Holding Companies- Chain Holding & Multiple subsidiaries

Exercise 1.

Air Ltd., Sea Ltd. and Rail Ltd., are members of a group. Air Ltd. bought 70% of the shares of Sea ltd. on July 1, 2005 and 30% of the shares of Rail Ltd. on 1st October, 2006. Sea Ltd. bought 60% of the shares of Rail Ltd. on July1, 2006. The following information is available:

Profit and Loss Account				
	Balance, Jan. 1, 2006	**Profit (Loss) for 2006**	**Balance, Dec. 31, 2006**	**Company Formed**
	Rs.	Rs.	Rs.	
Air Ltd.	55,000	25,000	80,000	Jan. 1, 1994
Sea Ltd.	20,000(Dr.)	47,500	27,500	Jan. 1, 2005
Rail Ltd.		24,000(loss)	24,000(Dr)	Jan. 1, 2006

State how the Profits (Losses) will be reflected in the consolidated Balance Sheet

Excercise 2 Multiple subsidiary

Ack Ltd. acquired control of Tick Ltd. and Tock Ltd. on 1st January, 2005. The respective Balance Sheets on December 31, 2005 were:

	Ack Ltd.	**Tick Ltd.**	**Tock Ltd.**
	Rs.	Rs.	Rs.
Share Capital:			
Ordinary Shares of Rs.10 each	1,50,000	80,000	50,000
General Reserve	10,000	--	--
Profit & Loss Account	45,000	13,000	11,000
Creditors:			
Trade	30,000	18,000	12,000
Loan from Ack Ltd.	--	10,000	--
Bills Payable to Ack Ltd.	--	--	3,000
	2,35,000	**1,21,000**	**76,000**
Fixed Assets	31,000	36,000	22,000
Investments in Subsidiaries:			
6,000 shares in Tick Ltd.	75,000	--	--

4,000 shares in Tock Ltd.	50,000	--	--
Loan to Tick Ltd.	10,000	--	--
Current Assets:			
Stock	26,000	24,000	16,000
Debtors	28,000	48,000	27,000
Bill Receivable from Tock Ltd.	2,000	--	--
Bank	13,000	13,000	11,000
	2,35,000	**1,21,000**	**76,000**

Notes:(1) Balance on P&L A/c., 1st Jan., 2005	26,000	9,000	8,000
Dividends proposed for 2005	10%	12%	15%

2) The Fixed Assets of Tick Ltd. include plant purchased in June, 2005 from Tock Ltd. for Rs.1,000. The cost to Tock Ltd., who are plant manufacturers, was Rs.750 and credit for the profit has been taken by that company.

3) Tick Ltd. held on December 31, 2005, stock of Rs.2,000 purchased from Ack Ltd. who invoiced the goods at cost plus 25%.

4) The loan by Ack Ltd. was made on July 1, 2005 and carried 6 per cent interest for which no entry has been made in the books.

Prepare a consolidated Balance Sheet on December 31, 2005, ignoring taxation.

Exercise 3

You are requested to prepare from the following data the consolidated Balance Sheet of a group of companies:-

Balance Sheets as on 31st December, 2007							
	A. Ltd.	**B. Ltd.**	**C. Ltd.**		**A. Ltd.**	**B. Ltd.**	**C. Ltd.**
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.

Share capital	1,25,000	1,00,000	60,000	Fixed Assets	28,000	55,000	37,500
Reserves	18,000	10,000	7,200	Investments: (at cost)			
Profit and Loss A/c.	16,000	2,000	5,100	Shares in:			
C. Ltd. Balance	3,300	--	--	B. Ltd.	85,000	--	--
Sundry Creditors	7,000	5,000	--	C. Ltd.	18,000	53,000	--
A. Ltd. Balance	--	7,000	--	Stock-in-trade	12,000	--	--
				B Ltd. Balance	8,000	--	--
				Sundry Debtors	18,300	16,000	31,500
				A. Ltd. Balance	--	--	3,300
	1,69,300	**1,24,000**	**72,300**		**1,69,300**	**1,24,000**	**72,300**

1) The share capital of all companies is divided into shares of Rs.100 each.
2) A. Ltd. held 750 shares of B. Ltd. and 150 shares of C. Ltd.
3) B. Ltd. held 400 shares of C. Ltd.
4) All investments were made on 30th June, 2007.
5) The following balances were there on 1st Jan. 2007:

	B. Ltd.	**C. Ltd.**
	Rs.	Rs.
Reserves	9,000	6,000
Profit and Loss A/c	1,000	840

6) Dividends have not been declared by any company during the year, nor are any proposed.
7) B. Ltd. sold goods costing Rs.4,000 to A. Ltd. at the price of Rs.4,400. These goods were still unsold on 31st Dec., 2007.

8) Included in the current account of B. Ltd. is an amount of Rs.320 being interest credited to A. Ltd.