

CONSOLIDATION OF FINAL ACCOUNTS

CS-1

↓ 20% ↓

AS-13

20-50% ↓

AS-23

↑ 50% ↑

AS-21

HCO & sub co.

Joint venture

AS-27

AS-21: HCO & SCO

Recognition entry + rev bal

- 1) Analyse profits of SCO into Pre & Post
- 2) Distribution of cap & revenue profit to HCO & MI [Chart A]
- 3) Calculation of q/w of cap reserve
- 4) Consolidate reserves [Chart B]
- 5) Consolidated B/Ls

Analysis of profits [take rev bal]

pre: b4 date of acqⁿ

post: after

- 1) General reserve (transfers)
- 2) P&L

- 3) Revaluation: $P/L = Pre - ad^n dep^n = POST$

BV (as on acqⁿ date)
(-) Rev. value

P/L

- 4) Secu premium
- 5) prelim exp
- 6) P&L (C&C)

uneven items: depⁿ etc
make profits even then divide the (-) resp

- interim div = $\frac{\text{current year prof}}{\text{current year prof}}$
- div (previous year) = pre [full 100%]
- bonus - 1st availab reserve

Chart A: distⁿ of SC and reserves of SCO between HCO & minority interest.

Par	Total	HCO	MI
1) Capital: Eq	100%	% holding actual holding	
[X dep ⁿ]			
2) Reserves:			
a) Pre			intotal - % holding
b) Post: GIR			resp - % holding
P&L			

$$\Sigma MI = Liab - B/Ls$$

$$2(b) : \text{Chart C}$$

1 + 2(a) = Chart B

MI

(-) upstream VRP

Chart B: cost of control [X depⁿ]

cost of invst	rev value / B/Ls
(-) worth on DOA	[X other inv]
cap	(Chart A (1))
Pre profits	(Chart A (2a))
q/w of cap reserve on consolidation	q/w: worth < coi GIR: worth > coi

Chart C: consolidated reserves & surpluses

Par	GIR	P&L
HCO bal on DOA		
(+) share of Post profit earned by SCO		
	from B/Ls	
	Chart A 2(b)	
	GIR	P/L
		(-) VRP (down stream)
		(-) upstream VRP

Inter co transactions eliminate double of two

① Sale of stock [VRP on Uⁿ stock]

downstream H → S

eliminate from post profit & in B/Ls [stock]

100% [vs + ds]

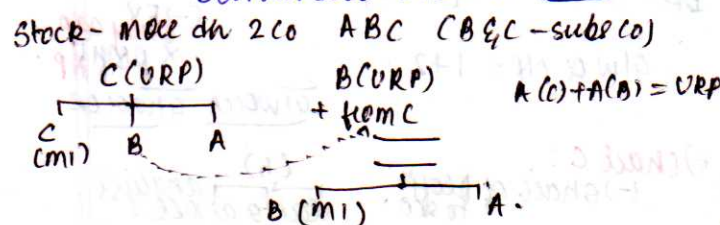
upstream S → H

VRP

HCO share from post
MI share ↓ MI (-)

② loans: check whether amt = diff. Int [pass entry & make]

③ debⁿ: $FV - cost = P/L$ on cancellation
(-) (+) in post P&L (Chart C)
eliminate inter co int



* inter debⁿ = if stock is held in cost

DIVIDEND RECEIVABLE

Pre Acquisition

pertaining to b4 acquisition OR pd out of pre prof. cap. receipt

As must (-) cost of inv.

along entry now rectify

P&L
To invst.

Post Acquisition

after acq or out of post prof. P&L.

invst
To P&L.

MINORITY LOSSES $MI(CS) < \text{loss}$ i.e. -ve MI

Borne by MI

only when 2 condⁿ satisf.

- 1) explicit obligation
- 2) MI is able to make good losses.

when later MI $\rightarrow$ +ve then 1st profits will be absorbed by HCO (previously borne) & bal to MI.

Borne by HCO (majority)

when condⁿ X satisf (any)

(-) loss in chart C

ACQUISITION IN LOTS

1) analyse profit from main doo [150%] into PRE & POST

2) Find share of addⁿ pre for second lot.
profit btwn 2 acqⁿ dates.

addⁿ share = $\frac{\text{profit}(2 \text{ dates}) \times \% \text{ holdn}(2 \text{nd lot})}{\% \text{ holdn}(2 \text{nd lot})}$

3) Chart A: deduct addⁿ share from post & add to PRE.

Pre $\frac{x - \text{total}}{+ a}$

Post $\frac{y - \text{total}}{- a}$
only for HCO

CROSS HOLDING

1) analyse profit of HCO & SCO both in PRE & POST

2) simultaneous eqⁿ

3) S (do for pre & post both).
own (y) from HCO.

4) Chart A: take total S = pre & post

5) Chart B: Pal H $\rightarrow$ S S $\rightarrow$ H

EF = cancel FV [S $\rightarrow$ H] normal cost
G/W or CLR = 1+2.
G/W or CLR = 1+2.

6) Chart C: (-) share of profit to SCO.
analysis

SALE OF SHARES BY HCO

% holding = based on nos held on DOE

1) Adj the cost of investment:
AS-13: wtd avg cost.

cost of invst acq $\times$ p/L - chart C.
(-) cost of inv sold (x)
coi held $\frac{xx}{xx}$

Asilent

FOREIGN SUBSIDIARIES

AS-11

Integral opⁿ
(intended aim)

Non integral opⁿ
(independent)

conversion of subco b/s in Indian currency.

SC cap
pre profit

DOA

post profit

Avg rate

monetary
(common amt)

crⁿ rate

non monetary

DOA/actual

depⁿ

FA rate

intu co

diff

Post profit

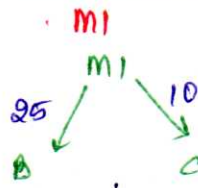
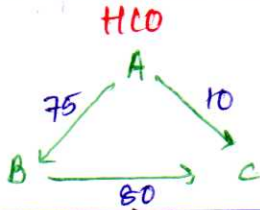
No conversion (actual)
HCO

foreign exch.
dramⁿ deval
[sep devalue]
[POST-always]

CHAIN HOLDING

$A \rightarrow B : 75\%$ $A \rightarrow C : 10\%$ $B \rightarrow C : 80\%$
 $\therefore A \rightarrow C = 10 + 80 = 90\%$ *directly & indirectly*
 $\therefore m(B) = 25\%$ $m(C) = 100 - 90 = 10\%$

Chart A:



SC SC (100%)
(-) MI share

xx	xx
(0.25x)	(0.10xx)
xx	xx

0.25x 0.10x

Pre profit
Total profit
(-) MI share

xx	xx
(0.25x)	(0.10x)
xx	xx

0.25x 0.10x

Post profit
a) G/R
(-) transf from C → B
(-) MI share

xx	xx(A)
0.8A	(0.8A)
xx(B)	xxx
0.25B	(0.10A)

0.25B 0.10A

same for P&L
causes this do

adj for addⁿ share of pre profits

STATEMENT v/s 212 CS-2

if no consolidation.
 attach sep FS of subs + stmt v/s 212
 Stmt v/s 212 of Comp act
 Annexure to HCO A/c giving info relating to subsidiaries.
 Pat x y z

- name
 - Year end
 - % holding @ as year end of subs.
 - in ES
 - in PS
 - profits of subs for which effect has been given in HCO A/c
 - current year
 - earlier years
 - profits for which No effect has been given in HCO A/c (retained p)
 - current year
 - earlier years
 - Δ in % holding (between year end of SCO & HCO)
 - material Δ (between year end of SCO & HCO)
 - FA
 - invst
 - loan (given)
 - loan (taken)
- x include wc items

AS 27: investment in JV

JV operations	JV assets	JV liability
	JV ownership	(separate legal entity)

AS 23: ASSOCIATES

sep FS	cons FS (AS 21)
@ cost AS 13	equity method AS 23.

equity method

- initial recognition: cost
 SH of NA → (-) worth (cap/pre)
 (+) G/LW
 (-) CR xx G/LW CR.
 - subsequent recognition:
 - SH of NA (today) → old NA
 - (+) G/LW xx (+) post PAT
 - (-) CR (-) pref div
- VRP → extent of % holding eliminate
- consⁿ - x assets of sub only invst
 recogⁿ (initial + subsequent)
- NA (today)

JOINTLY CONTROLLED ENTITY

sep FS	cons FS
invest @ cost AS-13	AS-21 proportionate consolidation

prop cons: x inter co impact
 VRP (stock) - own share eliminated
 Steps: analyse profits, X chart A, Chart B, Chart C
 B's → only propⁿ share is bought for all assets
 X cons - ESC.

JCE (P&L - on sale) Purchase assets

sep FS	con FS
record full P&L on sale (sep legal entity)	eliminate own share

JCO/JCA (VRP)

A → JV
 venture → JV
 Sale JV
 P&L to extent of other venture's share
 P&L 20L
 (-) VRP(A) 40L
 Record 60L P&L

Purchase from JV
 record when sold by venture to 3rd party