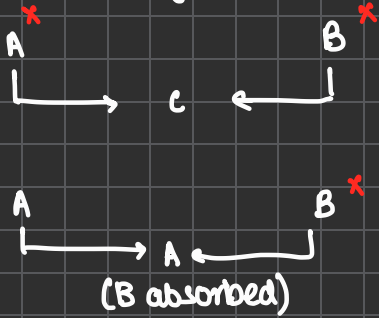


CONSOLIDATION OF FINANCIAL STATEMENTS

Amalgamation

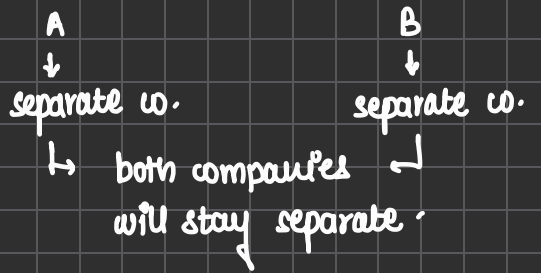


- Atleast one of the companies was liquidating
- Procedure of amalgamation takes place only once during the merging of the two.



Only 1 the amalgamation procedure was applied.

Consolidation



At every year end

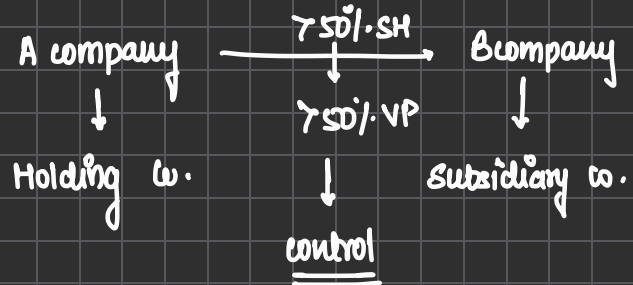
A will prepare its financial stat.

B will prepare its financial stat.

Also.

→ A common set of financial statements (consolidated) will be prepared for both the co. together.

This is done when there is a holding-subsidiary relation between A and B!



Balance sheet

Control : 60% SH

A lo.> B lo.

SC		FA	✓
ROS		IA	✓
NCL	✓	Investments	: 60% NW of B
CL	✓	CA	✓

COST 
5800 000 40 00,000

$$2000 \times 2900 = 5800.000$$

SL	60	40		
RRS	NW	NW	FA	✓
	BV = <u>SDL</u>		IA	✓
NCL		✓	Investments	✓
CL		✓	CA	✓

Consolidated Balance Sheet of A Ltd.

Sc & H Co.	S Co.	FA	H+S
RES 100%	60% 40%	IA	H+S + Gw = 8L
Minority Interest	NW	Investments	
	50L	H Co:	60% NW of B Ltd. SGL 40L
NCL	H+S		Other Investments
CL	H+S	S Co:	All Investments
Capital Res.	10L	CA	H+S

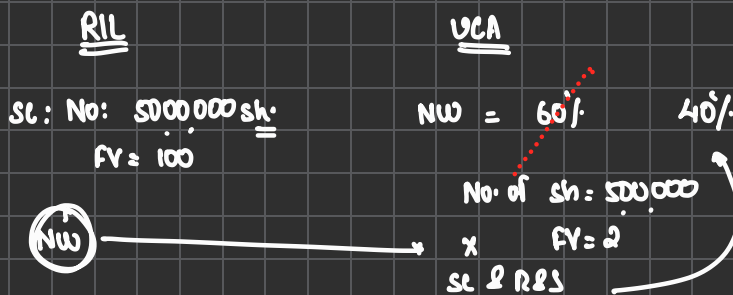
1. Calculation of Cost of Control

Subsidiary Co: B Ltd. $\rightarrow$ Networth ka 60% $\rightarrow$ Sc & RES = 50,00,000 = 50,00,000

Holding Co: A Ltd $\rightarrow$ Investments : 60% NW of B Ltd acq. = 58,00,000 = 40,00,000

Goodwill = 8,00,000 Cap Res = 10,00,000

This will be calculated on the date of acquisition of control. (DOA)



2. MINORITY INTEREST

It represents the Networth (Share Capital + Reserves & Surplus) of Subsidiary Co. which is not owned by the holding company. It is held by people other than those who own the Holding Co.

This will be calculated on the Date of Acquisition and on every date of consolidation (DOE)

Example 1:-

Azhampal:

Subsidiary Ltd. has provided the following figures

Share Capital = 500,000

General Reserve = 300,000

P&L = 250,000

Holding Company has acquired 75% Share Capital of Subsidiary Co. for ₹ 700,000.

Calculate Cost of Control

Solution:- Cost of Control

1. Networth Acquired	:	Share Capital : 500,000 × 75%	=	375,000	} Subs. Co. B/s SHF (SC + Res)
	:	General Reserve : 300,000 × 75%	=	225,000	
	:	P&L : 250,000 × 75%	=	187,500	
				<u>787,500</u>	

2. Cost Incurred	:		:	<u>700,000</u>	→ Hold Co. Invest
			Capital Reserve	=	<u>87,500</u>

Minority Interest

Share Capital : 500,000 × 25%	=	125,000
General Reserve : 300,000 × 25%	=	75,000
P&L : 250,000 × 25%	=	62,500
		<u>262,500</u>

Azhampal 2 :

Tigi Tigi Ltd. (Subsidiary Co.) has provided the following information :-

Share Capital = 800,000

General Reserve = 400,000

P&L = 300,000

At the time of acquisition of shares the Plant & Machinery of TigiTigi Ltd. was valued at ₹ 300,000 (BV = 200,000)

Chigi Wigi Ltd. acquired 80% shares in TigiTigi Ltd for ₹ 20,00,000

Calculate Cost of control

Solution :-

Networth acquired :-

Share Capital = 800,000 × 80% = 6,40,000

General Reserve = 400,000 × 80% = 3,20,000

P&L = 300,000 × 80% = 2,40,000

Profit on revaluation = 1,00,000 × 80% = 80,000

12,80,000

Cost Incurred :-

20,00,000

Goodwill

7,20,000

Minority Interest

Share Capital = 800,000 × 20% = 1,60,000

General Reserve = 400,000 × 20% = 80,000

P&L = 300,000 × 20% = 60,000

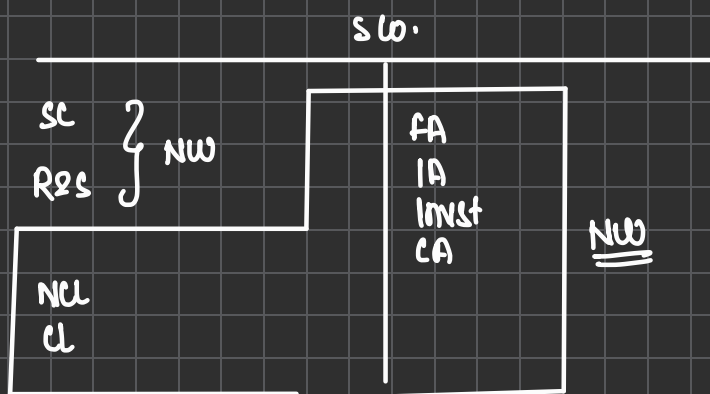
Profit on revaluation = 1,00,000 × 20% = 20,000

3,20,000

Azhampal 3 :-

Chun Chun Chun Ltd. (subsidiary co.) has provided the following details :-

1. Plant & Machinery = 500,000
2. Land & Building = 1,000,000
3. Stock = 450,000
4. Cash in hand = 50,000
5. Cash at Bank = 100,000
6. Debtors = 200,000
7. Loan & Advances = 300,000
8. 8% Debentures issued = 800,000
9. 7.5% Bank loan = 200,000
10. Creditors = 300,000



Mogambo (Holding co.) acquired 60% networth of Chun Chun Chun Ltd. for ₹ 11,00,000.

Calculate cost of control

Minority Interest

Solution :- Cost of Control

1. Networth acquired :-

Total Networth = 13,00,000

% acquired = 60%

Networth acquired = 7,80,000

2. Cost Incurred = 11,00,000

Goodwill = 3,20,000

1. Total networth of subsidiary co = 13,00,000
2. Minority interest in %age = 40%
3. Total Minority Interest = 5,20,000

9:11am

Example 4:-

sLtd. has provided the following data :

Share Capital : 500,000

General Reserve = 400,000

P&L = 300,000

DOA



H Ltd. acquired 70% voting power in sLtd. as on 1.4.21 for ₹ 10,00,000
During 21-22 sLtd. transferred 400,000 to General Reserve and retained 300,000 in P&L a/c.

Calculate Cost of Control and Minority Interest as on the DOA and DOL.

Solution :-

	70% @ 10,00,000		
	1.4.21		31.3.22
<u>s Ltd.</u>			
<u>NU</u>	DOA		DOL
Share Capital	500,000		
	350,000	150,000	
General Reserve	400,000		400,000
	280,000	120,000	280,000
P&L a/c	300,000		300,000
	210,000	90,000	210,000

1. Calculation of Cost of Control

$$\begin{aligned}
 \text{Networth acquired} &= \begin{array}{l} \text{Share Capital} \\ \text{General Res} \\ \text{P\&L} \end{array} = \begin{array}{r} 350,000 \\ 280,000 \\ 210,000 \\ \hline 840,000 \end{array}
 \end{aligned}$$

$$\text{Cost Incurred} = 10,00,000$$

$$\text{Goodwill} = 1,60,000$$

2. Minority Interest

	DOA		DOL
Share Capital	= 150,000	+ 0	= 150,000
General Res.	= 120,000	+ 120,000	= 240,000
P&L	= 90,000	+ 90,000	= 180,000
	<u>360,000</u>		<u>570,000</u>

3. Consolidated Profits & Reserves

	Profits	Reserves	
1. Balance	1000000	1200000	(Assumed)
2. add: share from sltd.	<u>210000</u>	<u>280000</u>	
	<u>1210000</u>	<u>1480000</u>	

Example 5 :- sltd. produces the following data as on 1.4.21

Share Capital = 1000000

General Reserve = 600000

P&L a/c = 700000

H Ltd. acquired 80% Voting Power in sltd. as on 1.4.21 for ₹ 1100000.

On the date of acquisition, the Land & Building of sltd. (BV = 500000) was revalued at ₹ 800000.

During 21-22 sltd. transferred 400000 to General Reserve and retained 300000 in P&L a/c. Depn Rate = 10%.

Calculate 1:- Cost of Control

2:- Minority Interest

3:- Consolidated Profits & Reserves.

80% @ 1100000

sltd.
NW

1.4.21
DOA

31.3.22
DOL

Share Capital	1000000	.....	0	.....
	800000	200000		

General Res	600000	.....	400000	.....
	480000	120000	320000	80000

P&L	700000	.....	300000	.....
	500000	140000	240000	60000

Land & Build	BV	500000	.....	D =	500000
	RV	800000	.....	D =	800000
	P	300000	.....	L =	(300000)
		240000	60000		(240000) (60000)

1) Calculation of Cost of Control

Networth acquired :-	Share Capital	=	800000
	General Reserve	=	480000
	PL	=	560000
	Profit on revaluation	=	240000
			<u>2080000</u>
Cost Incurred		=	<u>1100000</u>
Capital Reserve		=	<u>980000</u>

2) Minority Interest

	<u>DOA</u>		<u>DOC</u>
Share Capital	= 200000	+ 0	= 200000
General Reserve	= 120000	+ 80000	= 200000
PL	= 140000	+ 60000	= 200000
Profit on revaluation	= <u>60000</u>	- 6000	= <u>54000</u>
	<u>520000</u>		<u>654000</u>

3) Consolidated Profits & Reserves

Particulars	Profits	Reserves	
1. Balance	1000000	1200000	→ (Assumed)
2. add: Share from sltd.	240000	320000	
3. less: excess depreciation	(240000)		
	<u>1216000</u>	<u>1520000</u>	

Example 6 :-

Bhima Ltd. presents the following as on 1.4.21

Share Capital = 1000000

General Res = 500000

P&L = 500000

Beautiful Ltd. acquired 60% shareholding in Bhima Ltd. for ₹ 1300000 as on 1.10.21

Profits retained in P&L during the year amounted to ₹ 250000.

Profits transferred to General Reserve amounted to ₹ 250000.

- Calculate :-
- 1) Cost of control
 - 2) Minority Interest
 - 3) Consolidated Profits & Reserves

Solution :-

	1.4.21	1.10.21	31.3.22
		60% @ 1300000	
		DOA	
Share Capital	1000000	0	
		SC = 1000000	
		600000	400000
General Reserve	500000	250000	
	6m = 125000	GR = 625000	6m = 125000
		375000	75000
		250000	50000
P&L	500000	250000	
	6m = 125000	P&L = 625000	6m = 125000
		375000	75000
		250000	50000

1. Cost of control

a. Network acquired :-	Share Capital	=	600000
	General Reserve	=	375000
	P&L	=	375000
			<u>1350000</u>

b. Cost Incurred :-		<u>1300000</u>
	Capital Reserve	= <u>50000</u>

2. Minority Interest

	DOA		DOC
Share Capital	= 400,000	+ 0	= 400,000
General Reserve	= 250,000	+ 50,000	= 300,000
PEL	= 250,000	+ 50,000	= 300,000
	<u>900,000</u>		<u>1,000,000</u>

3. Consolidated Profits and Reserves

Particulars	Profits	Reserves
1. Balance	1,000,000	1,200,000 → (Assumed)
2. add: Share from sltd.	75,000	75,000
	<u>1,075,000</u>	<u>1,275,000</u>

Example 7: - Continuing the above example :-

Bhima Ltd. had a PLM of BV = 600,000 on 1.4.21 which was revalued at ₹ 750,000 on the DOA. Depn = 10% p.a.

- Calculate
1. Cost of control
 2. Minority Interest
 3. Consolidated Profits & Reserves.

	1.4.21	1.10.21	31.3.22
		DOA	
Share Capital	1,000,000	0	
		SL = 1,000,000	
		600,000 400,000	
General Reserve	500,000	250,000	
	6m = 125,000	GIR = 625,000	6m = 125,000
		375,000 250,000	75,000 50,000
PEL	500,000	250,000	
	6m = 125,000	PEL = 625,000	6m = 125,000
		375,000 250,000	75,000 50,000
PLM	600,000	BV = 570,000	- D = 30,000
	- D = 30,000	RV = 750,000	- D = 37,500
		P = 180,000	L = (75,000)
		108,000 72,000	(45,000) (30,000)

Calculation of cost of control

a. Networth acquired :-

Share Capital	=	600000
General Reserve	=	375000
P&L	=	375000
Profit on reval	=	108000
		<u>1458000</u>

b. Cost Incurred :-

		<u>1300000</u>
Capital Reserve	=	<u>158000</u>

2. Minority Interest

	<u>DOA</u>		<u>DOC</u>
Share Capital	= 400000	+ 0	= 400000
General Reserve	= 250000	+ 50000	= 300000
P&L	= 250000	+ 50000	= 300000
Profit on reval	= 72000	- 3000	= 69000
	<u>972000</u>		<u>1069000</u>

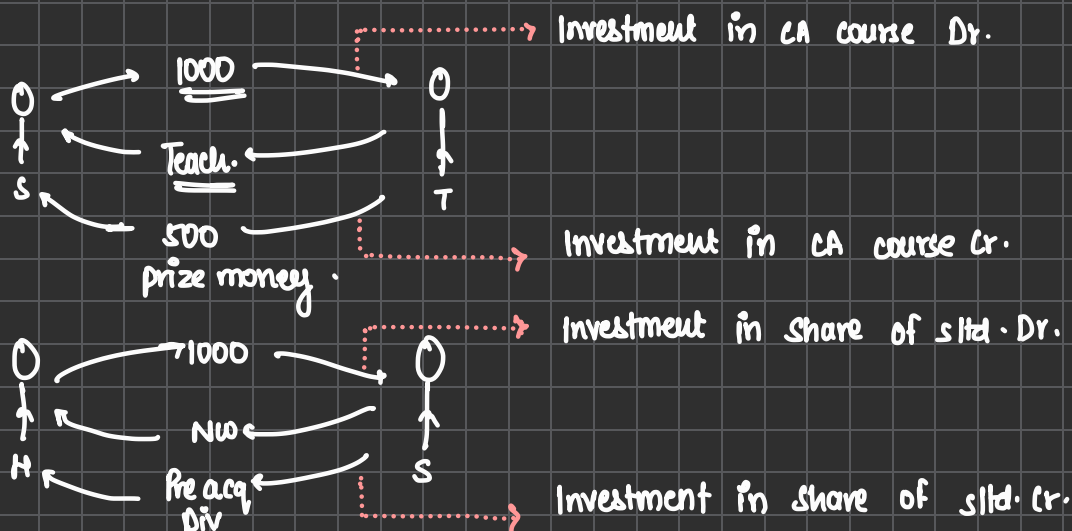
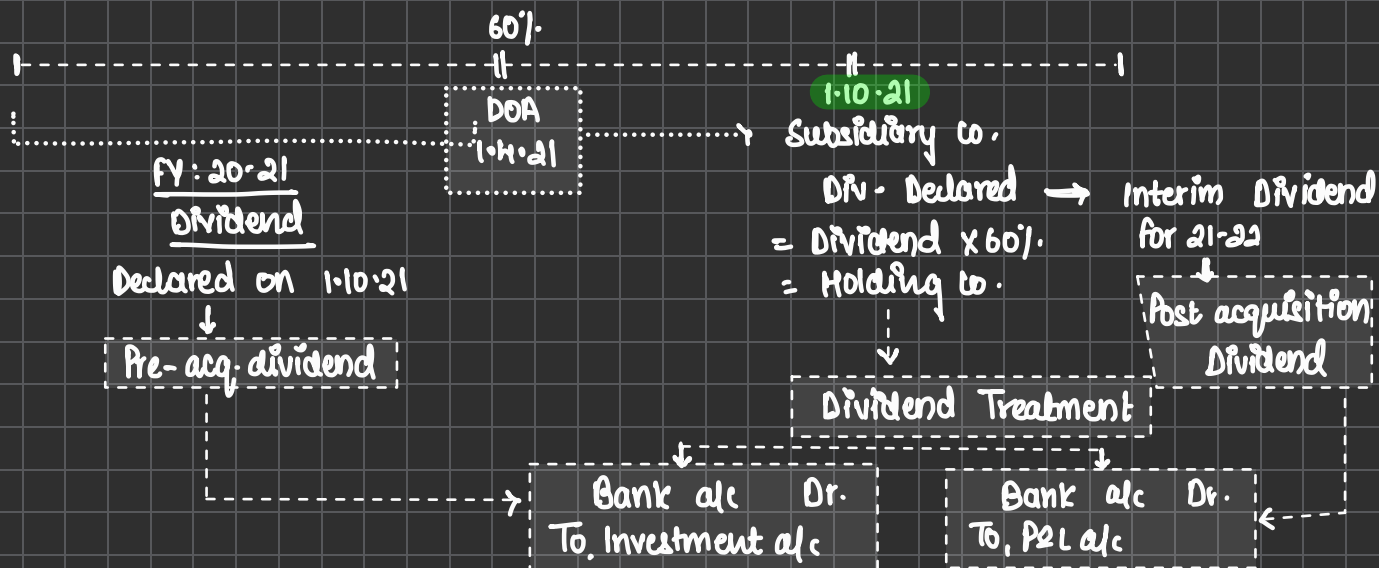
3. Consolidated Profits and Reserves

Particulars	Profits	Reserves
1. Balance	1000000	1200000 → (Assumed)
2. add: Share from sltd.	75000	75000
3. less: excess depreciation	(4500)	-
	<u>1070500</u>	<u>1275000</u>

NOTE :-

from the above two examples it is evident that our focus needs to be on the Date of Acquisition rather than the beginning of the year. We need to calculate the cost of control and minority interest as on the date of acquisition and not on the beginning of the year. for this we will require the networth on the DOA and not the networth on the beginning of the year.

TREATMENT OF DIVIDEND DECLARED BY SUBSIDIARY COMPANY IN THE BOOKS OF HOLDING COMPANY



Pre-acquisition Dividend

⇒ Bank a/c Dr.
To, Investment a/c

1) Cost of Control

a) Net worth Acquired

b) Cost Incurred → Investment in Shares of sld. Dr.
- Pre-acq. dividend ⇒ Investment in Shares of sld. Cr.

3. Consolidated Profits & Reserves

Particulars	Profits	Reserves
1. Balance	x	-
2. add: share from sld.	x	-
3. add: Post acq. dividend	x	-

→ What if :- Holding company credited the pre-acquisition dividend to P&L a/c.

CORRECT

Bank a/c Dr.
To, Investment

WRONG

Bank a/c Dr.
To, P&L a/c

RECTIFICATION

P&L a/c Dr.
To, Investment a/c

1. Lost of control

a. NW acquired

b. Cost Incurred : Investment Dr.
less: Pre-acq. div: Investment Cr.

3. Consolidated Profits & Reserve

	Profits	Reserve
a. Balance	x	
b. add: share from s/ltd.	x	
c. less: Pre-acq. dividend	(x)	



CONSOLIDATED FINANCIAL STATEMENTS

Student
Notes

Consolidated Profits & Reserves

	Profit	Reserves
1. Balance	XX	XX
2. Add :- Share from subsidiary	1,80,000	1,20,000

Holding Co. $\xleftrightarrow{60\% \text{ NW}}$ Subsidiary Co.

Balance Sheet		Balance Sheet	
SC	PPE	SC	PPE
R&S	Intangible Assets	R&S	Intangible Assets
Non Cur. Liab	Investments $\rightarrow 60\% \text{ NW} \rightarrow \text{S Ltd}$	Non Cur. Liab	Investments
Cur. Liabilities	Current Assets	Cur. Liabilities	Current Assets

Merging the two Balance Sheet: Consolidated Balance Sheet

S.C } R&S	H.Co 100% NW	S.Co 60% NW	S.Co 40% NW	PPE	(H.Co. + S.Co.)
		(600)	(600)	Intangible Assets	(H.Co. + S.Co.)
				Goodwill	100
				Non-Cur. Investment	
				S.Co. :-> All Investment	
				H.Co. :-> Invest. In S Ltd. = 60% NW	(700) (500)
				Other than Invest. In S.Co.	
				C.A (H.Co. + S.Co.)	

Cap. Res. $\rightarrow$ Cost of Control $\rightarrow$ DOA $\rightarrow$ Pay = 700 $\Rightarrow$ Invest $\rightarrow$ Asset 500

A H.Co. NW = 600 $\rightarrow$ SC R&S $\rightarrow$ Liab 600

Goodwill 100 Capital Res 100

CA Tejas Suchak

Example 1:-

Azhampal: Subsidiary Ltd. has provided the following figures

Share Capital = 500,000

General Reserve = 300,000

P&L = 250,000

Holding Company has acquired 75% Share Capital of Subsidiary Co. for ₹ 700,000.

Calculate Cost of Control

Solution:- Cost of Control

1. Networth acquired : Share Capital = 500,000 × 75% = 375,000
↓
This is eliminated from equity & liability
General Reserve = 300,000 × 75% = 225,000
P&L = 250,000 × 75% = 187,500
787,500

2. Cost Incurred → This is eliminated from investments. = 700,000

Capital Reserve

87,500

Azhampal 2:

Tigi Tigi Ltd. (Subsidiary Co.) has provided the following information:-

Share Capital = 800,000

General Reserve = 400,000

P&L = 300,000

At the time of acquisition of shares the Plant & Machinery of TigiTigi Ltd. was valued at ₹ 300,000 (BV = 200,000)

Chigi Wigi Ltd. acquired 80% shares in TigiTigi Ltd for ₹ 2000,000

Calculate Cost of Control

Solution :-

Networth acquired :-

Share Capital = 800,000 × 80% = 640,000

General Reserve = 400,000 × 80% = 320,000

P&L = 300,000 × 80% = 240,000

Profit on revaluation of machine = 100,000 × 80% = 80,000

1,280,000

Cost Incurred = 2,000,000

Goodwill = 720,000

Azhampal 3 :-

Chun Chun Chu Ltd. (subsidiary co.) has provided the following details:-

1. Plant & Machinery = 500,000
2. Land & Building = 1,000,000
3. Stock = 450,000
4. Cash in hand = 50,000
5. Cash at Bank = 100,000
6. Debtors = 200,000
7. Loan & Advances = 300,000
8. 8% Debentures Issued = 800,000
9. 7.5% Bank loan = 200,000
10. Creditors = 300,000

Mogambo (Holding co.) acquired 60% networth of Chun Chun Chu Ltd. for ₹ 11,00,000.

Calculate cost of control

Solution :- Cost of Control

1. Networth acquired :-

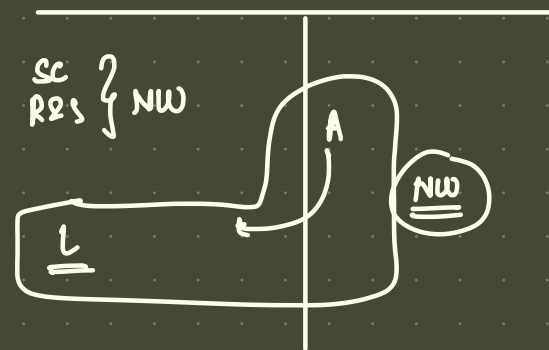
Total Networth = 13,00,000

% acquired = 60%

Networth acquired = 7,80,000

2. Cost Incurred = 11,00,000

Goodwill = 3,20,000



Example 4 :-

sHd. has provided the following data :

Share Capital = 5,00,000

General Reserve = 4,00,000

PL = 3,00,000

DOA
↑

Hld. acquired 70% voting power in sHd. as on 1.4.21 for ₹ 10,00,000
During 21-22 sHd. transferred 4,00,000 to General Reserve and retained 3,00,000 in PL a/c.

Calculate Cost of Control and Minority Interest as on the DOA and Doc.

Solution :-



Share Cap	5,00,000	0
	3,50,000	1,50,000
Gen. Res.	4,00,000	4,00,000
	2,80,000	1,20,000
PL	3,00,000	3,00,000
	2,10,000	90,000

1. Cost of Control → DOA

2. Minority Interest

a. Networth acquired :-

DOA

Doc

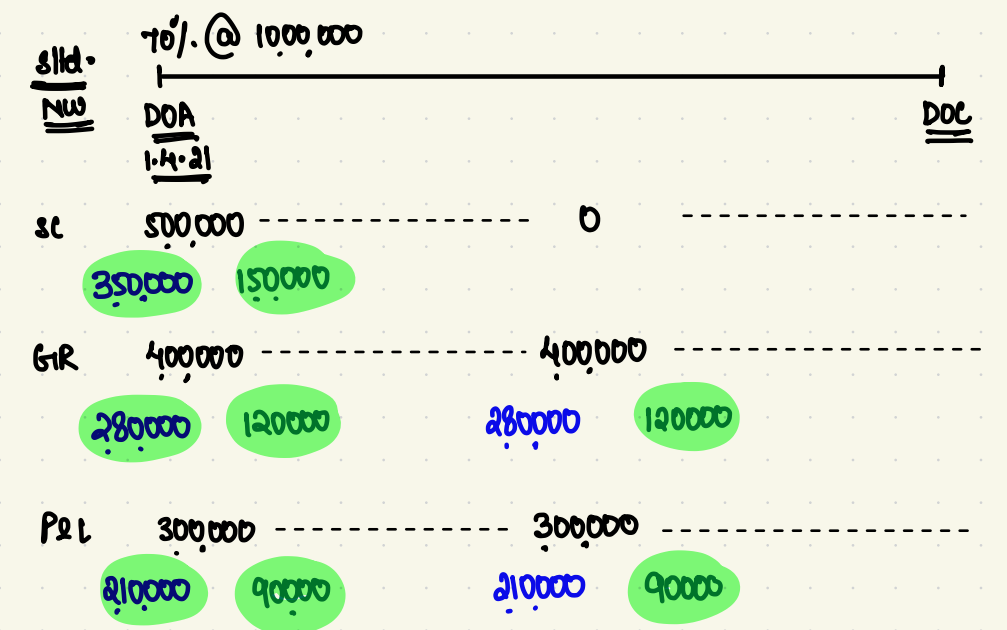
Share Capital = 3,50,000
General Reserve = 2,80,000
PL = 2,10,000
8,40,000

Share Capital = 1,50,000 + 0 = 1,50,000
General Reserve = 1,20,000 + 1,20,000 = 2,40,000
PL = 90,000 + 90,000 = 1,80,000
3,60,000

b. Cost Incurred = 10,00,000
Goodwill = 1,60,000

3. Consolidated Profits & Reserves

	Profits	Reserve
a. Balance (assume)	1,50,000	2,50,000
b. add: share from sHd.	2,10,000	2,80,000
	<u>17,10,000</u>	<u>27,80,000</u>



1) CC

$$\begin{aligned} \text{NWA} &= 8,40,000 \\ \text{CI} &= 10,00,000 \\ \text{GW} &= \underline{1,60,000} \end{aligned}$$

2) MI

$$\begin{aligned} &\underline{\text{DOA}} \\ &3,60,000 + 2,10,000 = \underline{\underline{\text{DOE}}} \\ &5,70,000 \end{aligned}$$

3) Consolidated Profits & Reserve

Particulars	Profits	Reserve
1. Balance (Holding Co.)	5,00,000	7,00,000 (Assuming)
2. add: Share from slid.	<u>2,10,000</u>	<u>2,80,000</u>
	<u>7,10,000</u>	<u>9,80,000</u>

Calculate CoC and MI

S Ltd.

$$\text{DOA} = 1.4.20$$

$$\text{SC} = 1000.000$$

$$\text{GR} = 250.000$$

$$\text{P\&L} = 100.000$$

After acquisition, the reserves went up by ₹100,000
and bal of P&L increased by ₹50,000

Holding Co. acquired 80% shares in S Ltd. as on 1.4.20 for
₹ 800,000.

<u>S Ltd.</u> <u>NW</u>	DOA 1.4.20	31.3.21	
SC	1000.000		
	800.000	200.000	
GR	250.000	100.000	
	200.000	50.000	
		800.000	20.000
P&L	100.000	50.000	
	80.000	20.000	
		40.000	10.000

1. CoC

<u>NWA</u>	:-	1080.000
<u>CI</u>	:-	800.000
<u>CR</u>		<u>280.000</u>

2. MI

	DOA		DOE
SC	= 200.000	+	0 = 200.000
GR	= 50.000	+	20.000 = 70.000
P&L	= 20.000	+	10.000 = 30.000
	<u>270.000</u>		<u>300.000</u>

3. Consolidated Profits & Reserves

Profits Reserves

1- Balance (H Co.)	1000.000	1500.000 → Assume
2. Share from S. Co.	40.000	80.000
	<u>1040.000</u>	<u>1580.000</u>

Example 5:- sHd. produces the following data as on 1.4.21

Share Capital = 1000000

General Reserve = 600000

P&L a/c = 700000

H Ltd. acquired 80% Voting Power in sHd. as on 1.4.21 for 21100000.

On the date of acquisition, the Land & Building of sHd. (BV=500000) was revalued at 2800000.)

During 21-22 sHd. transferred 400000 to General Reserve and retained 300000 in P&L a/c. Depn Rate = 10%.

Calculate 1:- Cost of Control

2:- Minority Interest

3:- Consolidated Profits & Reserves.

80% @ 1100000

1.4.21

DOA

31.3.22

Sh.Cap 1000000

800000 200000

Gen Res. 600000 400000

480000 120000 300000 80000

P&L 700000 300000

500000 140000 240000 60000

L&B: BV 500000 D = 500000

RV 800000 D = 80000

P = 300000 L = (30000)

240000 60000 (24000) (6000)

1. **Cost of Control** → **DOA**

a. **Networth acquired**

Share Capital = 800000

General Reserve = 480000

P&L = 500000

Profit on revaluation = $\frac{240000}{2080000}$

b. Cost Incurred = 1100000

Capital Reserve = 980000

2. **Minority Interest**

DOA

Share Capital = 200000 + 0 = 200000

General Reserve = 120000 + 80000 = 200000

P&L = 140000 + 60000 = 200000

Profit on revaluation = $\frac{60000}{520000} - 6000 = \frac{54000}{654000}$

3. **Consolidated Profits and Reserves**

Profits

Reserves

a. Balance of H Ltd. (assume) 2000000 2500000

b. add: share from sHd. 240000 320000

c. less: Excess depreciation (24000) -
2216000 2820000

S.H.D.
NW

DDA

1-4-21

DDG

SC

800000

200,000

0

GIR

480,000

120000

400 000

320000

80000

과

560000

140000

300,000

240000

60000

10R.BV = 500000

$$D = 50,000$$
$$RV = 800000$$
$$D = 80000$$

P 300000

$$L = \overline{(30000)}$$

240 000

60000

(21.000)

(ferr)

1) የገንዘብ

2) MI

NWA = 2080000

$$CI = 11,00,000$$

CR = 980000

DOA

$$520000 + 134000 = \underline{654000}$$

DDC

2) Consolidated Profits & Reserves

Profits & Reserves

1. Balance

500000 700000 (assume)

2. + share from sltd.

240000 320000

3. - excess depn

(24000) -

716000 1020,000

1020,000

80% @ 11,00,000	
<u>Std.</u>	1.4.21
<u>NW</u>	DOA
SC	10,00,000
	8,00,000 2,00,000
GR	6,00,000 4,00,000
	4,80,000 1,20,000 3,20,000 80,000
PA	7,00,000 3,00,000
	5,60,000 1,40,000 2,40,000 60,000
BV =	5,00,000 D = 50,000
RV =	8,00,000 D = 80,000
P =	3,00,000 L = (30,000)
	2,40,000 60,000 (24,000) (60,000)

1.000
NWA = 20,80,000

CI = 11,00,000
C.R. = 9,80,000

2. M1
DOA + changes = DOE
 5,20,000 + 13,40,000 = 65,40,000

3. Consolidated Profit & Reserve

	Profit	Reserve
1. Balance (H Co.)	10,00,000	15,00,000
2. + share from sub.	2,40,000	3,20,000
3. - excess depn	(24,000)	-
	<u>12,16,000</u>	<u>18,20,000</u>

Example 6:- Bhima Ltd. presents the following as on 1.4.21

Share Capital = 1000000
 General Res = 500000
 P&L = 500000

Beautiful Ltd. acquired 60% shareholding in Bhima Ltd. for ₹ 1300,000 as on 1.10.21
 Profits retained in P&L during the year amounted to ₹ 250,000.
 Profits transferred to General Reserve amounted to ₹ 250,000.

- Calculate:-
- 1) Cost of Control
 - 2) Minority Interest
 - 3) Consolidated Profits & Reserves

Solution :-

		60% @ 1300000	
<u>Bhima Ltd.</u>			
<u>NW</u>			
		1.4.21	31.3.21
			DOA ↓ NW
Share Capital	1000000	0	0
		1000000	
		600000	400000
General Res.	500000	125000	125000
		250000	
		625000	75000
		375000	250000
P&L	500000	125000	125000
		250000	
		625000	75000
		375000	250000

1. Cost of Control ⇒ DOA = 1.10.21

a. Networth acquired

Share Capital = 600000
 General Reserve = 375000
 P&L = 375000
1350000

b. Cost Incurred = 1300000

Capital Reserve = 50000

2. Minority Interest

	<u>DOA</u>		<u>DOA</u>
Share Capital	= 400000 + 0	=	400000
General Reserve	= 250000 + 50000	=	300000
P&L	= 250000 + 50000	=	300000
	<u>900000</u>		<u>1000000</u>

3. Consolidated Profits & Reserves

	<u>Profits</u>	<u>Reserves</u>
a. Balance (Assume)	1000000	800000
b. add: share from Bhima Ltd.	75000	75000
	<u>1075000</u>	<u>875000</u>

Example 7:- Continuing the above example :-

Alpha Ltd. had a P&M of BV = 600,000 on 1.4.21 which was revalued at ₹ 750,000 on the DOA. Depn = 10% p.a.

- Calculate
1. Cost of Control
 2. Minority Interest
 3. Consolidated Profits & Reserves.

Solution :-

Alpha Ltd. <u>New</u>	1.4.21	1.10.21 <u>DOA</u> <u>New</u>	31.3.22 <u>DOA</u>
Share Capital	10,00,000	0 10,00,000	
		6,00,000 4,00,000	
General Res	5,00,000	2,50,000 6,25,000	12,500 7,50,00 50,000
		37,500 2,50,000	
P&L	5,00,000	2,50,000 6,25,000	12,500 7,50,00 50,000
		37,500 2,50,000	
P&M BV	6,00,000	BV = 5,70,000 RV = 7,50,000 P = 1,80,000	D = 30,000 D = 37,500 L : (7,500)
	D = 30,000	10,80,000 72,000	(4,500) (3,000)

$$\text{COL} = 1,58,000 \rightarrow \text{CR}$$

$$\text{MI} : \underline{\text{DOA}} = 9,72,000$$

$$\text{DOA} = 10,69,000$$

Cons. P&R

Treatment of Dividend Declared / Proposed Dividend by subsidiary Co. in the books of H Co.



CONSOLIDATED FINANCIAL STATEMENTS

10:30am

Student
Notes

Question 1 → Exam Question

Category:-

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

	₹ in lakhs
Fixed Assets	120
Investments	55
Current Assets	70
Loans & Advances	15
15% Debentures	90
Current Liabilities	50

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

Fixed Assets Up by 20%
Investments Down by 10%

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

Calculate the amount of goodwill/capital reserve on acquisition of shares of Zed Ltd. (notebook page no.)

Question 2

1.4.10 : M1 → 10,00,000 × 30% = 3,00,000

Category:-

- ❖ A Ltd. acquired 70% of equity shares of B Ltd. on 1.4.2010 at cost of ₹ 10,00,000 when B Ltd. had an equity share capital of ₹ 10,00,000 and reserves and surplus of ₹ 80,000. NW = 10,00,000 × 70% = 7,00,000 - 10,00,000 = 2,44,000 = 61%
- ❖ In the four consecutive years, B Ltd. fared badly and suffered losses of ₹ 2,50,000, ₹ 4,00,000, ₹ 5,00,000 and ₹ 1,20,000 respectively.
- ❖ Thereafter in 2014- 15, B Ltd. experienced turnaround and registered an annual profit of ₹ 50,000. In the next two years i.e. 2015-16 and 2016-17 B Ltd. Recorded annual profits of ₹ 1,00,000 and ₹ 1,50,000 respectively.
- ❖ Show the minority interests and cost of control at the end of each year for the purpose of consolidation. (notebook page no.)

Question 3

60%.

Category:-

- ❖ H Ltd. acquired 3,000 shares in S Ltd., at a cost of ₹4,80,000 on 1.7.2016.
- ❖ The capital of S Ltd. consisted of 5,000 shares of ₹ 100 each fully paid.
- ❖ The Profit & Loss Account of this company for 2016 showed an opening balance of ₹1,25,000 and profit for the year was ₹ 3,00,000.
- ❖ At the end of the year, it declared a dividend of 40%. Record the entry in the books of H Ltd., in respect of the dividend.

Assume calendar year as financial year.

(notebook page no.)

Dividend = 500,000 × 40% = 2,00,000



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Question 3 :-

	1-1-16		60% @ 480000		31-12-16
			DOA		
			1-7-16		
P&L	125000	150000	300000	150000	
			P&L = 275000	150000	
					Dividend declared.

CASE I :- Dividend is declared out of pre-acq. profits

	1-1-16		60% @ 480000		31-12-16
			DOA		
			1-7-16		
P&L	125000	150000	300000	150000	
			P&L = 275000	150000	
			- Div = 200000		Dividend declared.
			x 60%		= 200000
			120000		
			Bank a/c Di.	120000	
			To Investment	120000	

CASE II :- Dividend is declared out of post acquisition profits

	1-1-16		60% @ 480000		31-12-16
			DOA		
			1-7-16		
P&L	125000	150000	300000	150000	
			P&L = 275000	150000	
			- Div = 50000	- Div = 150000	Dividend declared.
			x 60%	x 60%	= 200000
			30000	90000	
			Bank Dr. 30000	Bank Dr. 90000	
			To Invest 30000	To P&L 90000	

CASE III :- Dividend is declared out of Current Year Profits.

	1-1-16		60% @ 480000		31-12-16
			DDA		
			1-7-16		
P&L	125000	150000	300000	150000	
			P&L = 275000		
		-D = 100000		-D = 100000	Dividend declared = 200000
		$\times 60\%$		$\times 60\%$	
		60000		60000	
		↓		↓	
	Bank a/c	Dr. 60000	Bank a/c	Dr. 60000	
	To Investment a/c	60000	To P&L a/c	60000	

CASE IV :- Dividend is declared in the Pre: Post profits ratio.

	1-1-16		60% @ 480000		31-12-16
			DDA		
			1-7-16		
P&L	125000	150000	300000	150000	
			P&L = 275000		
			Pre: Post = 275:150		
		-D = 200000 $\times \frac{275}{425}$		-D = 200000 $\times \frac{150}{425}$	Dividend declared = 200000
		= 129412		= 70588	
		$\times 60\%$		$\times 60\%$	
		77647		42353	
		↓		↓	
	Bank Dr. 77647		Bank Dr. 42353		
	To Investment 77647		To P&L 42353		

Question 2 :-

Calculation of Cost of Control

$$\begin{aligned}
 1. \text{ Networth acquired :-} & \text{ Share Capital} = 1000000 \times 70\% = 700000 \\
 & \text{ Reserves \& Surplus} = 80000 \times 70\% = 56000 \\
 & \underline{756000}
 \end{aligned}$$

$$2. \text{ Cost Incurred :- } 1000000$$

Goodwill

244000

Calculation of Minority Interest

Particulars	Minority Interest	Minority losses borne by Holding Co.
1. Minority Interest as on 1.4.10 ($1080000 \times 30\%$)	324000	
2. losses f.t.y. 10-11 ($250000 \times 30\%$)	(75000)	
3. MI as on 1.4.11	249000	
4. losses f.t.y. 11-12 ($400000 \times 30\%$)	(120000)	
5. MI as on 1.4.12	129000	
6. losses f.t.y. 12-13 ($500000 \times 30\%$)	(150000)	
7. MI as on 1.4.13	(21000)	
8. Excess losses of Minority transferred to Hold. Co.	21000	(21000)
9. MI as on 1.4.13	0	(21000)
10. losses f.t.y. 13-14 ($120000 \times 30\%$)	(36000)	
11. MI as on 1.4.14	(36000)	
12. Excess losses of Minority transferred to Hold. Co.	36000	(36000)
13. MI as on 1.4.14	0	(57000)
14. Profits f.t.y. 14-15 ($50000 \times 30\%$)	15000	
15. Profits transferred to Holding Co.	(15000)	15000
16. MI as on 1.4.15	0	(42000)
17. Profits f.t.y. 15-16 ($100000 \times 30\%$)	30000	
18. Profits transferred to Holding Co.	(30000)	30000
19. MI as on 1.4.16	0	(12000)
20. Profit f.t.y. 16-17 ($150000 \times 30\%$)	45000	
21. Profits transferred to Holding Co.	(12000)	12000
22. MI as on 1.4.17	33000	0

Question 1:- Calculation of cost of control

a. Networth acquired = $138.5 \times 70\% = 96.95 \text{ L}$
(w/N-1)

b. Cost Incurred = 70
less: Pre-acq. dividend (w/N-2) = (7) = 63L

c. Capital Reserve = 33.95L

w/N-1:- Calculation of Networth of Zed Ltd.

Particulars	Amount
1) Fixed Assets (120+20%)	144
2) Investments (55-10%)	49.5
3) Current Assets	70
4) Loans & Advances	15
5) less: 15% Debentures	(90)
6) less: current liabilities	(50)
Networth	<u>138.5</u>

w/N-2:- Calculation of amount of dividend

1. Total cost of acquisition = 7000000
2. Cost /share = 20
3. Number of shares acquired = 350000 E.S. (70%)
4. Face value /share = 10
5. Nominal value of capital acq = 3500000
6. % Dividend = 20%
7. Amount of dividend = 700000

31.3.17

DOA

Zed Ltd.

Div. Dec.

Pre-acq div.

↓
Holding Co.
↓
Invst Cr.

Question 3 :-

	1-1-16	60% @ 480000	1-7-16	31-12-16
<u>Sld.</u> <u>NW</u>			<u>DOA</u> <u>NW</u>	
Share Capital	500000		0 500000	500000
P&L	125000	150000	300000 275000	150000
Dividend				200000

40%

i) If dividend is declared from Post-acq profits

P&L	125000	150000	DOA 300000 275000	150000
Dividend			-50000 x 60% 30000	-150000 x 60% 90000

200000

Bank	Dr.	120000
To, P&L		90000
To, Investment		30000

ii) If dividend is declared from current year profits

P&L	125000	150000 - Pre	300000 DOA 275000	150000 - Post
Dividend		-100000 x 60% 60000		-100000 x 60% 60000

200000

Bank	Dr.	120000
To, P&L		60000
To, Investment		60000

iii) IF dividend is declared in pre profit : post profits ratio.

$$\text{P\&L} \quad 125000 \quad \frac{150000}{275000} \quad \text{DOA} \quad \frac{150000}{275000} = \text{Post}$$

Dividend

$$= \frac{200000 \times 275}{425}$$

$$= \frac{200000 \times 150}{425}$$

200000

$$= 129412$$

$$= 70588$$

$$\times 60\%$$

$$\times 60\%$$

$$77647$$

$$42353$$

Bank a/c Dr. 120000

To, P&L 42353

To, Investment 77647

Question 2: Calculation of cost of Control

Networth acquired

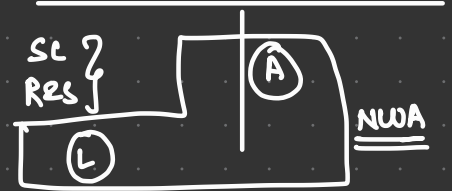
Share capital	=	$1000000 \times 70\%$	=	<u>700000</u>
Reserves	=	$80000 \times 70\%$	=	<u>56000</u>
				<u>756000</u>
Cost incurred	=			1000000
Goodwill	=			<u>244000</u>

Calculation of Minority Interest

Particulars	Min. Interest	Borne by Altd.
1. DOA : $1080000 \times 30\%$	324000	
2. Losses for the year 10-11 : $250000 \times 30\%$	(75000)	
3. MI as on 31-3-11	249000	
4. Losses for the year 11-12 : $400000 \times 30\%$	(120000)	
5. MI as on 31-3-12	129000	
6. Losses for the year 12-13 : $500000 \times 30\%$	(150000)	
7. MI as on 31-3-13	(21000)	
8. Minority losses borne by H Co.	21000	(21000)
9. MI as on 31-3-13	0	
10. Losses for the year 13-14 : $120000 \times 30\%$	(36000)	
11. MI as on 31-3-14	(36000)	
12. Minority losses borne by H Co.	36000	(36000)
13. MI as on 31-3-14	0	
14. Profit f.t.y. 14-15 : $50000 \times 30\%$	15000	
15. Minority Profits transf to H Co.	(15000)	15000
16. MI as on 31-3-15	0	
17. Profits f.t.y. 15-16 : $100000 \times 30\%$	30000	
18. Minority profits trans to H Co.	(30000)	30000
19. MI as on 31-3-16	0	
20. Profits f.t.y. 16-17 : $150000 \times 30\%$	45000	
21. Minority profits trans. to H Co.	(12000)	12000
22. Minority Interest as on 31-3-17	<u>33000</u>	

Question 1:-Cost of Control

$$\begin{array}{rcl}
 \text{Networth acquired} & = & 96.95 \\
 (138.5 \times 70\%) & & \\
 \text{Cost Incurred} & = & 70 \\
 \text{less: Pre acquired div} & = & (7) \\
 \hline
 \text{Net cost} & = & \underline{\underline{63}}
 \end{array}
 \left. \vphantom{\begin{array}{rcl} \text{Networth acquired} \\ (138.5 \times 70\%) \\ \text{Cost Incurred} \\ \text{less: Pre acquired div} \end{array}} \right\} \begin{array}{l} \text{Capital Reserve} \\ = \underline{\underline{33.95 \text{ lakhs}}} \end{array}$$

w/N-2: Calculation of Dividend

- a. Total cost Incurred = 70000000
- b. cost incurred / share = 20
- c. Number of shares acq : 3500000 sh.
- d. NV / share = 10
- e. Total NV = 35000000
- f. Dividend % age = 20%
- g. Amt of dividend = 7000000

w/N-1 : Networth of 2ed ltd.

1. Fixed Assets = 144
2. Investments = 49.5
3. Current Assets = 70
4. Loans & Adv = 15
5. less : 15% Deb = (90)
6. less : Current Liab = (50)
- Networth of 2 ltd = 138.5



CONSOLIDATED FINANCIAL STATEMENTS

Question 4 → Exam Question

Category:-

From the following data, determine in each case:

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

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

(notebook page no.)

Question 5

Category:-

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

During the year ended 31st December, 2016, ABC Ltd. earned a profit of ₹ 20,000 and at year end, declared and paid a dividend of ₹ 30,000.

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?

(notebook page no.)

Question 6 → 15/16 marks → Exam Question

Category:-

From the following summarized balance sheets of H Ltd. and its subsidiary S Ltd. drawn up at 31st March, 2017, prepare a consolidated balance sheet as at that date, having regard to the following:

- Reserves and Profit and Loss Account of S Ltd. stood at ₹25,000 and ₹ 15,000 respectively on the date of acquisition of its 80% shares by H Ltd. on 1st April, 2016.
- Machinery (Book-value ₹ 1,00,000) and Furniture (Book value ₹ 20,000) of S Ltd. were revalued at ₹ 1,50,000 and ₹ 15,000 respectively on 1st April, 2016 for the purpose of fixing the price of its shares. [Rates of depreciation computed on the basis of useful lives: Machinery 10%, Furniture 15%.] (notebook page no.)

Student Notes

CASE I

COE : NWA = 90,000
CI = 100,000
GW = 10,000

MI : DOA = 0
DOL = 0

CP = 200,000 + 15,000
= 215,000

CASE II

COE : NWA = 110,500
CI = 104,000
CR = 6,500

MI : DOA = 19,500
DOL = 18,000

CP = 200,000 - 8,500
= 191,500

CASE III

COE : NWA = 56,000
CI = 56,000

MI : DOA = 14,000
DOL = 14,000

CP : 200,000 + 0
= 200,000



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Question 5 :-

80% @ 140,000

1-1-16

DOA

31-12-16

DOc

Share Capital 100000 0 100000
 20000

P&L 60000 20000 50000
 - D 10000 - D = 20000
 50000 0
 10000
 Dividend declared = 30000

Treatment of Dividend : Bank a/c Dr. 24000
 To Investment a/c 8000
 To P&L 16000

Minority Interest :
 Share Capital = DOA DOc
 P&L = 20000 + 0 = 20000
 = 10000 + 0 = 10000
 30000 30000

31.3.17

80000	20000
-------	-------

20000	5000					40000	10000
-------	------	--	--	--	--	-------	-------

12000	3000					8000	2000
-------	------	--	--	--	--	------	------

40000	10000			(4000)	(1000)
-------	-------	--	--	--------	--------

(4000)	(1000)					600		150
--------	--------	--	--	--	--	-----	--	-----

a. Networth acquired :-

148000

160000

12 000

2. Minority Interest

48150

3. Consolidated Profits & Reserves

Particulars	Profits	Reserve
1. Balance	100000	200000
2. add: Share from s ltd.	8000	40000
3. less: excess depreciation	(4000)	-
4. add: redn in depr	600	-
	<u>104600</u>	<u>240000</u>

Consolidated Balance Sheet of Hld. as on 31-3-17

Particulars	Note	Amount	Amount
<u>Equity & Liability</u>			
<u>Shareholders funds</u>			
Share Capital		600000	600000
Reserves & surplus : Profits Reserves		<u>104600</u>	<u>344600</u>
		<u>240000</u>	
<u>Minority Interest</u>		<u>48150</u>	<u>48150</u>
<u>Non-current Liability</u>			
<u>current liability</u> : Trade Payables		<u>207000</u>	<u>207000</u>
			<u>1199750</u>
<u>ASSETS</u>			
<u>Non-current Assets</u>			
<u>Property, Plant & Equipment</u>	1	597750	
<u>Intangible Assets</u> : Goodwill		12000	
<u>Non-current Investments</u>		-	
<u>Other Non current Assets</u>		<u>590000</u>	<u>1199750</u>
<u>Current Assets</u>		-	-
			<u>1199750</u>

NOTE 1:- PPE

1) machine : H	300000	
S	<u>135000</u>	435000
2) furniture : H	150000	
S	<u>127500</u>	162750
		<u>597750</u>



CONSOLIDATED FINANCIAL STATEMENTS

2 sltd.

Summarized Balance Sheet of H Ltd. as on 31st March, 2017

Liabilities	H Ltd.	S. Ltd.	Assets	H Ltd.	S Ltd.
	₹	₹		₹	₹
Equity and Liabilities			Non-current assets		
Shareholders' funds			Fixed assets		
Share Capital			Machinery	3,00,000	90,000
Shares of ₹ 100 each	6,00,000	1,00,000	Furniture	1,50,000	17,000
Reserves	2,00,000	75,000	Other non-current assets	4,40,000	1,50,000
Profit and Loss Account	1,00,000	25,000	Non-current Investments		
Trade Payables	1,50,000	57,000	Shares in S Ltd.:		
			800 shares at ₹ 200 each	1,60,000	—
	10,50,000	2,57,000		10,50,000	2,57,000

(notebook page no.)

Question 7

Category:-

Consider the following summarized balance sheets of subsidiary B Ltd.:

	2015	2016		2015	2016
	₹	₹		₹	₹
Share-Capital			Fixed Assets		
Issued & subscribed			Cost	3,20,000	3,20,000
5,000 equity shares			Less: Accumulated		
of ₹100 each	5,00,000	5,00,000	depreciation	(48,000)	(96,000)
Reserves & Surplus				2,72,000	2,24,000
Revenue reserves	2,86,000	7,14,000	Investments at cost:	—	4,00,000
Current Liabilities & Provisions:			Current Assets:	—	4,00,000
Trade Payables	4,90,000	4,94,000	Inventory	5,97,000	7,42,000
Bank overdraft	—	1,70,000	Trade Receivables	5,94,000	8,91,000
Provision for taxation	3,10,000	4,30,000	Prepaid Expenses	72,000	48,000
			Cash at Bank	51,000	3,000
	15,86,000	23,08,000		15,86,000	23,08,000

Also consider the following information:

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

Student
Notes



CA Tejas Suchak

Question 7:-

As per AS-21: Consolidation of financial statements, the Accounting Policies of Holding and Subsidiary Companies should be prepared on the basis of similar Accounting Policies. If in case the Accounting Policies of Holding and Subsidiary Companies are not the same then the financial statements of Subsidiary Company will have to be restated to make the accounting policies uniform with the accounting policies of Holding Co.

NOTE:- We have to restate the financial statements of 2016.

Inventory :-

2015	2016
12000 ↓	34000 ↓

Included in this figure.

Inventory of 2016 :-

Balance	= 742000
less: Reduction in value	= (34000)
Restated Balance	= <u>708000</u>

Revenue Reserves for 2016 :-

Balance	= 714000
less: Reduction in inv	= (34000)
add: Provision for D.D.	= 9000
less: Reduction in P.E.	= (30000)
	<u>659000</u>

Trade Receivables for 2016 :-

Balance	= 891000 → 99
add: Provision for D.D	= 9000
(891000 × 1/99)	
Restated Balance	= <u>900000</u>

Prepaid Expenses for 2016 :-

Balance	= 48000
less: amt recog as exp. by A	= (30000)
Restated Balance	= <u>18000</u>

TR = 100
- PDD = 1 %
Net TR = 99 → 891000

Create

Reverse

Bad Debts	Dr. 9000		PDD Dr.	9000
To, P.D.D	9000		To, Baddebts (P&L)	9000

B Hld.			
1-1-15	31-12-15	31-12-16	31-3-17
↓			
Adjst Exp			
90000	Exp = 30000	Exp = 30000	Exp = 30000
	Prep Exp = 60000	Prep = 30000	P.E = 0
A Hld.			
1-1-15	31-12-15	31-12-16	31-12-17
↓			

Advt Exp

90000

Exp = 90000

P.E = 0

Exp

Rep Exp

Dr.

30000

Cr.

30000

Restated Balance Sheet of B Ltd as on 31-12-16

Particulars	Notes	Amount	Amount
<u>Equity & Liability</u>			
<u>Shareholders funds</u>			
Share Capital		500000	
Reserves & Surplus : Revenue Reserves		659000	1159000
<u>Non-Current liabilities</u>		-	
<u>Current liabilities</u>			
Trade Payables		494000	
Short Term Loans : Bank overdraft		170000	
Short Term Provisions : Prov for taxation		430000	1094000
ASSETS			<u>2253000</u>
<u>Non-Current Assets</u>			
Property, Plant & Equipment		224000	
Intangible Assets		-	
Non-Current Investments		400000	
Other non-current assets		-	624000
<u>Current Assets</u>			
Inventory		708000	
Trade Receivables		900000	
Prepaid expenses		18000	
Cash & cash equivalents		3000	1629000
			<u>2253000</u>



CONSOLIDATED FINANCIAL STATEMENTS

Student
Notes

To bring B Ltd.'s values in line with those of A Ltd. its value of inventory is required to be reduced by ₹12,000 at the end of 2015 and ₹34,000 at the end of 2016.

(c) B Ltd. deducts 1% from Trade Receivables as a general provision against doubtful debts.

(d) Prepaid expenses in B Ltd. include advertising expenditure carried forward of ₹60,000 in 2015 and ₹30,000 in 2016, being part of initial advertising expenditure of ₹90,000 in 2015 which is being written off over three years. Similar amount of advertising expenditure of A Ltd. has been fully written off in 2015.

Restate the balance sheet of B Ltd. as on 31st December, 2016 after considering the above information, for the purpose of consolidation. Such restatement is necessary to make the accounting policies adopted by A Ltd. and B Ltd. Uniform.

Question 8

80%

DOA Category:-

A Ltd. acquired 1,600 ordinary shares of ₹100 each of B Ltd. on 1st July, 2016. On 31st December, 2016 the summarized balance sheets of the two companies were as given below:

Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Capital (Shares of ₹100 each fully paid)	5,00,000	2,00,000	Land	1,50,000	1,80,000
Reserves	2,40,000	1,00,000	& Buildings		
Profit & Loss A/c	57,200	82,000	Plant	2,40,000	1,35,000
Bank Overdraft	80,000	—	& Machinery		
Trade Payable	47,100	17,400	Investment in B Ltd. at cost	3,40,000	
			Inventory	1,20,000	36,400
			Trade Receivable	59,800	40,000
			Cash	14,500	8,000
	9,24,300	3,99,400		9,24,300	3,99,400

The Profit & Loss Account of B Ltd. showed a credit balance of ₹30,000 on 1st January, 2016 out of which a dividend of 10% was paid on 1st August, 2016; A Ltd. credited the dividend received to its Profit & Loss Account.

The Plant & Machinery which stood at ₹1,50,000 on 1st January, 2016 was considered as worth ₹1,80,000 on 1st July, 2016; 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 on 31st December, 2016

(notebook page no.)

Trade Rec.
99 891000
-1 9000
100 900000

← eliminate 80% of B



CA Tejas Suchak

Question 4 :-

CASE I :-

90% @ 140,000

A Ltd.
NW

1.1.16
DOA

31.12.16
DOL

Share Capital	100,000	0	100,000
	90,000	10,000	
PL	50,000	20,000	70,000
	45,000	18,000	2,000

1. Cost of Control

$$\begin{aligned} \text{a. Networth acquired : Share Capital} &= 90,000 \\ \text{PL} &= 45,000 \\ &= \underline{135,000} \end{aligned}$$

$$\begin{aligned} \text{b. Cost Incurred} &= 140,000 \\ \text{Goodwill} &= \underline{5,000} \end{aligned}$$

2. Minority Interest

	DOA		DOL
Share Capital	10,000	+ 0	= 10,000
PL	5,000	+ 2,000	= 7,000
	<u>15,000</u>		<u>17,000</u>

3. Consolidated Profits

Particulars	Profits
1. Balance	200,000
2. add: share from A Ltd.	18,000
	<u>218,000</u>

Question 6:-

Slt'd
NLO

80% @ 160,000

1-4-16

DOA

31-3-17
DOL

Share Capital 100,000 _____ 0 _____ 100,000

80,000

20,000

Reserves

25,000

20,000

5,000

50,000

40,000

10,000

75,000

P&L

15,000

12,000

3,000

10,000

8,000

2,000

25,000

Mach

BV = 100,000

RV = 150,000

P = 50,000

40,000

10,000

D = 10,000

D = 150,000

L = (50,000)

(40,000)

(10,000)

Furniture BV = 20,000

RV = 15,000

L = (5,000)

(4,000)

(1,000)

D = 3,000

D = 22,500

P = 750

600

150

1. Cost of Control

a. Networth acquired

1. Share Capital = 80,000

2. Capital Reserves = 20,000

3. Capital Profits = 12,000

4. Profit on reval of M = 40,000

5. loss on reval of F = (4,000)

148,000

b. Cost Incurred = 160,000

Goodwill = 12,000

2. Minority Interest

DOA

DOL

1. Share Capital = 20,000

2. Capital Reserves = 5,000

3. Capital Profits = 3,000

4. Profit on reval of M = 10,000

5. loss on reval of F = (1,000)

37,000

1. Share Capital = 0

2. Revenue Reserve = 10,000

3. Revenue Profits = 2,000

4. Excess depn = (1,000)

5. Redn in depn = 150

11,150

48,150

3. Consolidated Profits & Reserves

<u>Particulars</u>	<u>Profits</u>	<u>Reserves</u>
a. Balance of Hld.	100,000	200,000
b. add: Share from sltd.	8,000	40,000
c. less: excess depn on mach (4,000)		-
d. add: redn in depn on furn 600		
	<u>104,600</u>	<u>240,000</u>

Consolidated Balance Sheet of H Ltd. as on 31-3-17

<u>Particulars</u>	<u>Notes</u>	<u>Amount</u>	<u>Amount</u>
<u>Equity & Liability</u>			
<u>Shareholders funds</u>			
<u>Share Capital: Equity</u>		600,000	600,000
<u>Reserves & Surplus</u>			
Profits		104,600	
Reserves		240,000	344,600
<u>Minority Interest</u>		48,150	48,150
<u>Non-Current Liabilities</u>		-	
<u>Current Liabilities</u>			
<u>Trade Payables</u>		207,000	207,000
			<u>11,99,750</u>
<u>ASSETS</u>			
<u>Non-Current Assets</u>			
<u>Property, Plant & Equipment</u>	1	5,97,750	5,97,750
<u>Intangible Assets : Goodwill</u>		12,000	12,000
<u>Non-Current Investments</u>		-	
<u>Other Non-Current Assets</u>		59,000	59,000
<u>Current Assets</u>		-	<u>11,99,750</u>

NOTE 1: Property, Plant & Equipment

Particulars	Amount
1. <u>Machine</u>	
H Co. 300000	
S Co. <u>135000</u>	435000
2. <u>Furniture</u>	
H Co. 150000	
S Co. <u>12750</u>	162750
	<u>597750</u>

Question 7:-

w/N-1:- Calculation of Inventory

$$\begin{array}{rcl} 1. \text{ Balance as on } 31.12.16 & = & 742000 \\ \text{less: Adjustment from FIFO to LIFO} & = & (34000) \\ \hline & & 708000 \end{array}$$

w/N-3: Calculation of Trade Receivables

$$\begin{array}{rcl} \text{Balance as on } 31.12.16 & = & 891000 (99) \\ \text{add: Reversal of P.D.D.} & = & 9000 (1) \\ \hline & & 900000 \end{array}$$

w/N-4:- Calculation of Prepaid Expenses

$$\begin{array}{rcl} \text{Balance as on } 31.12.16 & = & 48000 \\ \text{less: Prepaid advt exp} & = & (30000) \\ \hline & & 18000 \end{array}$$

w/N-2:- Calculation of Revenue Reserve

$$\begin{array}{rcl} 1. \text{ Balance as on } 31.12.16 & = & 714000 \\ \text{less: reduction in inv as on } 31.12.16 & = & (34000) \\ \text{add: reversal of P.D.D.} & = & 9000 \\ \text{less: advt exp w. off} & = & (30000) \\ \hline & & 659000 \end{array}$$

	I	II	I
	1.1.16	1.7.16 DOA	31.12.16 DOC
Share Capital	200,000	0 SC = 200,000 160,000 40,000	200,000
Reserves	100,000	0 Reserves = 100,000 80,000 20,000	100,000
PEL a/c	30,000	72,000 Gm = 36,000 PEL = 46,000 36,800 9,200	82,000 Gm = 36,000 28,800 7,200
- Div	(20,000) 10,000		

PEM: BV = 150,000 - D = 7,500

BV = 142,500

- D = 7,500

RV = 180,000

- D = 9,000

P = 37,500

L = (1,500)

30,000 7,500

(1,200) (300)

Dividend Treatment (Alt.) → PEL Dr. 16,000 → 3. Cons. PEL
To Investment a/c 16,000 → 1. CoC: Cost Inc. less
(20,000 × 80%)

1. Cost of Control

1. Networth acquired :-

Share Capital	=	160,000
Reserve	=	80,000
Profits	=	36,800
Profit on reval	=	30,000
		<u>306,800</u>

2. Cost Incurred :-

less: Pre-acq dividend

340,000	
(16,000)	
<u>324,000</u>	

Goodwill

<u>17,200</u>

Minority Interest

		DOA			DOC
Share Capital	=	40,000	+ 0	=	40,000
Reserve	=	20,000	+ 0	=	20,000
Profits	=	9,200	+ 7,200	=	16,400
Profit on reval	=	7,500	- 300	=	7,200
		<u>76,700</u>			<u>83,600</u>

3. Consolidated Profits & Reserves

Particulars	Profits	Reserves
1. Balance	57200	240000
2. Share from Bld.	28800	-
3. less: excess depn	(1200)	-
4. less: pre-acq dividend	(16000)	-
	<u>68800</u>	<u>240000</u>

Consolidated Balance sheet of A Ltd. as on 31-12-16

Particulars	Notes	Amount	Amount
<u>Equity & Liability</u>			
<u>Shareholders funds</u>			
Share Capital		500000	
Reserves & Surplus	1	<u>308800</u>	808800
<u>Minority Interest</u>		83600	83600
<u>Non-current Liabilities</u>		-	-
<u>Current liabilities</u>			
Trade Payables		64500	
Short Term Loans : Bank o/d		<u>80000</u>	144500
			<u>1036900</u>
<u>Assets</u>			
<u>Non-current Assets</u>			
Property, Plant & Equipment	2	741000	
Intangible Assets : Goodwill		17200	
Non-current Investments		<u>-</u>	758200
<u>Current Assets</u>			
Inventory		156400	
Trade Receivables		99800	
Cash & cash Equivalents		<u>22500</u>	278700
			<u>1036900</u>

NOTE 1:- Reserves & Surplus

Particulars	Amount
1. Consolidated Profits	68800
2. Consolidated Reserves	240000
	<u>308800</u>

NOTE 2: PPE

Particulars	Amount
1. Land & Building : A	150000
B	<u>180000</u>
	330000
2. Plant & Machine : A	240000
B	<u>171000</u>
	411000
	<u>741000</u>

B Hdl.



Advt = 90000

PE = 60000

PE = 30000

PE = 0

Exp = 30000

Exp = 30000

Exp = 30000

A Hdl.



Advt = 90000

PE x

PE x

Exp = 90000

x

x

Question 5:.

	80% @ 140000	
<u>ABC Ltd.</u>	1.1.16	31.12.16
	DOA	
Share Capital	100000	
	<u>20000</u>	
PEL	60000	20000
	<u>12000</u>	
Dividend	- 10000 (31.12.16)	
	x 80%	
	<u>8000</u>	
		- 20000
		x 80%
		<u>16000</u>
		30000

Treatment of Dividend

Bank a/c	Dr.	24000
To, PEL		16000
To Investment		8000

Calculation of Minority Interest

	<u>DOA</u> (1.1.16)		<u>DOE</u> (31.12.16)	
Share Capital =	20000	Share Capital =	20000	
Capital Profits =	12000 (60k x 20%)	Capital PF =	10000 (60000 - 10000) x 20%	
		Revenue PF =	0 (20000 - 20000) x 20%	
	<u>32000</u>		<u>30000</u>	

SL	=	20000	} New hold
CP	=	12000	
RP	=	4000	
- D	=	<u>(6000)</u>	New lauditi gain
		<u>30000</u>	

Question 4: -

90% @ 140,000

A.Hd.

1-1-16

DOA

31-12-16

DOE

NW

Share Capital

100,000

90,000

10,000

PEL

50,000

45,000

5,000

20,000

18,000

2,000

CAPITAL PROFITS

REVENUE PROFITS

Calculation of Cost of Control

a. Networth acquired :- Share Capital = 90,000

PEL
(Capital Profits) = 45,000
135,000

b. Cost Incurred :-

140,000

Goodwill

5,000

Calculation of Minority Interest

DOA

DOE

Share Cap = 10,000

= 10,000

Capital Pft = 5,000

= 7,000

15,000

+ 2,000

17,000

↓
Revenue Profits

Consolidated Profits

Particulars

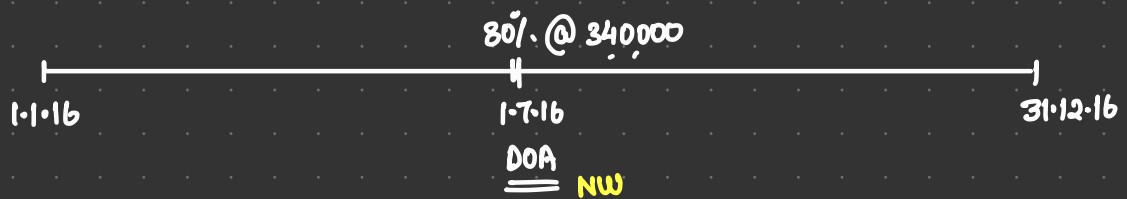
Amount

a. Balance of Holding Co. 200,000

b. Share from A.Hd. (Revenue Pfts) 18,000

218,000

Question 8 :-



Share Capital	200,000		0	200,000	0	200,000
			160,000	40,000		
Reserve	100,000		0	100,000	0	100,000
			80,000	20,000		
P&L	30,000	36,000	72,000	36,000	82,000	
			46,000	28,800	7,200	
- Dividend	- 20,000 (1-8-16)		36,800	9,200		
	<u>10,000</u>					

P&M BV = 150,000

D = 7,500

BV = 142,500

RV = 180,000

P = 37,500

D = 7,500

D = 9,000

L = (1,500)

30,000

7,500

(1,200)

(300)

1. Cost of Control

a. Networth acquired

Share Capital	=	160,000
Capital Reserves	=	80,000
Capital Profits	=	36,800
Profit on reval of P&M	=	30,000
		<u>306,800</u>

b. Cost Incurred	=	340,000
less: Pre-acq dividend	=	(16,000)
		<u>324,000</u>
Goodwill	=	<u>17,200</u>

2. Minority Interest

	<u>DOA</u>		<u>DOA</u>
Share Capital	= 40,000	Share Capital	= 0 = 40,000
Capital Reserves	= 20,000	Rev. Reserves	= 0 = 20,000
Capital Profits	= 9,200	Rev Profits	= 7,200 = 16,400
Profit on reval of P&M	= 7,500	Loss due to depn	= (300) = 7,200
	<u>76,700</u>		<u>83,600</u>

3. Consolidated Profits & Reserves

Particulars	Profits	Reserves
a. Balance of A Ltd.	57,200	240,000
b. add: Share from B Ltd.	28,800	-
c. less: excess depn	(1,200)	-
d. less: Pre-acq div.	(16,000)	-
	<u>68,800</u>	<u>240,000</u>

Consolidated Balance Sheet of A ltd. as on 31-12-16

Particulars	Notes	Amount	Amount
<u>E&L</u>			
<u>SHF</u>			
<u>SC</u> : ESC		<u>500000</u>	<u>500000</u>
<u>Res</u> : Profits		68800	
Reserves		<u>240000</u>	<u>308800</u>
<u>MI</u> :		<u>83600</u>	<u>83600</u>
<u>NCL</u> :			
<u>CL</u> : Bank o/d	{ Note 1 }	80000	
Trade Payables		<u>64500</u>	<u>144500</u>
			<u>1036900</u>
<u>ASSETS</u>			
<u>NCA</u>			
<u>PPE</u>	[Note 2]		
	L&B	330000	
	P&M	<u>41000</u>	<u>74000</u>
<u>LA</u> : Crd		<u>17200</u>	<u>17200</u>
<u>NCI</u> :		-	
<u>ONCA</u> :		-	
<u>CA</u> : [NOTE 3]			
	Inv.	156400	
	TR	99800	
	Cash	<u>22500</u>	<u>278700</u>
			<u>1036900</u>



CONSOLIDATED FINANCIAL STATEMENTS

Question 9

Category:-

On 31st March, 2017 the summarized Balance Sheets of H Ltd. and its subsidiary S Ltd. stood as follows:

Liabilities	H Ltd. ₹ in lakhs	S Ltd. ₹ in lakhs
Share Capital:		
Authorized	15,000	6,000
Issued and Subscribed:		
Equity Shares of ₹ 10 each, fully paid up	12,000	4,800
General Reserve	2,784	1,380
Profit and Loss Account	2,715	1,620
Bills Payable	372	160
Trade Payables	1,461	854
Provision for Taxation	855	394
Dividend payable	1,200	-
	21,387	9,208
Assets	H Ltd. ₹ in lakhs	S Ltd. ₹ in lakhs
Land and Buildings	2,718	2
Plant and Machinery	4,905	4,900
Furniture and Fittings	1,845	586
Investments in shares in S Ltd.	3,000	2
Stock	3,949	1,956
Trade Receivables	2,600	1,363
Cash and Bank Balances	1,490	204
Bills Receivable	360	199
Sundry Advances	520	2
	21,387	9,208

The following information is also provided to you:

- (a) H Ltd. purchased 180 lakh shares in S Ltd. on 1st April, 2016 when the balances of General Reserve and Profit and Loss Account of S Ltd. stood at ₹ 3,000 lakh and ₹ 1,200 lakh respectively.
- (b) On 31st March, 2016, S Ltd. declared a dividend @ 20% for the year ended 31st March, 2016. H Ltd. credited the dividend received by it to its Profit and Loss Account.
- (c) On 1st January, 2017, S Ltd. issued 3 fully paid-up bonus shares for every 5 shares held out of balances of its general reserve as on 31st March, 2016.

$$\frac{1416}{20A} \quad N \quad \frac{1017}{E} \quad \frac{31317}{W(T)}$$

$$\frac{180L}{300L} = 60\% \quad 3 \quad 5 \quad 8$$

$$= 180L \quad = 300L$$

Bonus

CS Tejas Suchak

Student
Notes

$$= 480L \quad 180L$$

$$480L$$

$$= 37.57-$$

$$S: BP = 160$$

$$H: BR = 160$$

45
(Hold)
mutual
debt

Endorse
not mutual
debt.



	60% @ 3000L		
Sthd NW	1-4-16	1-1-17	31-3-17
	DOA		DOL
Share Capital	3000L	+1800L	4800L
	1800L 1200L	X X	
General Res.	3000L	180L	1380L
- B1	(1800L)	108L 72L	
	1200L		
	1800L 1200L		
P&L	1200L	1020L	1620L
- D	(600L)	612L 408L	
	600L		
	360L 240L		

Rectification Effect :-

P&L a/c	Dr.	360L
To Investment a/c		360L

(3000 x 20% = 600L x 60% = 360L)

1) Cost of Control

a) Networth acquired :-

Share Capital	= 1800
General Reserve	= 1800
Profit & loss	= 360
	<u>3960L</u>

b) Cost Incurred	: 3000L
less: Pre-acq div	: (360L)
	<u>2640L</u>
Capital Reserve	<u>1320L</u>

2) Minority Interest

	DOA		DOL
Share Capital	= 1200L	+ 0	= 1200
General Reserve	= 1200L	+ 72L	= 1272
Profit & loss	= 240L	+ 408L	= 648
	<u>2640L</u>		<u>3120L</u>

3) Consolidated Profits & Reserves

Particulars	Profits	Reserve
1. Balance	2715	2784
2. add: share from sthd.	612	108
3. less: pre-acquisition div	(360)	-
4. less: unrealised profit	(20)	-
	<u>2947</u>	<u>2892</u>

Balance sheet → Homework

NOTE :- for the General Reserves :-

The balance of General Reserves as on 1.4.16 is 3000L. On 1.1.17 1800L out of the above reserves is converted into Share Capital. This means this amount of amount of 1800L was part of Networth on 1.4.16 and continues to be a part of networth 1.1.17 onwards. It has only changed its form from General Reserves to Share Capital.

Hence, since it is a part of Networth from 1.4.16 and continues to be a part of Networth throughout the year it should be bifurcated between Holding and Minority from 1.4.16 itself.

for the Profit & loss a/c

The balance of Profit & loss as on 1.4.16 was 1200L out of which the company distributed dividend of 600L as on 1.4.16 itself. This means that this 600L was no longer a part of subsidiary's networth. Hence the amount of P&L to be bifurcated between Holding and Minority was only 600L and not 1200L.

H	.....	Sell	.....	S
C		P		SP
100		25		125
		x - 20L		
		↓		
		Unrealised Profit		

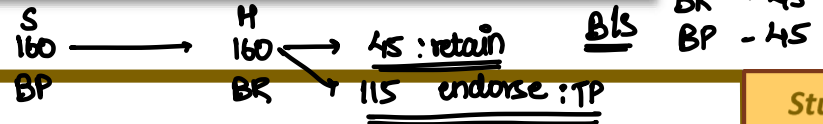
H. P&L Dr. 20L
S. Inv. Cr. 20L → B/S

4. / d. : 45L mutual debt

Bills Payable Dr. 45L → B/S
Bills Receivable Cr. 45L → B/S



CONSOLIDATED FINANCIAL STATEMENTS



d) On 31st March, 2017, all the bills payable in S Ltd.'s balance sheet were acceptances in favour of H Ltd. But on that date, H Ltd. held only ₹ 45 lakh of these acceptances in hand, the rest having been endorsed in favour of its trade payables.

(e) On 31st March, 2017, S Ltd.'s inventory included goods which it had purchased for ₹ 100 lakh from H Ltd. which made a profit @ 25% on cost. Prepare a Consolidated Balance Sheet of H Ltd. And its subsidiary S Ltd. as at 31st March, 2017. (notebook page no.)

Special points:

	60% @ 3000 L	
<u>S Ltd.</u>	1-4-16	31-3-17
<u>NU</u>	DOA	Bonus
		DOL

Share Capital	3000L	1800L	4800L
60%	40%	x	x
1800L	1200L		

General Reserve	3000L	1800L	1380L
- 1800L (1-1-17)			
1200L	60%	40%	
1800L	108L	72L	
1200L			

P&L	1200L	1020L	1620L
- D	(600L) (1-4-16)		
600L	60%	40%	
360L	612	408	
240L			

1- Cost of Control

Networth acquired :-

Share Capital = 1800L
 Capital Reserves = 1800L
 Capital Profits = 360L
3960L

Cost Incurred :- 3000L

less: Pre acq div = (360L)
2640L

Capital Reserve = 1320L

"Discipline is the bridge between goals and accomplishment."



CA Tejas Suchak