

		those returns through its power over the investee.
6. Minority interest	In this case minority interest must be showed in the consolidated balance sheet distinctly under Equity and Liabilities of the parent company.	According to this standard, non-controlling interests should be presented in consolidated balance sheet within equity but separately from the equity of the owners of the parent.
7. Exclusion from consolidation	AS 21 excludes a parent to prepare consolidation financial statements : (a) when the parent's control over subsidiary is temporary because subsidiary is acquired and held exclusively for its subsequent disposal in the near future.(b) when the subsidiary operates under severe restrictions which are of long-term nature and which significantly affects its ability to transfer funds to its parent.	In Ind AS 110, there is no such exemption from consolidation of financial statements and a parent shall prepare consolidated financial statements till it has control over the other entity.

GRADED ILLUSTRATIONS

Illustration 1 : Fully Owned Subsidiary and Acquisition on Balance Sheet date.

The Balance sheets of a Holding Company and its Subsidiary Company as at 31st March, 2019 are as follows.

Particulars	Note No.	Holding Co. 31.3.19 (₹)	Subsidiary Co. 31.3.19 (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital–Equity Shares of ₹10 each		1,20,000	96,000
(b) Reserve and Surplus	1	30,000	—

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Particulars	Note No.	Holding Co. 31.3.19 (₹)	Subsidiary Co. 31.3.19 (₹)
2. Current Liabilities			
(a) Trade Payables—Creditors		50,000	24,000
Total		2,00,000	1,20,000
II. ASSETS			
1. Non-Current Assets			
(a) Fixed Assets			
(i) Tangible Assets		1,04,000	1,20,000
(b) Non-current Investments- 9,600 Equity Shares of Subsidiary Co. at cost		96,000	—
2. Current Assets		—	—
Total		2,00,000	1,20,000

Additional Information

Holding Co. acquired the shares of Subsidiary Co. on 31st March, 2019. Prepare a Consolidated Balance Sheet of Holding Co. and its Subsidiary Co. as at 31st March, 2019.

[Similar problem in C.U. B. Com (General) 2012]

Working Notes :

- (1) Date of Consolidation = 31.03.2019
- (2) Date of Acquisition = 31.03.2019
- (3) Interest of Holding Company in Subsidiary Company = 100%
- (4) Minority Shareholders = Nil

Solution :

Consolidated Balance Sheet of Holding Co. and its Subsidiary Co. as at 31st March, 2019

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share Capital	1.	1,20,000
(b) Reserve and Surplus	2.	30,000
(2) Share Applications Money Pending Allotment		—

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Particulars	Note No.	Amount (₹)
(3) Non-current Liabilities		
Long-term Borrowings		
(4) Current Liabilities		
(a) Trade Payables-Creditors	3.	74,000
Total		2,44,000
II. ASSETS		
(1) Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets	4.	2,24,000
(2) Current Assets		—
Total		2,24,000

Notes to Accounts

Note No.	Particulars	Amount (₹)
1.	Share Capital : (Holding Co.) 12,000 Equity Shares @ ₹10 each	1,20,000
		1,20,000
2.	Reserve & Surplus : (Holding Co.)	30,000
3.	Current Liabilities : Trade Payables : Holding Co. Subsidiary Co.	50,000 24,000 74,000
4.	Tangible Assets Holding Co. Subsidiary Co.	1,04,000 1,20,000 2,24,000

Illustration 2: Part Acquisition of shares of Subsidiary Co. including Inter-Company Debts and Unrealized Profit included in Stock.

On 1st April, 2018, H Ltd. acquired 4,000 Equity Shares in S Ltd. The Balance Sheets of the two companies as at 31st March, 2019 is as under :

Particulars	Note No.	H Ltd. (₹)	S. Ltd. (₹)
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital—Equity shares of ₹100 each	1.	10,00,000	5,00,000
(b) Reserve and Surplus		5,00,000	4,00,000
(2) Current Liabilities			
(a) Trade Payables	2.	1,25,000	75,000
Total		16,25,000	9,75,000
II. ASSETS			
(1) Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets	3.	5,00,000	6,00,000
(b) Non-Current Investments—800 Equity Shares of S Ltd.		5,00,000	—
(2) Current Assets			
(a) Inventories	4.	2,00,000	1,00,000
(b) Trade Receivables		3,00,000	2,25,000
(c) Cash and Cash Equivalents—Cash at Bank		1,25,000	50,000
Total		16,25,000	9,75,000

Notes to Accounts :

Note No.	Particulars	H. Ltd. (₹)	S. Ltd. (₹)
1.	Reserve & Surplus		
	(a) General Reserve (1.04.18)	3,00,000	2,00,000
	(b) Statement of Profit & Loss Balance	2,00,000	2,00,000
		5,00,000	4,00,000
2.	Current Liabilities—Trade Payables		
	Creditors	1,00,000	50,000
	Bills Payable	25,000	25,000
		1,25,000	75,000
3.	Tangible Assets		
	Machinery	3,00,000	3,00,000
	Furniture	2,00,000	3,00,000
		5,00,000	6,00,000
4.	Current Assets—Trade Receivables		
	Debtors	2,00,000	1,50,000
	Bills Receivable	1,00,000	75,000
		3,00,000	2,25,000

Additional Information

- (i) The balance of Statement of Profit & Loss of S. Ltd. as on 01.04.2018 was ₹ 50,000.

- (ii) Sundry Debtors of S. Ltd. include ₹25,000 due from H. Ltd.
 (iii) Bills Receivable of H. Ltd. include ₹10,000 accepted by S. Ltd.
 (iv) Stock of S. Ltd. include goods purchased from H. Ltd. for ₹ 20,000 which were invoiced by H. Ltd. at cost plus $33\frac{1}{3}\%$

Prepare a consolidated Balance Sheet of H. Ltd. and its subsidiary S. Ltd. as at 31.03.2019.
[Similar problem in C.U. B.Com (Hons), 2010]

Working Notes :

1. Date of Consolidation = 31.03.2019

2. Date of Acquisition = 01.04.2018

3. Interest of Holding Company in Subsidiary Company

$$= \frac{\text{Shares held by Holding Company (H. Ltd.)}}{\text{Total no. of shares of Subsidiary Company (S. Ltd.)}}$$

$$= \frac{4,000 \text{ Shares}}{5,000 \text{ Shares}} = \frac{4}{5} \text{ th; Minority} = \frac{1}{5} \text{ th}$$

4. Share of Profit on Inter-company Stock

$$₹ 20,000 \times \frac{1}{4} = ₹ 5,000$$

5. Pre-acquisition profit of S. Ltd. = ₹ 50,000

$$\text{Post-acquisition profit of S. Ltd.} = ₹ (2,00,000 - 50,000)$$

$$= ₹ 1,50,000$$

6. Pre-acquisition Reserve = ₹ 2,00,000

7. **SCHEDULE on the basis of Balance Sheets of H. Ltd. and S. Ltd.**

Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of H. Ltd. = ₹ 10,00,000	Note No.	Total	Share of H. Ltd. ($\frac{4}{5}$)	Minority Interest ($\frac{1}{5}$)
8. Cost of Control				
Nominal value of shares held by S. Ltd.		5,00,000	4,00,000	1,00,000
Add: Share of pre-acquisition profit in S. Ltd.	5	50,000	40,000	10,000
Add: Share of pre-acquisition Reserve in S. Ltd.	6	2,00,000	1,60,000	40,000
			6,00,000	
Less: Cost of controlling shares held by H. Ltd.			5,00,000	
Capital Reserve for CBS			1,00,000	
9. General Reserve for consolidated Balance Sheet				
General Reserve for H Ltd.			3,00,000	
Add: Share of post-acquisition Reserve in S. Ltd.		Nil	Nil	Nil
General Reserve for CBS			3,00,000	

Share Capital of consolidated Balance Sheet (CBS) = Share Capital of H. Ltd. = ₹10,00,000	Note No.	Total	Share of H. Ltd. (⁴ / ₅)	Minority Interest (¹ / ₅)
10. Statement of Profit & Loss A/c balance for Consolidated Balance Sheet Statement of Profit & Loss A/c Balance of H. Ltd, Add: Share of post-acquisition profit in S. Ltd.	5	1,50,000	2,00,000	30,000
			1,20,000	
			3,20,000	
Less: Share of profit on inter-company stock [W.N.:4]			5,000	
Profit & Loss A/c balance for CBS			3,15,000	
11. Minority Interest				1,80,000

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

Particulars	Note No.	Amount ₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital—Equity Shares of ₹ 100 each	1	10,00,000
(b) Reserve & Surplus	2	7,15,000
2. Minority Interest	3	1,80,000
3. Current Liabilities		
(a) Trade payables	4	1,65,000
Total		20,60,000
II. ASSETS		
1. Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets	5	11,00,000
2. Current Assets		
(a) Inventories	6	2,95,000
(b) Trade Receivables	7	4,90,000
(c) Cash and Cash Equivalents—Cash at Bank	8	1,75,000
Total		20,60,000

Notes to Accounts

Note No.	Particulars	Amount (₹)
1.	Share Capital :	
	Authorised Capital	
	? Equity shares of ? each	?
	Issued, Subscribed and Paid-up capital	
	10,000 equity shares of ₹100 each equity	10,00,000

Note No.	Particulars	Amount (₹)
2.	Reserve & Surplus : Capital Reserve (W.N. :8) General Reserve (W.N. :9) Statement of Profit & Loss A/c balance (W.N. :10)	1,00,000 3,00,000 3,15,000 7,15,000
3.	Minority Interest (W.N. :11)	1,80,000
4.	Current Liabilities : Trade Payables Creditors H. Ltd. 1,00,000 S. Ltd. 50,000 Less: Mutual indebtedness 25,000 Bills Payable H. Ltd. 25,000 S. Ltd. 25,000 Less: Acceptance by S. Ltd. 10,000	1,50,000 1,25,000 40,000 1,65,000
5.	Trangible Assets : Fixed H. Ltd. (₹ 3,00,000 + ₹ 2,00,000) S. Ltd. (₹ 3,00,000 + ₹ 3,00,000)	5,00,000 6,00,000 11,00,000
6.	Inventories H. Ltd. 2,00,000 S. Ltd. 1,00,000 Less: Share of profit on inter-company stock 5,000	95,000 2,95,000
7.	Trade Receivables Debtors: H. Ltd. 2,00,000 S. Ltd. 1,50,000 Less: Mutual indebtedness 25,000 Bills Receivable H. Ltd. 1,00,000 S. Ltd. 75,000 Less: Acceptance by S. Ltd. 10,000	3,50,000 3,25,000 1,75,000 1,65,000 4,90,000
8.	Cash & Cash Equivalents—Cash at Bank H. Ltd. 1,25,000 S. Ltd. 50,000	1,75,000

Illustration 3 : Pre-acquisition and Post-acquisition Loss of Subsidiary

The Balance Sheets of a Holding Company (H. Ltd.) and its Subsidiary Company (S. Ltd.) as at 31st March, 2019 are as follows—

Particulars	Note No.	H Ltd. (₹)	S. Ltd. (₹)
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital-Equity Shares of ₹100 each		40,00,000	24,00,000
(b) Reserve and Surplus	1	8,80,000	(80,000)
(2) Share Application Money Pending Allotment		—	—
(3) Non-current Liabilities		—	—
(4) Current Liabilities			
Trade payables	2	23,20,000	8,00,000
Total		72,00,000	31,20,000
II. ASSETS			
(1) Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets	3	28,00,000	24,00,000
(b) Non-current Investments—21,600 Shares in S.Ltd. at cost		23,76,000	—
(2) Current Assets			
(a) Inventories		3,20,000	2,40,000
(i) Trade Receivables	4	17,04,000	4,80,000
Total		72,00,000	31,20,000

Notes to Accounts :

Note No.	Particulars	H. Ltd. (₹)	S. Ltd. (₹)
1.	Reserve and surplus:		
	General Reserve	3,20,000	—
	Statement of Profit & Loss Balance	5,60,000	(80,000)
		8,80,000	(80,000)
2.	Current Liabilities—Trade Payables :		
	Bills Payable	4,00,000	2,00,000
	Sundry Creditors	19,20,000	6,00,000
		23,20,000	8,00,000
3.	Tangible Assets:		
	Land & Buildings	16,00,000	8,00,000
	Plant & Machineries	12,00,000	16,00,000
		28,00,000	24,00,000
4.	Current Assets—Trade Receivables:		
	Debtors	12,00,000	4,00,000
	Bills Receivable	5,04,000	80,000
		17,04,000	4,80,000

Additional Information :

- (i) At the date of acquisition S. Ltd. had ₹1,60,000 in the credit of its Profit & Loss A/c.
(ii) Sundry Debtors of S. Ltd. include ₹3,20,000 owing from H. Ltd.
(iii) Acceptance of S. Ltd. include ₹1,76,000 issued in favour of H. Ltd. out of which ₹16,000 was endorsed to a creditor.

[C.U. B. Com (General), 2015]

Working Notes :

- (1) Date of Consolidation = 31.03.2019
(2) Interest of Holding Company in Subsidiary Company

$$= \frac{\text{Shares held by Holding Company (H.Ltd.)}}{\text{Total no of shares of Subsidiary Company (S.Ltd.)}}$$

$$= \frac{21,600 \text{ shares}}{24,000 \text{ shares}} = \frac{9}{10} \text{th}; \text{Minority} = \frac{1}{10} \text{th}$$

- (3) Pre-acquisition profit = ₹ 1,60,000

Post-acquisition Loss

Profit & Loss A/c balance on the
date of acquisition i.e. pre-acquisition profit
Profit & Loss A/c Balance on 31.03.19

Post-acquisition Loss

₹
1,60,000 (Cr.)

80,000 (Dr.)

2,40,000 (Dr.)

- (4) **SCHEDULE on the basis of Balance Sheets of H Ltd. and S Ltd.**

Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of H Ltd = ₹40,00,000	Note No.	Total (₹)	H Ltd's Share ($\frac{9}{10}$) (₹)	Minority Interest ($\frac{1}{10}$) (₹)
(5) Cost of Control Nominal value of shares held by S Ltd. Add: Share of the pre-acquisition profit in S Ltd.		24,00,000 1,60,000	21,60,000 1,44,000	2,40,000 16,000
Less: Cost of Controlling Shares held by H Ltd.			23,04,000 23,76,000	
Goodwill			72,000	
(6) General Reserve for Consolidated Balance Sheet General Reserve of H Ltd.			3,20,000	
(7) Statement of Profit & Loss A/c balance for Consolidated Balance sheet Profit & Loss A/c balance of H Ltd. Less: Share of Post-acquisition loss in Subsidiary Company i.e. S. Ltd.	3	(-)2,40,000	5,60,000 (-)2,16,000 3,44,000	(-)24,000
(8) Minority Interest				2,32,000

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Note No.	Particulars	Amount (₹)
5.	Tangible Assets: Fixed	
	H Ltd. ₹(16,00,000 + 12,00,000)	28,00,000
	S Ltd. ₹(8,00,000+16,00,000)	24,00,000
		52,00,000
6.	Inventories	
	H Ltd.	3,20,000
	S Ltd.	2,40,000
		5,60,000
7.	Trade Receivables:	
	Bills Receivables:	
	H Ltd. 5,04,000	12,00,000
	S Ltd. 80,000	4,00,000
	5,84,000	16,00,000
	Less: Acceptance by S Ltd.	
	₹(1,76,000-16,000) 1,60,000	3,20,000
	4,24,000	12,80,000
		4,24,000+ 12,80,000 = 17,04,000

Illustration 4 : Pre-acquisition and Post-acquisition Loss of Subsidiary including Revaluation Loss

When A Ltd. purchased 24,000 Equity share in B Ltd. on 1.1.2018. A Ltd. had ₹22,500 in General Reserve and ₹37,500 (Dr.) in Profit & Loss A/c. From their Balance Sheets on 31.12.2018 as below, prepare a Consolidated Balance Sheet.

Balance Sheets of A Ltd. and B Ltd. as at 31st December, 2018

Particulars	Note No.	A Ltd. (₹)	B Ltd. (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital—Equity Shares of ₹10 each		7,50,000	3,00,000
(b) Reserve and Surplus : General Reserve		90,000	7,500
Profit & Loss A/c		60,000	(67,500)
2. Share Application Money Pending Allotment		—	—
3. Non-Current Liabilities		—	—
4. Current Liabilities			
(a) Trade Payables—Sundry Creditors		1,05,000	31,500
Total		10,05,000	2,71,500

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Particulars	Note No.	A Ltd. (₹)	B Ltd. (₹)
II. ASSETS			
(1) Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets—Land and Building		6,75,000	1,50,000
(b) Non-current Investments—24,000 Equity Shares in B Ltd.		2,10,000	—
(2) Current Assets			
(a) Other Current Assets		1,20,000	1,21,500
Total		10,05,000	2,71,500

Fixed Assets standing in the books of B Ltd. at ₹90,000 was considered worth ₹75,000 on the date of purchase of control for the purpose of determining the value of shares. 20% depreciation has been written off since acquisition. Stock of A Ltd. includes ₹30,000 on which S Ltd. made ₹7,500 profit.

[Similar problem in C.U.B. Com (Hons.), 2002]

Working Notes:

(1) Date of consolidation = 31.12.2018

(2) Degree of Control = $\frac{24,000 \text{ shares}}{30,000 \text{ shares}} = \frac{4}{5}$ th; Minority = $\frac{1}{5}$ th

(3) **SCHEDULE on the basis of Balance Sheets of A Ltd. and B Ltd.**

Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of A Ltd - ₹7,50,000	Note No.	Total (₹)	A Ltd's Share ($\frac{4}{5}$) (₹)	Minority Interest ($\frac{1}{5}$) (₹)
(4) Cost of Control Nominal value of shares held by subsidiary Company (B Ltd.) Add: Share of the pre-acquisition loss in B Ltd. Add: Share of pre-acquisition Reserve in B Ltd. Less: Revaluation loss in Fixed Assets ₹(90,000 – 75,000)		3,00,000 (37,500) 22,500 (15,000)	2,40,000 (30,000) 18,000 (12,000)	60,000 (7,500) 4,500 (3,000)
Less: Cost of Controlling Shares held by A. Ltd.			2,16,000	
Capital Reserve for CBS			2,10,000	
(5) General Reserve for Consolidated Balance Sheet (CBS) General Reserve : as per Balance Sheet of B Ltd. Less: Pre-acquisition General Reserve Post-acquisition General Reserve Add: General Reserve of A Ltd.		7,500 22,500 (15,000)		
			90,000	(3,000)
			78,000	

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Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of A Ltd - ₹7,50,000	Note No.	Total (₹)	A Ltd's Share (⁴ / ₅) (₹)	Minority Interest (¹ / ₅) (₹)
(6) Statement of Profit & Loss A/c balance for Consolidated Balance Sheet (CBS) Profit & Loss A/c balance of A Ltd. Add: Share of Post-acquisition profit in B. Ltd. Profit as per Balance Sheet of B Ltd. Less: Pre-acquisition profit of B Ltd. Add: Depreciation written back (Notes to Accounts 4) Share of post-acquisition profit of B Ltd. Less: Unrealised profit on stock		(67,500) (37,500) (30,000) 3,000 (27,000)	60,000 (21,600) 38,400 7,500 30,900	(5,400)
(7) Minority Interest				45,600

Solution :

Consolidated Balance Sheet of A Ltd. and its subsidiary B. Ltd. as at 31st December, 2018

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital-Equity Shares of ₹10 each	1	7,50,000
(b) Reserve and surplus	2	1,14,900
2. Share Application Money Pending Allotment		—
3. Minority Interest		45,600
4. Non-Current Liabilities		—
5. Current Liabilities		
Trade Payables	3	1,36,500
Total		10,47,000
II. ASSETS		
1. Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets	4	8,13,000
(ii) Intangible Assets		—
2. Current Assets		
Other current Assets	5	2,34,000
Total		10,47,000

Particulars	Note No.	H. Ltd. (₹)	S. Ltd. (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital—Equity Shares of ₹10 each		3,00,000	75,000
(b) Reserve and surplus : General Reserve		45,000	15,000
Statement of Profit & Loss A/c			
Balance on 1.1.2019		90,000	45,000
Profit for the year		60,000	15,000
2. Share Application Money Pending Allotment		—	—
3. Non-Current Liabilities		—	—
4. Current Liabilities			
(a) Trade Payables—Creditors		1,50,000	45,000
Total		6,45,000	1,95,000
II. ASSETS			
(1) Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets—Sundry Assets		2,70,000	1,80,000
(b) Non-current Investments—shares in S Ltd.		3,45,000	—
(2) Current Assets			
(a) Inventories		—	—
(b) Trade Receivables		—	—
(c) Cash and Cash Equivalents—Cash at Bank		30,000	15,000
Total		6,45,000	1,95,000

H Ltd. acquired 80% of the shares in S Ltd. on 1st July, 2019. Included in the assets of H Ltd. a loan of ₹45,000 to S Ltd. which is shown as Creditors in S Ltd. Sundry Assets of S Ltd. include furniture & fittings of ₹60,000 to be revalued at ₹75,000 as at 1st July, 2019.

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

[Similar problem in C.U.B.Com (Hons.), 2013]

Working Notes:

(1) Date of consolidation = 31.12.2019

(2) Date of acquisition = 01.07.2019

(3) Degree of Control = $\frac{80}{100} = \frac{4}{5}$ th; Minority = $\frac{1}{5}$ th

(4) Calculation of pre-acquisition profit and post-acquisition profit

Particulars	₹
Pre-acquisition profit	
$\left(₹45,000 + ₹15,000 \times \frac{1}{2} \right)$	52,500
Post-acquisition profit	
$\left(₹15,000 \times \frac{1}{2} \right)$	7,500
	<u>60,000</u>

(5) SCHEDULE on the basis of Balance Sheets of H Ltd and S Ltd.

(6) Share Capital for Consolidated Balance Sheets (CBS) = Share Capital of H Ltd = ₹ 3,00,000	Note No.	Total (₹)	H Ltd's Share (⁴ / ₅) (₹)	Minority Interest (¹ / ₅) (₹)
(7) Cost of control Nominal value of shares held by S Ltd Add: Share of Pre-acquisition profit in S Ltd Add: Share of Pre-acquisition Reserve in S Ltd. Add: Share of profit on Revaluation of furniture & fittings ₹(75,000 - 60,000) Less: Cost of Controlling Shares held by H Ltd. Goodwill		75,000 52,500 15,000 15,000	60,000 42,000 12,000 12,000 1,26,000 3,45,000 2,19,000	15,000 10,500 3,000 3,000
(8) General Reserve for Consolidated Balance sheet General Reserve balance of H Ltd.			45,000	
(9) Statement of Profit & Loss A/c balance for Consolidated Balance Sheet Profit & Loss A/c balance of H Ltd. (₹ 90,000 + ₹ 60,000) Add: Share of Post-acquisition profit in S Ltd.	4	7,500	1,50,000 6,000 1,56,000	1,500
(10) Minority Interest				33,000

Solution :**Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st December, 2019**

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital—Equity Shares of ₹10 each	1	3,00,000
(b) Reserve and Surplus—General Reserve		45,000
Statement of Profit & Loss A/c		1,56,000
2. Share Application Money Pending Allotment :		—
3. Minority Interest		33,000
4. Non-current Liabilities :		—
5. Current Liabilities		
Trade Payables	2	1,50,000
Total		6,84,000

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Particulars	Note No.	Amount (₹)
II. ASSETS		
(1) Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets - Sundry Assets	3	4,20,000
(ii) Intangible Assets - Goodwill		2,19,000
(2) Current Assets		
(a) Inventories		
(b) Trade receivables		
(c) Cash and Cash Equivalents - Cash at Bank	4	45,000
Total		6,84,000

Notes to Accounts

Note No.	Particulars	Amount (₹)
1.	Share Capital : Authorised Capital Issued, Subscribed and paid-up Capital 30,000 Equity Shares of ₹10 each	 ? 3,00,000
2.	Trade Payables : Creditors H Ltd. S Ltd. Less : Loan to S Ltd.	 1,50,000 45,000 1,95,000 45,000 1,50,000
3.	Tangible Assets - Sundry Assets H Ltd. S Ltd. Add: Under valuation of Furniture & Fittings ₹(75,000 - 60,000) Less: Loan to S Ltd.	 2,70,000 1,80,000 4,50,000 15,000 4,65,000 45,000 4,20,000
4.	Cash and cash Equivalents - Cash at Bank H Ltd. S Ltd.	 30,000 15,000 45,000

Illustration 5 : Revaluation of Fixed Assets and Adjustment for depreciation

Prepare Consolidated Balance Sheet from the Balance Sheets of H Ltd. and S Ltd. as at 31st March, 2019

Particulars	Note No.	H. Ltd. (₹)	S. Ltd. (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital—Equity Shares of ₹10 each		3,30,000	1,20,000
(b) Reserve & Surplus – Securities Premium		39,000	—
General Reserve		—	30,000
Statement of Profit & Loss A/c		42,000	9,000
2. Share Application Money Pending Allotment		—	—
3. Non-Current Liabilities		—	—
4. Current Liabilities			
(a) Trade Payables – Sundry Creditors		28,500	45,000
Total		4,39,500	2,04,000
II. ASSETS			
1. Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets—Land & Buildings		52,500	37,500
Plant & Machineries		1,05,000	58,500
Furniture		18,000	7,500
(b) Non-current Investments : 10,800 Shares in S Ltd. at cost		1,17,000	—
2. Current Assets			
(a) Inventories		60,000	40,500
(b) Trade Receivables – Sundry Debtors		75,000	46,500
Due from S Ltd.		10,500	
(c) Cash and Cash Equivalents—Cash at Bank		1,500	13,500
Total		4,39,500	2,04,000

Additional Information :

- (i) On the date when H Ltd. acquired the shares in S Ltd., the latter had a Reserve of ₹ 7,500 and a debit balance of Profit & Loss A/c of ₹ 1,500.
- (ii) In determining the value of shares of S Ltd., Plant and Machineries which then stood in the books at ₹ 67,500 was revalued at ₹ 81,000 and Furniture standing in the books at ₹ 9,000 was revalued at ₹ 5,400. The new values were not incorporated in the books.
- (iii) S Ltd. has purchased goods from H Ltd. of which ₹ 21,000 are still in stock. H Ltd. sells to S Ltd. at cost plus 25%. **[Similar problem in C.U. B.Com (Hons.), 2011]**

Working Notes :

- (1) Date of Consolidation = 31.03.2019
- (2) Interest of Holding Company in Subsidiary Company

$$= \frac{\text{Shares held by Holding Company}}{\text{Total no. of Shares in Subsidiary Company}}$$

$$= \frac{4,320}{4,800} = \frac{9}{10} \text{th; Minority} = \frac{1}{10} \text{th}$$

(3) Calculation of Pre-acquisition and Post-acquisition profit of S Ltd. :

Profit & Loss A/c balance on the date of acquisition of S Ltd.	₹ 1,500 (Dr.)
Add : Profit earned during the year by S Ltd.	₹ 10,500 (Cr.)
Profit & Loss A/c as per Balance Sheet	₹ 9,000 (Cr.)
∴ Pre-acquisition loss = ₹ 1,500 and	
Post-acquisition profit = ₹ 10,500	

(4) Calculation of Pre-acquisition and Post-acquisition Reserve of S Ltd. :

General Reserve balance of S Ltd on the date of acquisition	₹ 7,500
Add: Transfer from Profit and Loss A/c during the year	₹ 22,500
	₹ 30,000
∴ Pre-acquisition Reserve = ₹ 7,500 and	
Post-acquisition Reserve = ₹ 22,500.	

(5) Depreciation charged during the year on Plant and Machineries :

₹ (67,500 – 58,500) = ₹ 9,000

$$\therefore \text{Rate of depreciation} = \frac{9,000}{67,500} \times 100 = \frac{40}{3} \%$$

Revalued figure of Plant and Machineries on the date of acquisition ₹ 81,000

Less: Book value of Plant and Machineries on the date of acquisition ₹ 67,500

Revaluation Profit ₹ 13,500

(6) Depreciation charged during the year on furniture :

₹ (9,000 – 7,500) = ₹ 1,500

$$\therefore \text{Rate of depreciation} = \frac{1,500}{9,000} \times 100 = \frac{50}{3} \%$$

Revalued figure of Furniture on the date of acquisition ₹ 5,400

Less: Book value on the date of acquisition ₹ 9,000

Revaluation loss ₹ 3,600

(7) Over-depreciation on Furniture :

$$3,600 \times \frac{50}{3} \% = 600$$

(8) Under-depreciation on Plant and Machineries :

$$13,500 \times \frac{40}{3} \% = 1,800$$

(9) SCHEDULE on the basis of Balance Sheets of H Ltd. and S Ltd.

Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of Holding Company (H Ltd.) = ₹ 3,30,000	Note No.	Total (₹)	H Ltd's share ($\frac{9}{10}$) (₹)	Minority Interest ($\frac{1}{10}$) (₹)
(10) Cost of Control				
Nominal value of shares held by S Ltd		1,20,000	1,08,000	12,000
Less: Share of pre-acquisition loss in S Ltd.	(3)	(1,500)	(1,350)	(150)
Add: Share of pre-acquisition Reserve in S Ltd.	(4)	7,500	6,750	750
Add: Share of profit on revaluation of Plant & Machineries in S Ltd.	(5)	13,500	12,150	1,350
			1,25,550	

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Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of Holding Company (H Ltd.) = ₹ 3,30,000	Note No.	Total (₹)	H Ltd's share (⁹ / ₁₀) (₹)	Minority Interest (¹ / ₁₀) (₹)
Less: Share of loss on Revaluation of Furniture in S Ltd.		(3,600)	(3,240)	(360)
Less: Cost of Controlling Shares held by H Ltd.			1,22,310	
			1,17,000	
Capital Reserve			5,310	
(11) General Reserve for Consolidated Balance Sheet				
Reserve balance of H Ltd.			Nil	
Add: Share of Post-acquisition Reserve in S Ltd.	(4)	22,500	20,250	2,250
			20,250	
(12) Statement of Profit and Loss balance for Consolidated Balance Sheet				
Profit and Loss A/c balance of H Ltd.			42,000	
Add: Share of post-acquisition profit in S Ltd.		10,500	9,450	1,050
			51,450	
Add: Depreciation over-charged	(7)	600	540	60
			51,990	
Less: Share of profit on inter-company stock $\left(₹ 21,000 \times \frac{25}{125} \right)$			4,200	
			47,790	
Less: Depreciation undercharged	(8)	(1,800)	1,620	(180)
			46,170	
Minority Interest				16,770

Solution :**Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31.03.2019**

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital—Equity shares of ₹10 each	1	3,30,000
(b) Reserve and Surplus	2	1,10,730
2. Share Application Money Pending Allotment :		—
3. Minority Interest		16,770
4. Non-current Liabilities :		—
5. Current Liabilities		
Trade Payables	3	63,000

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Particulars	Note No.	Amount (₹)
Total		5,20,500
II. ASSETS		
(1) Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets	4	2,87,700
(ii) Intangible Assets		—
(2) Current Assets		
(a) Inventories	5	96,300
(b) Trade Receivables	6	1,21,500
(c) Cash and Cash Equivalents—Cash at Bank	7	15,000
Total		5,20,500

Notes to Accounts

Note No.	Particulars	Amount (₹)
1.	Share Capital : Authorised Capital Issued, Subscribed and paid-up Capital 33,000 Equity Shares of ₹ 10 each	 ? 3,30,000
2.	Reserve and Surplus : Capital Reserve (W.N.:10) General Reserve (W.N.:11) Statement of Profit and Loss A/c (W.N.:12) Securities Premium—H Ltd.	 5,310 20,250 46,170 39,000 1,10,730
3.	Trade Payables : Sundry Creditors H Ltd. S Ltd. Less : Due from to S Ltd. (Mutual debt)	 28,500 45,000 73,500 10,500 63,000
4.	Fixed Assets – Tangible Assets : Land & Building H Ltd S Ltd. Plant & Machineries H Ltd S Ltd. Add: Revaluation profit	 52,500 37,500 90,000 1,05,000 58,500 1,63,500 13,500 1,77,000

Note No.	Particulars	Amount (₹)
	Less: Depreciation under-charged	1,800
	Furniture	
	H Ltd	18,000
	S Ltd.	7,500
		25,500
	Less: Revaluation loss	3,600
		21,900
	Add: Depreciation over-charged	600
		22,500
		2,87,700
5.	Inventories	
	H Ltd.	60,000
	S Ltd.	40,500
		1,00,500
	Less: Unrealised profit on stock (W.N.:12)	4,200
		96,300
6.	Trade Receivables : Sundry Debtors	
	H Ltd	75,000
	S Ltd.	46,500
		1,21,500
	Due from S Ltd.	4,200
	Less: Mutual debt	4,200
		Nil
		1,21,500
7.	Cash and Cash Equivalents – Cash at Bank :	
	H Ltd	1,500
	S Ltd.	13,500
		15,000

Illustration 6 : Dividend paid from Pre-acquisition Profits

Prepare Consolidated Balance Sheet on the basis of Balance Sheets of H Ltd. and S Ltd. as at 31.03.2020

Particulars	Note No.	H. Ltd. (₹)	S. Ltd. (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital—Equity Shares of ₹10 each		17,50,000	7,00,000
(b) Reserve & Surplus - General Reserve		2,80,000	2,10,000
Profit & Loss A/c		3,15,000	2,45,000
2. Share Application Money Pending Allotment		—	—
3. Non-Current Liabilities		—	—
4. Current Liabilities			

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Particulars	Note No.	H. Ltd. (₹)	S. Ltd. (₹)
(a) Trade Payables – Sundry Creditors		1,75,000	1,40,000
(b) Other Current Liabilities – Outstanding expenses		70,000	35,000
Total		25,90,000	13,30,000
II. ASSETS			
(1) Non-Current Assets:			
(a) Fixed Assets			
(i) Tangible Assets–Machineries		10,50,000	5,25,000
(ii) Intangible Assets–Goodwill		1,05,000	35,000
(b) Non-current Investments : 56,000 Shares in S Ltd.		6,65,000	—
(2) Current Assets			
(a) Inventories		2,80,000	1,75,000
(b) Trade Receivables - Debtors		4,20,000	5,60,000
(c) Cash and Cash Equivalents–Cash at Bank		70,000	35,000
Total		25,90,000	13,30,000

Additional Information

- (i) S Ltd. had ₹ 1,40,000 in General Reserve and ₹ 1,05,000 in Profit and Loss A/c at the time when control was acquired by H Ltd.
- (ii) After purchase of shares of S Ltd., H Ltd. immediately received ₹ 56,000 dividend from S Ltd.
- (iii) Debtors of H Ltd. include ₹ 70,000 due from S Ltd., whereas creditors of S Ltd. include ₹ 52,500 due to H Ltd., difference being accounted for by a cheque in transit.

[C.U. B.Com (Hons.), 2008]

Working Notes

- (1) Date of Consolidation = 31.03.2020

- (2) Interest of H Ltd in S Ltd. = $\frac{56,000}{70,000} = \frac{4}{5}$ th; Minority = $\frac{1}{5}$ th;

- (3) Profit and Loss A/c on the date of acquisition 1,05,000

Less: Pre-acquisition Dividend $\left(₹ 56,000 \times \frac{5}{4} \right)$ 70,000

Pre-acquisition Profit 35,000

Post-acquisition Profit

Profit and Loss A/c as per Balance Sheet ₹ 2,45,000

Less: Pre-acquisition profit 35,000

2,10,000

- (4) **Allocation of General Reserve between Pre-acquisition and Post-acquisition periods**

Pre-acquisition General Reserve = ₹ 1,40,000

Post-acquisition General Reserve

General Reserve as per Balance Sheet = ₹ 2,10,000

Less: Pre-acquisition General Reserve ₹ 1,40,000

₹ 70,000

(5) SCHEDULE on the basis of Balance Sheets of H Ltd and S Ltd.

Share Capital of Consolidated Balance Sheet (CBS) = Share Capital of H Ltd = ₹ 17,50,000	Note No.	Total (₹)	H Ltd's share (⁴ / ₅) (₹)	Minority Interest (¹ / ₅) (₹)
(6) Cost of control				
Nominal value of shares held by S Ltd		7,00,000	5,60,000	1,40,000
Add: Share of the pre-acquisition profit in S Ltd	3	35,000	28,000	7,000
Add: Share of Pre-acquisition General Reserve in S Ltd.	4	1,40,000	1,12,000	28,000
			7,00,000	
Less: Cost of Controlling Shares held by H Ltd.			6,65,000	
Capital Reserve for Consolidated Balance Sheet			35,000	
(7) General Reserve for consolidated Balance sheet				
General Reserve of H Ltd.			2,80,000	
Add: Share of Post-acquisition General Reserve in H Ltd.	4	70,000	56,000	14,000
			3,36,000	
(8) Statement of Profit & Loss A/c balance for Consolidated Balance Sheet				
Statement of Profit & Loss A/c balance of H Ltd.			3,15,000	
Add: Share of Post-acquisition profit in S Ltd.	3	2,10,000	1,68,000	42,000
			4,83,000	
(9) Minority Interest				2,31,000

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

Particulars	Note No.	Amount (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital—Equity shares of ₹10 each	1	17,50,000
(b) Reserve and Surplus	2	8,54,000
2. Share Application Money pending Allotment :		—
3. Minority Interest		2,31,000
4.. Non-current Liabilities :		—
5. Current Liabilities		
(a) Trade Payables	3	2,62,500
(b) Other Current Liabilities	4	1,05,000
Total		32,02,500

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Particulars	Note No.	Amount (₹)
II. ASSETS		
(1) Non-current Assets		
(a) Fixed Assets		
(i) Tangible Assets	5	15,75,000
(ii) Intangible Assets	6	1,40,000
(2) Current Assets		
(a) Inventories	7	4,55,000
(b) Trade receivables	8	9,10,000
(c) Cash and Cash Equivalents	9	1,22,500
Total		32,02,500

Notes to Accounts

Note No.	Particulars	Amount (₹)
1.	Share Capital : Authorised Capital	?
	Issued, Subscribed and paid-up Capital 1,75,000 Equity Shares of ₹10 each	17,50,000
2.	Reserve & Surplus : Capital Reserve (W.N.:6)	35,000
	General Reserve (W.N.:7)	3,36,000
	Statement of Profit & Loss A/c balance	4,83,000
		8,54,000
3.	Current Liabilities – Trade Payables: Sundry Creditors H Ltd.	1,75,000
	S Ltd.	1,40,000
		3,15,000
	Less: Creditors of S. Ltd. (Mutual debt)	52,500
		2,62,500
4.	Other Current Liabilities H Ltd.	70,000
	S Ltd.	35,000
		1,05,000
5.	Tangible Assets – Machineries H Ltd.	10,50,000
	S Ltd.	5,25,000
		15,75,000
6.	Intangible Assets - Goodwill H Ltd.	1,05,000
	S Ltd.	35,000
		1,40,000

Note No.	Particulars	Amount (₹)
7.	Inventories	
	H Ltd.	2,80,000
	S Ltd.	1,75,000
		4,55,000
8.	Trade Receivables – Debtors:	
	H Ltd.	4,20,000
	S Ltd.	5,60,000
		9,80,000
	Less: Cheque-in-transit ₹ (70,000 – 52,500)	17,500
		9,62,500
	Less: Creditors of S Ltd. (Mutual debt)	52,500
		9,10,000
9.	Cash and Cash Equivalents :	
	Cash at Bank	
	H Ltd.	70,000
	S Ltd.	35,000
	Cheque-in-transit	17,500
		1,22,500

Illustration 7 : Dividend paid from Post-acquisition Profits

Prepare Consolidated Balance Sheet on the basis of Balance Sheets of H Ltd. and S Ltd. as at 31st December, 2019.

Particulars	Note No.	H. Ltd. (₹)	S. Ltd. (₹)
I. EQUITY & LIABILITIES			
1. Shareholders' Funds			
(a) Share Capital—Equity Shares of ₹10 each		20,00,000	8,00,000
(b) Reserve and Surplus - General Reserve		3,20,000	80,000
Statement of Profit and Loss A/c		1,60,800	2,00,000
2. Share Application Money Pending Allotment		—	—
3. Non-current Liabilities		—	—
4. Current Liabilities			
(a) Trade Payable - Creditors		6,03,200	6,92,000
Total		30,84,000	17,72,000
II. ASSETS			
1. Non-current Assets			
(a) Fixed Assets			
(i) Tangible Assets -		12,80,000	9,60,000

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