A = Share capital on 1.1.2021

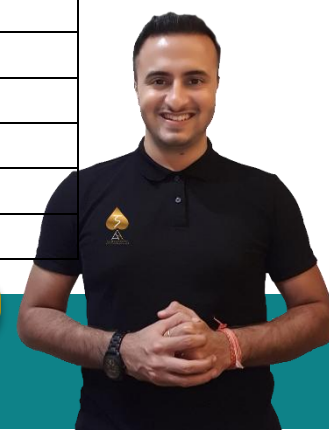
B = Profit & loss account balance on 1.1.2021 C = Share capital on 31.12.2021 D = Profit & loss account balance on 31.12.2021

	Minority % Shares Owned [E]	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 i [100-85]	15%	29,250	30,750
Case ii [100-70]	30%	51,000	39,000
Case iii [100-65]	35%	10,500	10,500
Case iv [100-90]	10%	6,500	8,500
Case v [100-100]	NIL	NIL	NIL

Question 12

Sun Ltd. acquired 3,200 ordinary shares of ₹ 100 each of Star Ltd. on 1st October, 2021. On 31st March, 2022, the balance sheets of the two companies were as given below: Balance Sheet of Sun Ltd. and its subsidiary, Star Ltd. as at 31st March, 2022

Particulars	Note No.	Sun Ltd. (₹)	Star Ltd. (₹)
I. Equity and Liabilities			
(1) Shareholder's Funds			
(a) Share Capital	1	10,00,000	4,00,000
(b) Reserves and Surplus	2	5,94,400	3,64,000
(2) Current Liabilities			
(a) Trade Payables		94,200	34,800
(b) Short term borrowings	3	1,60,000	-
Total		18,48,600	7,98,800
II. Assets			





(1) Non-current assets			
(a) Property, Plant and Equipment	4	7,80,000	6,30,000
(b) Non-current Investments	5	6,80,000	
(2) Current assets			
(a) Inventories		2,40,000	72,800
(b) Trade receivables		1,19,600	80,000
(c) Cash & Cash equivalents	6	29,000	16,000
Total		18,48,600	7,98,800

Notes to Accounts

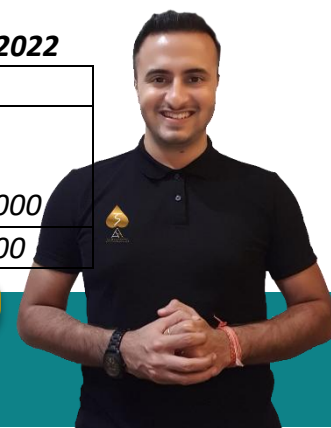
		Sun Ltd.	Star Ltd..
1	Share Capital 10,000 shares of ` 100 each, fully paid up	10,00,000	
	4,000 shares of ` 100 each, fully paid up		<u>4,00,000</u>
	Total	<u>10,00,000</u>	<u>4,00,000</u>
2	Reserves and Surplus General Reserves	4,80,000	2,00,000
	Profit & loss	<u>1,14,400</u>	<u>1,64,000</u>
	Total	<u>5,94,400</u>	<u>3,64,000</u>
3	Short term borrowings Bank overdraft	<u>1,60,000</u>	
4	Property plant and equipment Land and building	3,00,000	3,60,000
	Plant & Machinery	4,80,000	2,70,000
	Total	<u>7,80,000</u>	<u>6,30,000</u>
5	Non-current Investments Investment in Star Ltd. (at cost)	6,80,000	
6	Cash & Cash equivalents Cash	29,000	16,000

The Profit & Loss Account of Star Ltd. showed a credit balance of ₹ 60,000 on 1st April, 2021 out of which a dividend of 10% was paid on 1st November, 2021; Sun Ltd. credited the dividend received to its Profit & Loss Account. The Plant & Machinery which stood at ₹ 3,00,000 on 1st April, 2021 was considered as worth ₹ 3,60,000 on 1st October, 2021; 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 March, 2022.

(MTP 20 Marks Oct'22) (Same concept different figures PYP 15 Marks Nov'20, MTP 15 Marks Sep'23, Old & New SM)

Answer 12**Consolidated Balance Sheet of Sun Ltd. And its subsidiary, Star Ltd. as at 31st March, 2022**

Particulars	Note No.	(₹)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	10,00,000
(b) Reserves and Surplus	2	6,17,600





(2) Minority Interest		1,67,200
(3) Current Liabilities		
(a) Trade Payables	3	1,29,000
(b) Short term borrowings	4	1,60,000
Total		20,73,800
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	5	14,82,000
(b) Intangible assets	6	34,400
(2) Current assets		
(a) Inventories	7	3,12,800
(b) Trade receivables	8	1,99,600
(c) Cash & Cash equivalents	9	45,000
Total		20,73,800

Notes to Accounts

1	Share Capital		
	10,000 shares of ₹ 100 each		
2	Reserves and Surplus		
	Reserves	4,80,000	
	Profit & loss (Refer to W.N 8)	1,37,600	
	Total		6,17,600
3	Trade Payables		
	Sun Ltd. 94,200		
	Add: Star Ltd. 34,800		1,29,000
	Total		
4	Short term borrowings		
	Bank overdraft		1,60,000
5	Property, plant and equipment		
	Land and building- Sun Ltd.	3,00,000	
	Add: Land and building- Star Ltd.	3,60,000	6,60,000
	Plant & Machinery (Refer to W.N 7)		8,22,000
	Total		14,82,000
6	Intangible assets		-
	Goodwill (refer to W.N 6)		34,400
7	Inventories		
	Sun Ltd.	2,40,000	
	Star Ltd..	72,800	
	Total		3,12,800
8	Trade Receivables		1,99,600
	Sun Ltd.	1,19,600	
	Star Ltd.	80,000	
	Total		
9	Cash & Cash equivalents		
	Cash of Sun Ltd	29,000	
	Add: cash of Star Ltd..	16,000	





Total	-	45,000
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Share holding Pattern

Total Shares of Star Ltd.	4,000 shares
Shares held by Sun Ltd	3,200 shares i.e. 80 % Minority Shareholding 800 shares i.e. 20 %

Working Notes:

1. The dividend @ 10% on 3,200 shares - ₹32,000 received by Sun Ltd. should have been credited to the investment A/c, being out of pre-acquisition profits. Sun Ltd., must pass a rectification entry, viz.

Profit & Loss Account Dr.	₹ 32,000	
To Investment		₹ 32,000

2. The Plant & Machinery of Star Ltd. would stand in the books at ₹ 2,85,000 on 1st Oct, 2021, considering only six months' depreciation on ₹ 3,00,000 total depreciation being ₹ 30,000. The value put on the assets being ₹ 3,60,000, there is an appreciation to the extent of ₹ 75,000 (3,60,000 – 2,85,000).

3. Capital profits of Star Ltd.

	₹	₹
Reserve on 1st April, 2021 (Assumed there is no movement in reserves during the year and hence balance as on 1st April 2021 is same as of 31st March, 2022)		2,00,000
Profit & Loss Account Balance on 1st April, 2021	60,000	
Less: Dividend paid	(40,000)	20,000
Profit for 2021-22:		
Total ₹ 1,64,000		
Less: (₹ 20,000)		
₹ 1,44,000		
Proportionate up to 1st Oct, 2021 on time basis (₹ 1,44,000/2)		72,000
Appreciation in value of Plant & Machinery		75,000
		3,67,000
Less: 20% due to outsiders		(73,400)
Holding company's share		2,93,600

4. Revenue profits of Star Ltd.:

Profit after 1st Oct, 2021 [(1,64,000 – 20,000) x ½]	72,000
Less: Depreciation	
10% depreciation on ₹ 3,60,000 for 6 months 18,000	
Less: Depreciation already charged for 2nd half year on 3,00,000 (15,000)	(3,000)
	69,000
Less: 1/5 due to outsiders	(13,800)
Share of Sun Ltd.	55,200

5. Minority interest:

Par value of 800 shares (4,00,000 X 20%)	80,000
Add: 1/5 Capital Profits [WN 3]	73,400
1/5 Revenue Profits [WN 4]	13,800
	1,67,200

6. Cost of Control:



Amount paid for 3,200 shares	6,80,000	
Less: Dividend out of pre-acquisition profits	(32,000)	6,48,000
Par value of shares	3,20,000	-
Capital Profits –share of Sun Ltd. [WN 3]	2,93,600	(6,13,600)
Cost of Control or Goodwill		34,400

7. Value of Plant & Machinery:

Sun Ltd.		4,80,000
Star Ltd.	2,70,000	
Add: Appreciation on 1st Oct, 2021 [3,60,000 – (3,00,000 – 15,000)]	75,000	
	3,45,000	
Add: Depreciation for 2nd half charged on pre-revalued value	15,000	
Less: Depreciation on ₹3,60,000 for 6 months	(18,000)	3,42,000
		8,22,000

8. Profit & Loss Account (Consolidated):

Sun Ltd.as given	1,14,400	
Less: Dividend transferred to Investment A/c	(32,000)	82,400
Share of Sun Ltd.in revenue profits of Star Ltd.(WN 4)		55,200
		1,37,600

Question 13

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. Rs.	Q Ltd. 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:

(a) Before issue of bonus shares.

Immediately after issue of bonus shares.

New SM)

(RTP Nov 21, Old &

Answer 13

Shareholding pattern

Particulars	Number of Shares	% of holding
a. P Ltd.		
(i) Purchased on 31.03.2015	1,05,000	
(ii) Bonus Issue (1,05,000/2)	52,500	
Total	1,57,500	70%
b. Minority Interest	67,500	30%

Calculations of (i) Cost of Control/Capital Reserve; (ii) Minority Interest; (iii) Consolidated Profit and Loss Account as on 31st March, 2021:

(a) Before issue of bonus shares

(i)	Cost of control/capital reserve	Rs.	Rs.
	Investment in Q Ltd.		12,00,000
	Less: Face value of investments	10,50,000	
	Capital profits (W.N.)	<u>63,000</u>	(11,13,000)
	Cost of control		87,000
(ii)	Minority Interest		Rs.
	Share Capital		4,50,000
	Capital profits (W.N.)		27,000
	Revenue profits (W.N.)		6,79,500
			11,56,500
(iii)	Consolidated profit and loss account – P Ltd.		Rs.
	Balance		15,75,000
	Add: Share in revenue profits of Q Ltd. (W.N.)		15,85,500
			31,60,500

(b). Immediately after issue of bonus shares

(i)	Cost of control/capital reserve	Rs.	Rs.
	Face value of investments (Rs. 10,50,000 + Rs. 5,25,000)	15,75,000	
	Capital Profits (W.N.)	<u>63,000</u>	16,38,000
	Less: Investment in Q Ltd.		(12,00,000)
	Capital reserve		4,38,000
(ii)	Minority Interest		Rs.
	Share Capital (Rs. 4,50,000 + Rs. 2,25,000)		6,75,000
	Capital Profits (W.N.)		27,000
	Revenue Profits (W.N.)		4,54,500
			11,56,500
(iii)	Consolidated Profit and Loss Account – P Ltd.		Rs.
	Balance		15,75,000
	Add: Share in revenue profits of Q Ltd. (W.N.)		10,60,500





		26,35,500
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Working Note:**Analysis of Profits of Q Ltd.**

	Capital Profits	Revenue Profits	
	(Before and after issue of bonus shares) Rs.	Before Bonus Issue Rs.	After Bonus Issue Rs.
Pre-incorporation profits	30,000		
Profit and loss account on 31.3.2015	60,000		
	90,000		
General reserve*		19,05,000	19,05,000
Less: Bonus shares			(7,50,000)
			11,55,000
Profit for period of 1st April, 2015 to 31st March, 2021 (Rs. 4,20,000 – Rs. 60,000)		3,60,000	3,60,000
		22,65,000	15,15,000
P Ltd.'s share (70%)	63,000	15,85,500	10,60,500
Minority's share (30%)	27,000	6,79,500	4,54,500

*Share of P Ltd. in General reserve has been adjusted in Consolidated Profit and Loss Account.

Question 14

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: (RTP May 21)

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

Answer 14

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

Question 15

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.

(RTP Nov 20)

Answer 15

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. Unrealized profits resulting from intragroup transactions that are included in the carrying amount of assets, such as inventory and Property, Plant & Equipment, are eliminated in full. Unrealized 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.

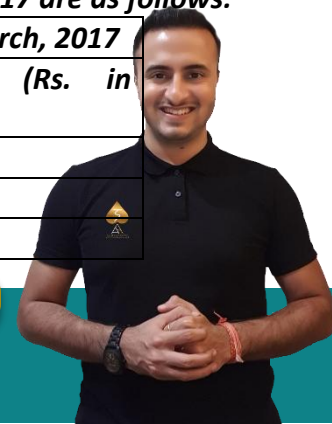
But in the case of downstream transaction, the whole profit is earned by the holding company, therefore, whole unrealized profit should be adjusted from unsold inventory and consolidated profit and loss account only irrespective of the percentage of the shares held by the parent.

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).

Question 16

The Summarized 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

- 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.
- Credit Balance of Profit & Loss account of Y Ltd. as on 1st April, 2016 was Rs. 650 Lakhs.
- General Reserve of Y Ltd. stood at same Rs. 1,450 Lakhs as on 1st April, 2016.
- 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.
- Included in Trade Payables of Y Ltd. are Rs. 50 Lakh for goods supplied by X Ltd.
- 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. **(Ignoring dividend on preference shares). (RTP Nov 18)**

Answer 16

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		
	Property, Plant & Equipment		
	(i) Tangible Assets	5	17,435
2	Current Assets		
	(a) Inventories	6	6,632



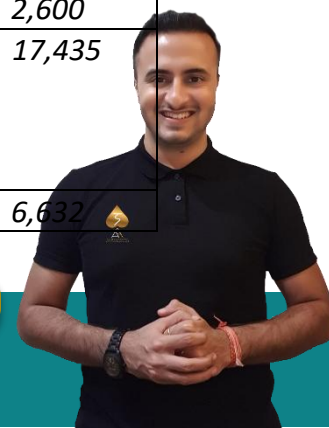


(b) Trade Receivables	7	4,842
(c) Cash and Cash equivalents	8	1,734
		30,643

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
2	Reserves and Surplus		<u>19,000</u>
	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
3.	Minority interest		5,620
	100 Lakh Preference Shares of Rs. 10 fully paid up	1,000	
	150 Lakh Equity Shares of Rs.10 each fully paid up	1,500	2,500
	Share in Revenue Profits (Working Note i)	275	
	Share in Capital Profit (working Note ii)	625	
4.	Trade payables		3,400
	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
6.	Inventories		17,435
	X Ltd.	4,142	
	Y Ltd	2,520	
		6,662	
	Less: Unrealized Profit	(30)	6,632

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 (BalFig.)	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. Unrealized Profit	
Rs. 150 Lakh $\times 25/125^*$ = 30 lakh	

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 %	<u>100</u>	900
		4,500

* Rs. 150 lakhs considered as cost to Y Ltd.



**Question 17**

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%.]

(RTP May 22, RTP May'20, Old & New SM)

Answer 17

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
2.	Trade Payables			8,61,500
	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
Less: Under depreciation on machinery @ 10%	26,875
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 $\frac{4}{5} \times 14,375$	11,500
Minority Interest $\frac{1}{5} \times 14,375$	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: $\frac{1}{5}$ th share of pre-acquisition profits and reserves	20,000
$\frac{1}{5}$ th share of profit on revaluation	22,500
$\frac{1}{5}$ th share of post-acquisition reserves	25,000
$\frac{1}{5}$ th share of post-acquisition profit	2,875
6. Cost of Control or Goodwill	1,20,375
Paid-up value of 2,000 shares held by Beta Ltd. i.e. $2,000 \times \text{Rs. } 100$	2,00,000
Add: $\frac{4}{5}$ th share of pre-acquisition profits and reserves	80,000
$\frac{4}{5}$ 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

Question 18

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

	H Ltd. (₹ in 000's)	S Ltd. (₹ in 000's)
Equity Share Capital – Authorized	5,000	3,000
Issued and subscribed in Equity Shares of ₹ 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 at which date the following balances stood in the books of S Ltd.:

General Reserve ₹ 1,500 thousand; Profit and Loss Account ₹ 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 ₹ 10 each, for every 5 shares



held as bonus shares out of pre-acquisition General Reserve.

(d) On 31st March, 2021, the Inventory of S Ltd. included goods purchased for ₹ 50 thousand from H Ltd., which had made a profit of 25% on cost.

(e) Details of Trade payables and Trade receivables:

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

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

(RTP Nov'22)

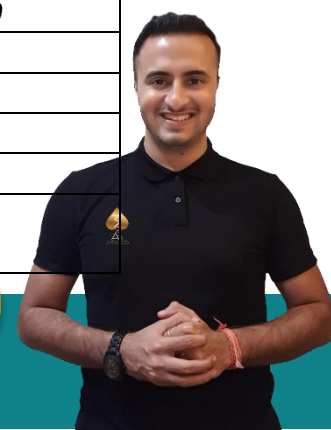
Answer 18

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

Particulars	Note No.	(₹ in 000's)
<i>I. Equity and Liabilities</i>		
(1) Shareholder's Funds		
(a) Share Capital	1	4,000
(a) 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
<i>II. Assets</i>		
(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

	(₹ in 000's)	(₹ in 000's)
1. Share Capital		
Authorized share capital		
5 lakhs equity shares of ₹ 10 each		5,000
Issued, Subscribed and Paid up		
4 lakhs equity shares of ₹ 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. ₹ 1,305		
Add: Share in S Ltd ₹ 340.20		





	₹ 1,645.20		
	Less: Dividend wrongly credited ₹ (180)		
	₹ 1,465.20		
	Less: Unrealized profit (50 X 1/5) ₹ (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. ₹ 220		
	S Ltd. ₹ 180	400	
	Other Provisions H Ltd ₹ 65		
	S Ltd. ₹ 17	82	482
5.	PPE		
	Plant and Machinery		
	H Ltd. ₹ 2,541		
	S Ltd. ₹ 2,450	4,991	
	Furniture and fittings		
	H Ltd. ₹ 615		
	S Ltd. ₹ 298	913	5,904
6.	Inventories		
	Inventory	1,769	
	H Ltd. ₹ 983 S Ltd. ₹ 786		
	Less: Unrealised profit (₹ 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

	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*x100)
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

(' in 000)		(' in 000)	
To Bonus to equity shareholders	900	By Balance b/d	1,500
2,400x3		By Profit and Loss, A/c	
8			





Balance c/d Type equation here.	690	(Balancing figure)	90
	1,590		1,590

2.S Ltd.'s Profit and Loss Account

		(` in 000)			(` in 000)
To	General Reserve	90	By	Balance b/d	633
To	Dividend paid on 14.7.2021 1,500 X 20 100	300	By	Net Profit for the year (Balancing figure)	567*
To	Balance c/d	810			
		1,200			1,200

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

3.Distribution of Revenue Profits

	` 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

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

5.Computation of Capital Reserve

	` in '000	
60% of share capital of S Ltd.		1,440
Add: Share of H Ltd. in the capital profits as in working note (4)		559.80
Less: Investments in S Ltd.	1,500	1,999.80
Less: Dividends received out of pre- acquisition profits	(180)	(1,320)
$\text{`}30 \times \frac{60}{100}$		679.80

6.Calculation of Minority Interest

	` 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

Question 19

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

Particulars	G Ltd.	K Ltd
-------------	--------	-------



Sales and other Income	3000	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 sold goods of ` 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. include ` 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.

(PYP 15 Marks May '23) (Same concept different figures MTP 15 Marks March 21, Apr 22, Old & New SM)

Answer 19

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
I. Revenue from operations	1	3,525
II. Total Income		3,525
III. Expenses		
Cost of material purchased/consumed	2	650
Changes of inventories of finished goods	3	(842)
Employee benefit expense	4	675
Finance cost	5	105
Depreciation and amortization expense	6	105
Other expenses	7	225
Total expenses		918
IV. Profit before tax (II-III)		2,607

Notes to Accounts

		` in Crores	` in Crores
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.	100 700	
	Less: Purchases by K Ltd. from G Ltd.	(200)	500
	Direct expenses (Production) G Ltd.	100	
	K Ltd.	50	150 650
3.	Changes of inventories of finished goods G Ltd.	750	
	K Ltd.	100 850	
	Less: Unrealized profits ` 40 crores \times 25/125	(8)	842
4.	Employee benefits and expenses Wages and salaries:		
	G Ltd.	600	
	K Ltd.	75	675
5.	Finance cost Interest:		
	G Ltd.	75	
	K Ltd.	30	105
6.	Depreciation		
	G Ltd.	75	
	K Ltd.	30	105
7.	Other expenses administrative expenses		
	G Ltd.	75	
	K Ltd.	50 125	
	Less: Consultancy fees received by G Ltd. from K Ltd.	(5)	120
	Selling and distribution Expenses:		
	G Ltd.	100	
	K Ltd.	25 125	
	Less: Commission received by K Ltd. from G Ltd.	(20)	105 225

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
I. Revenue from operations	1	3,475
II. Total Income		3,475
III. Expenses		
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	225
Total expenses		870
IV. Profit before tax (II-III)		2,605

Notes to Accounts

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



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

Question 20

H Ltd acquired 15000 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	9,00,000	2,50,000
(Fully paid shares of ` 10 each)		
General Reserve	1,60,000	40,000
Surplus i.e., Balance in Statement of Profit and Loss	80,000	25,000
Loss	40,000	20,000
Bills payable 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 ` 4000 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 favor of H Ltd. Out of these, H Ltd. had endorsed by 31st March, 2023, ` 8000 worth of bills receivable in favor of its creditors.
- You are required to draw a consolidated Balance Sheet as on 31st March, 2023.

(PYP 15 Marks May'23)

Answer 20

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2023

Particulars	Note No.	(`)
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	9,00,000
(b) Reserves and Surplus	2	2,73,500
(2) Minority Interest	3	1,26,000
(3) Current Liabilities		
(a) Trade Payables	4	1,29,000
Total		14,28,500
II. Assets		
(1) Non-current assets		
(a) Property, Plant and Equipment	5	10,20,000
(2) Current assets		
(i) Inventory	6	1,49,500
(ii) Trade Receivables	7	1,29,000
(iii) Cash & cash equivalent	8	1,30,000
Total		14,28,500

Notes to Accounts

1.	Share capital Authorized, issued, subscribed and paid-up capital 90,000 equity shares of ` 10 each, fully paid up		9,00,000
2.	Reserves and Surplus General Reserves Profit and Loss Account (W.N.5) Capital Reserve (W.N. 4)	1,60,000 88,500 25,000	2,73,500
3.	Minority interest in S Ltd. (WN 3)		1,26,000
4.	Trade payables Bills Payable H Ltd. 40,000 S Ltd. 20,000 60,000 Less: Mutual payables(7,000)	53,000	





	Trade Creditors H Ltd. 50,000 S Ltd. 30,000 80,000 Less: Mutual owing (4,000)	76,000	1,29,000
5.	Property, plant and equipment Machinery H Ltd. 7,00,000 S Ltd. 1,50,000	8,50,000	
	Furniture H Ltd. 1,00,000 S Ltd. 70,000	1,70,000	10,20,000
6.	Inventory H Ltd.	1,00,000	
	S Ltd.	50,000	
	Less: Unrealized profit (2,000x 25%)	500	1,49,500
7.	Trade receivables Bills receivable H Ltd. 25,000 S Ltd. 20,000 45,000 Less: Mutual payables(7,000)	38,000	
	Debtors H Ltd. 60,000 S Ltd. 35,000 95,000 Less: Mutual owing (4,000)	91,000	1,29,000
8.	Cash & cash equivalent Cash at Bank H Ltd.	90,000	
	S Ltd.	40,000	1,30,000

Working Notes:

1. Percentage of holding

	No. of Shares	Percentage
Holding Co. :	15,000	(60%)
Minority shareholders :	10,000	(40%)
Total Shares :	25,000	

2. Analysis of Profits

	Pre-acquisition profits and reserves of S Ltd. (₹)	Post-acquisition profits of S Ltd. (₹)
General Reserve	40,000	---
Opening balance of Profit and Loss	5,000	---
Current Year's profit (in 1:3)	50,000	15,000
H Ltd.'s share (60%)	30,000	9,000
Minority Interest (40%)	20,000	6,000

3. Minority Interest

Paid up value of 10,000 shares @ ` 10 each	` 1,00,000
Add: Share in pre-acquisition profits and reserve (40%)	` 20,000
Add: Share in post-acquisition profits (40%)	`



	6,000 `
	1,26,000

4. Capital Reserve for H Ltd.

(A)	Cost of acquiring 15,000 shares of S Ltd.	` 1,55,000
(B)	Paid up value of 15,000 shares of S Ltd. @ ` 10 each	` 1,50,000
	Add: Share in pre-acquisition profit and reserves of S Ltd.	30,000 `
	Capital Reserve (B-A)	1,80,000
		` 25,000

5. consolidated Balance of Profits of H Ltd.

Balance as per Statement of Profit and Loss	80,000
Add: Share in post-acquisition profits of S Ltd.	`9,000`
Less: Unrealised Profit in unsold stock of S Ltd.	(500)
	88,500

Question 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		-	
Property, Plant & Equipment	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 Property, Plant & Equipment.





You are required to prepare the Consolidated Statement of Profit and Loss for the year ended on 31st March, 2021.
(15 Marks , July 21)

Answer 21

Consolidated Profit and 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 Note

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)

2. Inventory reserve = $\left[\frac{120,000}{4} \times \frac{25}{125} \right] = \text{Rs. } 6,000$

3. Pre-acquisition loss = 80% of 3 month's profit up to 30th June, 2020 i.e. 80 % of ¼ of loss Rs. 9,000. Hence, pre-acquisition loss = Rs. 1,800

4. 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

Question 22

The Profit and Loss Accounts of A Ltd. and its subsidiary B Ltd. for the year ended 31st March, 2018 are given below:

	A Ltd.	Rs. in Lakhs B Ltd.
Incomes		
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
Dividend paid	1,800	225
Balance of Profit	1,800	225

The following information is also given:

- (i) 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)
- (ii) Administrative expenses of B Ltd include Rs. 8 Lakhs paid to A Ltd as consultancy fees.
- (iii) Selling and distribution expenses of A Ltd include Rs. 15 Lakhs paid to B Ltd as commission.
- (iv) A Ltd holds 72% of the Equity Capital of B Ltd. The Equity Capital of B Ltd prior to 2016-17 is Rs. 1,500 Lakhs

Prepare a consolidated Profit and Loss Account for the year ended 31st March, 2018.

[PYP 10 Marks, Nov'18]

Answer 22

**Consolidated Profit & Loss Account of A Ltd. and its subsidiary B Ltd.
for the year ended on 31st March, 2018**

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 expense	2	(1,794)
Employee benefit expense	4	1,425
Finance cost	6	225
Depreciation and amortization e	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. 180×1/6 x 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	
	BLtd.	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 BLtd.	(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 Amortisation		
	Depreciation:		
	A Ltd.	150	
	B Ltd.	75	225
8.	Provision for tax		
	A Ltd.	1800	
	B Ltd.	300	2100

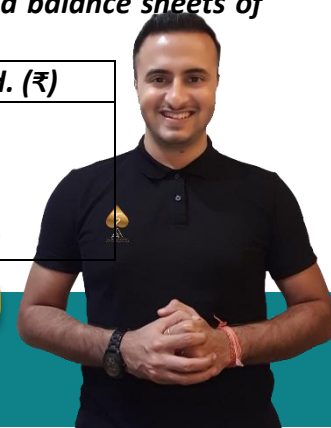
Note:

it is assumed that dividend adjustment has not be done in sales & other income of A Ltd i.e. dividend received from B Ltd is not included in other income of A Ltd. Alternative Answer is possible considering is otherwise.

Question 23

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. (₹)	Black Ltd. (₹)
(I) Equity and Liabilities		
(1) Shareholder's fund		
Share capital (Equity shares of ₹ 100 each fully paid up)	6,50,000	3,00,000





Reserves and Surplus	60,000	30,000
General Reserve	1,50,000	90,000
Profit and loss account	1,15,000	75,000
(2) Current Liabilities		
Trade payables 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 ₹ 39,000, the transaction being completed on 30th March, 2021.
- (ii) Cash in transit from Black Ltd. to White Ltd. was ₹ 6,000 on 31st March, 2021. Profits during the year 2020-2021 were earned evenly
- (iii) The balances of Reserve and Profit and Loss account as on 1st April, 2020 were as follows:

	Reserves	Profit and Loss A/c
	₹	₹
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. **(PYP 15 Marks May '22)**

Answer 23

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

Particulars	Note No.	(₹)
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



		₹
1.	Share capital	6,50,000
	6,500 equity shares of ₹ 100 each, fully paid up	
	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
	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.	
profits earned during the year = ₹ 90,000 + ₹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 = ₹ 30,000 – 30,000)	nil
4. Minority Interest	
Paid-up value of (3,000 – 2,250) = 750 shares	



held by outsiders i.e. $750 \times ₹ 100$		75,000
Add: 25% share of pre-acquisition reserves & Profit		17,500
25% share of post-acquisition profit		12,500
5. Capital Reserve		1,05,000
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. $2,250 \times ₹100$	2,25,000	
Add 75% share of pre-acquisition reserves & profit (70,000 x 75%)	52,500 (B)	2,77,500
Capital reserve (A – B)		7,500

Question 24

H Ltd. and S Ltd. provide the following information as at 31st March, 2022:

	H Ltd. ₹	S Ltd. ₹
Property, Plant and Equipment	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 ₹ 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 1st July, 2021 and Balance of profit and loss account of S Ltd. on 1st April, 2021 was ₹ 60,000. Prepare consolidated balance sheet of H Ltd. and its subsidiary as at 31st March, 2022. (PYP 15 Marks Nov '22)

Answer 24

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	84,000
Share in Profit and loss account (₹ 80,000 X 30%)	24,000	

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	
70% of [60,000 + 3/12(80,000 - 60,000)]	(45,500)
	66,500

Question 25

Chand Ltd. and its subsidiary Sitara Ltd. provided the following information for the year ended 31st March, 2023:

Particulars	Chand Ltd (₹)	Sitara Ltd. (₹)
Equity Share Capital	20,00,000	6,00,000
Finished Goods Inventory as on 01.04.2022	4,20,000	3,01,000
Finished Goods Inventory as on 31.03.2023	8,57,500	3,76,250
Dividend Income	1,68,000	43,750
Other non-operating Income	35,000	10,500
Raw material consumed	13,93,000	4,72,500
Selling and Distribution Expenses	3,32,500	1,57,500
Production Expenses	3,15,000	1,40,000
Loss on sale of investments	26,250	Nil





Sales and other operating income	33,25,000	19,07,500
Wages and Salaries	13,30,000	2,45,000
General and Administrative Expenses	2,80,000	1,22,500
Royalty paid	Nil	5,000
Depreciation	31,500	14,000
Interest expense	17,500	5,250

Other information

- On 1st September 2020 Chand Ltd., acquired 5,000 equity shares of ₹ 100 each fully paid up in Sitara Ltd.
- Sitara Ltd. paid a dividend of 10% for the year ended 31st March 2022. The dividend was correctly accounted for by Chand Ltd.
- Chand Ltd. sold goods of ₹ 1,75,000 to Sitara Ltd. at a profit of 20% on selling price. Inventory of Sitara Ltd. includes goods of ₹ 70,000 received from Chand Ltd.
- Selling and Distribution expenses of Sitara Ltd. include ₹ 21,250 paid to Chand Ltd. as brokerage fees.
- General and Administrative expenses of Chand Ltd. include ₹ 28,000 paid to Sitara Ltd. as consultancy fees.
- Sitara Ltd. used some resources of Chand Ltd., and Sitara Ltd. paid ₹ 5,000 to Chand Ltd. as royalty.

Consultancy fees, Royalty and brokerage received is to be considered as operating revenues. Prepare Consolidated Statement of Profit and Loss of Chand Ltd. and its subsidiary Sitara Ltd. for the year ended 31st March, 2023 as per Schedule III to the Companies Act, 2013.

(RTP Nov '23) (Same concepts different figures PYP 15 Marks Dec'21)

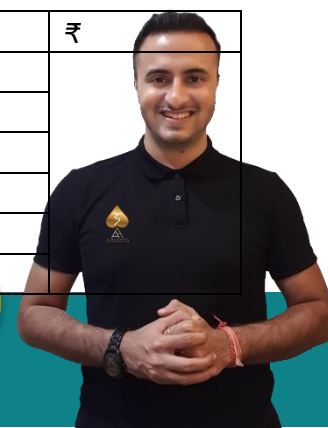
Answer 25

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

Particulars	Note No.	₹
Revenue from operations	1	50,03,250
Other Income	2	1,81,000
Total revenue (I)		51,84,250
Expenses:		
Cost of material purchased/consumed	3	21,45,500
Changes (Increase) in inventories of finished goods	4	(4,98,750)
Employee benefit expense	5	15,75,000
Finance cost	6	22,750
Depreciation and amortization expense	7	45,500
Other expenses	8	8,43,250
Total expenses (II)		41,33,250
Profit before tax (II-III)		10,51,000

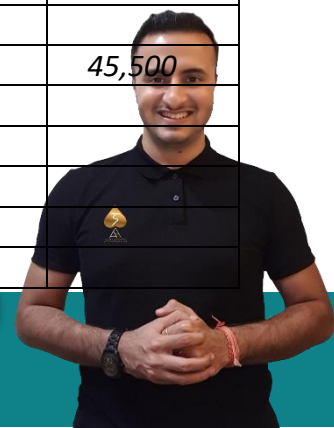
Notes to Accounts:

		₹	₹
1.	Revenue from operations		
	Sales and other operating revenues		
	Chand Ltd.	33,25,000	
	Sitara Ltd.	19,07,500	
		52,32,500	





	Less: Inter-company sales		(1,75,000)	
	Consultancy fees received by Sitara Ltd. from Chand Ltd.		(28,000)	
	Royalty received by Chand Ltd. from Sitara Ltd.		(5,000)	
	Brokage received by Chand Ltd. from Sitara Ltd.		(21,250)	50,03,250
2.	Other Income			
	Dividend income:			
	Chand Ltd.	1,68,000		
	Sitara Ltd.	43,750	2,11,750	
	Loss on sale of investments Sitara Ltd.		(26,250)	
	Other Non-operating Income			
	Chand Ltd.	35,000		
	Sitara Ltd.	10,500		
	Less: Dividend realized from Sitara Ltd. (5,00,000 x 10%)	(50,000)	4,500	1,81,000
3.	Cost of material purchased/consumed			
	Chand Ltd.	13,93,000		
	Sitara Ltd.	4,72,500		
		18,65,500		
	Less: Purchases by Sitara Ltd. From Chand Ltd.	(1,75,000)	16,90,500	
	Direct expenses (Production)			
	Chand Ltd.	3,15,000		
	Sitara Ltd.	1,40,000	4,55,000	21,45,500
4.	Changes (Increase) in inventories of finished goods			
	Chand Ltd.		4,37,500	
	Sitara Ltd.		75,250	
			5,12,750	
	Less: Unrealized profits ₹ 7,00,00 × 20/100		(14,000)	4,98,750
5.	Employee benefits and expenses			
	Wages and salaries:			
	Chand Ltd.		13,30,000	
	Sitara Ltd.		2,45,000	15,75,000
6.	Finance cost			
	Interest:			
	Chand Ltd.		17,500	
	Sitara Ltd.		5,250	22,750
7.	Depreciation			
	Chand Ltd.		31,500	
	Sitara Ltd.		14,000	45,500
8.	Other expenses			
	General & Administrative expenses:			
	Chand Ltd.			
	Sitara Ltd.			





	<i>Less: Consultancy fees received by Sitara Ltd. from Chand Ltd.</i>		3,74,500	
	<i>Royalty: Sitara Ltd. Less: Received by Chand Ltd. Selling and distribution Expenses:</i>		Nil	
	<i>Chand Ltd.</i>			
	<i>Sitara Ltd.</i>			
	<i>Less: Brokerage received by Chand Ltd. from Sitara Ltd.</i>		4,68,750	8,43,250

