

CONSOLIDATED FINANCIAL STATEMENTS OF GROUP COMPANIES

BASIC CONCEPTS

- Meaning of subsidiary : According to Section 4(1) of the Companies Act, 1956, a company shall be deemed to be a subsidiary of another if and only if, –
 - (a) that other controls the composition of its Board of directors; or
 - (b) that other :
 - (i) where the first-mentioned company is an existing company in respect of which the holders of preference shares issued before the commencement of this Act have the same voting rights in all respects as the holders of equity shares, exercises or controls more than half of the total voting power of such company;
 - (ii) where the first-mentioned company is any other company, holds more than half in nominal value of its equity share capital; or
 - (c) the first-mentioned company is a subsidiary of any company which is that other's subsidiary.
 - **In a wholly owned subsidiary**, there is no minority interest because all the shares with voting rights are held by the holding company.
 - Consolidated financial statements are prepared and presented by a parent/holding enterprise to provide financial information about a parent and its subsidiary(ies) as a single economic entity.
 - **Distinction** must be made from the point of view of the holding company, **between revenue and capital profit of the subsidiary**. In the absence of information, profits of a year may be treated as accruing from day to day

Consolidation procedures

In preparing the consolidated financial statements, the following steps are taken:

- the **carrying amount of the parent's investment** in each subsidiary and the parent's portion of equity of each subsidiary **are eliminated**.
- In case cost of acquisition exceeds or is less than the acquirer's interest, **goodwill or capital reserve** is calculated retrospectively.

- **intragroup transactions**, including sales, expenses and dividends, are **eliminated, in full**;
- **unrealised profits resulting from intragroup transactions** that are included in the carrying amount of assets, such as inventory and fixed assets, **are eliminated in full**;
- **unrealised losses resulting from intragroup transactions** that are deducted in arriving at the carrying amount of assets **are also eliminated unless cost cannot be recovered**;
- **minority interest** in the **net income of consolidated subsidiaries** for the reporting period are identified and adjusted against the income of the group in order to arrive at the net income attributable to the owners of the parent; and
- **minority interests in the net assets of consolidated subsidiaries** are identified and presented in the consolidated balance sheet separately from liabilities and the parent shareholders' equity.
- If the controlling interest was acquired during the course of a year, **profit for that year must be apportioned** into the pre-acquisition and post-acquisition portions, **on the basis of time** in the absence of information on the point.
- the financial statements of the parent and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses.
- **Dividend received from a subsidiary company**, must be **distinguished** between the part **received out of capital profits and that out of revenue profits** - the former is credited to Investment Account, it being a capital receipt, and the latter is adjusted as revenue income for being credited to the Profit & Loss Account.
- In respect of such goods not yet sold, the unrealised profits are to be eliminated in full. This may be done by creating a reserve in respect of total unrealised profit which has not yet been realised.
- Also, unrealised losses resulting from intragroup transactions should also be eliminated unless cost cannot be recovered.

Preparation of Consolidated Profit and Loss Account

- **All the revenue items** are to be added **on line by line** basis and from the consolidated revenue items inter-company transactions should be eliminated.
- If there **remains any unrealised profit in the stock of good**, of any of the Group Company, **such unrealised profit is to be eliminated** from the value of stock to arrive at the consolidated profit.

- Also it is necessary to eliminate the share of holding company in the proposed dividend of the subsidiary.

Preparation of Consolidated Cash Flow Statement

All the items of Cash flow from **operating activities, investing activities and financing activities** are to be added on **line by line basis** and from the consolidated items, inter-company transactions should be eliminated.

Treatment of Investment in Associates in Consolidated Financial Statements

An enterprise that presents consolidated financial statements should account for investments in associates in the consolidated financial statements in accordance with the **Accounting Standard (AS) 23**.

Accounting for Associates (AS 23)

AS 23 suggests equity method of accounting for investments in associates.

Under equity method The following procedure should be followed:

- **Investment is initially recorded at cost.** Subsequently, the carrying amount is increased on the basis of share of profit or decreased on the basis of share of loss in the associate.
- Step (1): Find out value of investments on the basis of proportionate value of net assets of the investee;
- Step (2): Find out goodwill or capital reserve arising out of the purchase consideration.
 - If the purchase price is above the value of investments determined in step (1) then there is goodwill and
 - if the purchase price is less than the value of the investments determined in step (1) then there is capital reserve.
- Step (3): Goodwill or capital reserve as determined in step (2) should be included in the carrying amount of the investments with a separate disclosure. On the contrary, investments are recognised at purchase price as per AS 13 without disclosing goodwill/capital reserve.

DISCLOSURE-Goodwill/capital reserve can be disclosed within bracket below the "Investments in Associates" in the following style and accumulated income which was not earlier recognized should be added to value of investments for first time consolidation with corresponding credit to consolidated reserve.

Equity method is not applicable

- (1) when an investment is acquired for the purpose of disposal in the near future, i.e., as short term investments; and
- (2) there is severe long term restriction on fund transfer by the associate to the investor. In these two cases AS 13 should be applied.

Treatment of Investment in Joint Ventures in Consolidated Financial Statements (AS 27)

AS 27 identifies three broad types of Joint Ventures- jointly controlled operations, jointly controlled assets and jointly controlled entities.

Jointly Controlled Operations

In respect of its interests in jointly controlled operations, a venturer should recognise in its separate financial statements and consequently in its consolidated financial statements:

- (a) the assets that it controls and the liabilities that it incurs; and
- (b) the expenses that it incurs and its share of the income that it earns from the joint venture.

Jointly Controlled Assets

In respect of its interest in jointly controlled assets, a venturer should recognise, in its separate financial statements, and consequently in its consolidated financial statements:

- (a) its share of the jointly controlled assets, classified according to the nature of the assets;
- (b) any liabilities which it has incurred;
- (c) its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- (d) any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- (e) any expenses which it has incurred in respect of its interest in the joint venture.

Jointly Controlled Entities

A jointly controlled entity maintains its own accounting records and prepares and presents financial statements in the same way as other enterprises in conformity with the requirements of AS 27 applicable to that jointly controlled entity.

Separate Financial Statements of a Venturer

In a venturer's separate financial statements, interest in a jointly controlled entity should be accounted for as an investment in accordance with Accounting Standard (AS) 13.

Consolidated Financial Statements of a Venturer

In its consolidated financial statements, a venturer should report its interest in a jointly controlled entity using proportionate consolidation except

- (a) an interest in a jointly controlled entity which is acquired and held exclusively with a view to its subsequent disposal in the near future; and
- (b) an interest in a jointly controlled entity which operates under severe long-term restrictions that significantly impair its ability to transfer funds to the venturer.

Consolidated Financial Statements of Group Companies

Problems involving one Subsidiary

Question 1

On 31st March, 2010, the Balance Sheets of H Ltd. and S Ltd. stood as follows:

	H Ltd.	S Ltd.
	(Rs. in 000's)	
<i>Liabilities</i>		
Equity Share (Capital – Authorised)	<u>5,000</u>	<u>3,000</u>
Issued and subscribed in Equity Shares of Rs. 10 each full paid	4,000	2,400
General Reserve	928	690
Profit and Loss Account	1,305	810
Bills Payable	124	80
Sundry Creditors	487	427
Provision for Taxation	220	180
Other Provisions	<u>65</u>	<u>17</u>
	<u>7,129</u>	<u>4,604</u>
<i>Assets:</i>		
Plant and Machinery	2,541	2,450
Furniture and Fittings	615	298
Investment in the Equity Shares of S Ltd.	1,500	—
Stock	983	786
Debtors	700	683
Bills Receivables	120	95
Cash and Bank Balances	410	102
Sundry Advances	<u>260</u>	<u>190</u>
	<u>7,129</u>	<u>4,604</u>

Following Additional Information is available:

- (a) H Ltd. purchased 90 thousand Equity Shares in S Ltd. on 1st April, 2009 at which date the following balances stood in the books of S Ltd.

General Reserve Rs. 1,500 thousand; Profit and Loss Account Rs. 633 thousand.

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- (b) On 14th July, 2009 S Ltd. declared a dividend of 20% out of pre-acquisition profits and paid corporate dividend tax (including surcharge) at 11%. H Ltd. credited the dividend received to its Profit and Loss Account.
- (c) On 1st November, 2009 S Ltd. issued a 3 fully paid Equity Shares of Rs. 10 each, for every 5 shares held as bonus shares out of pre-acquisition General Reserve.
- (d) On 31st March, 2010, the Stock of S Ltd. included goods purchased for Rs. 50 thousand from H Ltd., which had made a profit of 25% on Cost.

Prepare a consolidated Balance Sheet as on 31st March, 2010.

Answer

Consolidated Balance Sheet of H Ltd. with its subsidiary

S Ltd. as on 31st March, 2010

Liabilities	Rs. in 000's	Assets	Rs. in 000's
<i>Share Capital</i>		<i>Fixed Assets</i>	
Authorised	<u>5,000</u>	Plant and Machinery	
Issued, Subscribed and Paid up		H Ltd.	2,541
4 lakh equity shares of Rs. 10 each, fully paid	4,000	S Ltd.	<u>2,450</u>
		Furniture and fittings	4,991
Minority Interest (Note 6)	1,560	H Ltd.	615
<i>Reserves and Surplus</i>		S Ltd.	<u>298</u>
Capital Reserve (Note 5)	660		913
General Reserve (928+54)	982	<i>Current assets, Loans and Advances</i>	
Profit and Loss Account:		<i>(A) Current Assets</i>	
H Ltd.	1,305	Stock H Ltd.	983
Add: Share in S Ltd.	<u>306</u>	S Ltd.	<u>786</u>
	1,611		1,769
Less: Dividend wrongly credited	<u>180</u>	Less: Unrealised profit (50x1/5)	<u>10</u>
	1,431		700
	<u>10</u>	Debtors H Ltd.	<u>683</u>
	1,421		1,383

Less: Unrealised profit			S Ltd.		
Current Liabilities and Provisions			Cash and Bank Balances		
(a) Current Liabilities			H Ltd.	410	
Bills payable H Ltd.	124		S Ltd.	<u>102</u>	512
S Ltd.	<u>80</u>	204	(B) Loans and Advances		
Sundry Creditors H Ltd.	487				
S Ltd.	<u>427</u>	914	Bills Receivables	120	
			H Ltd.		
(b) Provisions			S Ltd.	<u>95</u>	215
Provision for Taxation			Sundry Advances		
H Ltd.	220		H Ltd.	260	
S Ltd.	<u>180</u>	400	S Ltd.	<u>190</u>	450
Other Provisions H Ltd.	65				
S Ltd.	<u>17</u>	<u>82</u>			
		<u>10,223</u>			<u>10,223</u>

1. S Ltd. General Reserve

	(Rs. in 000)		(Rs. in 000)
To Bonus to equity shareholders	900	By Balance b/d	1,500
$\left(\frac{2,400 \times 3}{8} \right)$		By Profit and Loss A/c	
To Balance c/d	<u>690</u>	(Balancing figure)	<u>90</u>
	1,590		1,590

		(Rs. in 000)			(Rs. in 000)
To	General Reserve	90	By	Balance b/d	633
To	Dividend paid on 14.7.2009	300	By	Net Profit for the year	
	<u>Rs.1,500×20</u>			(Balancing figure)	600*
	100				

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To Corporate Dividend Tax	33	
(11% of Rs. 300)		
To Balance c/d	<u>810</u>	<u> </u>
	<u>1,233</u>	<u>1,233</u>

* Out of Rs. 6,00,000 profit for the year, Rs. 90,000 has been transferred to reserves by S Ltd.

3. Distribution of Revenue Profits	<i>Rs. in '000</i>
Revenue Profit as above	<u>600</u>
Share of H Ltd. (60%)	360
Share of Minority shareholders (Rs. 600 – Rs. 360)	<u>240</u>

4. Computation of Capital Profits	<i>Rs. in 000</i>	<i>Rs. in 000</i>
General Reserve on the date of acquisition		1,500
Less: Bonus issue of shares		<u>900</u>
		600
Profit and Loss Account balance on the date of acquisition	633	
Less: Dividends paid	300	
Corporate tax paid	<u>33</u>	
	<u>333</u>	<u>300</u>
		<u>900</u>
Share of H Ltd.(60%)		540
Share of Minority shareholders		<u>360</u>
5. Computation of capital Reserve		
60% of share capital of S Ltd.		1,440
Add: Share of H Ltd. in the capital profits as in working note (4)		<u>540</u>
		1,980
Less: Investments in S Ltd.	1,500	
Less: Dividends received out of pre-		
acquisition profits $\frac{\text{Rs.}300 \times 60}{100}$	<u>180</u>	<u>1,320</u>
		<u>660</u>

Consolidated Financial Statements of Group Companies

6.	Calculation of Minority Interest	
	40% of share capital of S Ltd.	960
	Add: Share of Revenue Profits (Note 3)	240
	Share of Capital Profits (Note 4)	<u>360</u>
		<u>1,560</u>

Question 2

On 31st March, 2004, P Ltd. acquired 1,05,000 shares of Q Ltd. for Rs. 12,00,000. The Balance Sheet of Q Ltd. on that date was as under:

Liabilities	Rs.	Assets	Rs.
1,50,000 equity shares of Rs. 10 each fully paid	15,00,000	Fixed Assets	10,50,000
Pre-incorporation profits	30,000	Current Assets	6,45,000
Profit and Loss Account	60,000		
Creditors	<u>1,05,000</u>		
	<u>16,95,000</u>		<u>16,95,000</u>

On 31st March, 2010 the Balance Sheets of two companies were as follows:

Liabilities	P Ltd. Rs.	Q Ltd. Rs.	Assets	P Ltd. Rs.	Q Ltd. Rs.
Equity shares of Rs. 10 each fully paid (before bonus issue)	45,00,000	15,00,000	Fixed Assets	79,20,000	23,10,000
Securities Premium	9,00,000	–	1,05,000 equity shares in Q Ltd. at cost	12,00,000	–
Pre-incorporation profits	–	30,000	Current Assets	44,10,000	17,55,000
General Reserve	60,00,000	19,05,000			
Profit and Loss Account	15,75,000	4,20,000			
Creditors	<u>5,55,000</u>	<u>2,10,000</u>			
	<u>1,35,30,000</u>	<u>40,65,000</u>		<u>1,35,30,000</u>	<u>40,65,000</u>

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Directors of Q Ltd. made bonus issue on 31.3.2010 in the ratio of one equity share of Rs. 10 each fully paid for every two equity shares held on that date.

Calculate as on 31st March, 2010 (i) Cost of Control/Capital Reserve; (ii) Minority Interest; (iii) Consolidated Profit and Loss Account in each of the following cases:

(i) Before issue of bonus shares.

(ii) Immediately after issue of bonus shares.

It may be assumed that bonus shares were issued out of post-acquisition profits by using General Reserve.

Prepare a Consolidated Balance Sheet after the bonus issue.

Answer

(i) Before issue of bonus shares

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

(ii) Immediately after issue of bonus shares

(i)	Cost of control/capital reserve	Rs.	Rs.
	Face value of investments	15,75,000	
	(Rs. 10,50,000 + 5,25,000)		
	Capital Profits (W.N.)	<u>63,000</u>	16,38,000
	Less: Investment in Q Ltd.		<u>12,00,000</u>
	Capital reserve		<u>4,38,000</u>

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(ii)	Minority Interest	Rs.
	Share Capital (Rs. 4,50,000 + 2,25,000)	6,75,000
	Capital Profits (W.N.)	27,000
	Revenue Profits (W.N.)	<u>4,54,500</u>
		<u>11,56,500</u>
(iii)	Consolidated Profit and Loss Account – P td.	Rs.
	Balance	15,75,000
	Add: Share in revenue profits of Q Ltd. (W.N.)	<u>10,60,500</u>
		<u>26,35,500</u>

Consolidated Balance Sheet of P Ltd. and its subsidiary Q Ltd.

as on 31st March, 2010

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital		Fixed Assets	1,02,30,000
(Shares of Rs. 10 each)	45,00,000	Current Assets	61,65,000
Securities Premium	9,00,000		
Capital Reserve	4,38,000		
General Reserve	60,00,000		
Profit and Loss Account	26,35,500		
Creditors	7,65,000		
Minority Interest	<u>11,56,500</u>		
	<u>1,63,95,000</u>		<u>1,63,95,000</u>

Working Note:

Analysis of Profits of Q Ltd.

	<i>Capital Profits</i> <i>(Before and after</i> <i>issue of bonus</i> <i>shares)</i> <i>Rs.</i>	<i>Revenue Profits</i> <i>Before</i> <i>Bonus</i> <i>Issue</i> <i>Rs.</i>	<i>After</i> <i>Bonus</i> <i>Issue</i> <i>Rs.</i>
Pre-incorporation profits	30,000		
Profit and loss account on 31.3.2004	<u>60,000</u>		
	<u>90,000</u>		
General reserve*		19,05,000	19,05,000
Less: Bonus shares			<u>7,50,000</u>
			11,55,000

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Profit for period of 1st April, 2005 to 31st March, 2010 (Rs. 4,20,000 – Rs. 60,000)

		<u>3,60,000</u>	<u>3,60,000</u>
		<u>22,65,000</u>	<u>15,15,000</u>
P Ltd.'s share (70%)	63,000	15,85,500	10,60,500
Minority's share (30%)	27,000	6,79,500	4,54,500

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

Question 3

On 31st March, 2010 the Balance Sheets of H Ltd. and its subsidiary S Ltd. stood as follows:

	<i>H Ltd.</i>	<i>S Ltd.</i>
	<i>Rs. in lakhs</i>	<i>Rs. in lakhs</i>
<i>Liabilities</i>		
<i>Share Capital:</i>		
<i>Authorised</i>	<u>15,000</u>	<u>6,000</u>
<i>Issued and Subscribed:</i>		
<i>Equity Shares of Rs. 10 each, fully paid up</i>	12,000	4,800
<i>General Reserve</i>	2,784	1,380
<i>Profit and Loss Account</i>	2,715	1,620
<i>Bills Payable</i>	372	160
<i>Sundry Creditors</i>	1,461	854
<i>Provision for Taxation</i>	855	394
<i>Proposed Dividend</i>	<u>1,200</u>	<u>—</u>
	<u>21,387</u>	<u>9,208</u>
	<i>H Ltd.</i>	<i>S Ltd.</i>
	<i>Rs. in lakhs</i>	<i>Rs. in lakhs</i>
<i>Assets</i>		
<i>Land and Buildings</i>	2,718	—
<i>Plant and Machinery</i>	4,905	4,900
<i>Furniture and Fittings</i>	1,845	586
<i>Investments in shares in S Ltd.</i>	3,000	—
<i>Stock</i>	3,949	1,956
<i>Debtors</i>	2,600	1,363
<i>Cash and Bank Balances</i>	1,490	204

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Bills Receivable	360	199
Sundry Advances	<u>520</u>	<u>—</u>
	<u>21,387</u>	<u>9,208</u>

The following information is also provided to you:

- (a) H Ltd. purchased 180 lakh shares in S Ltd. on 1st April, 2009 when the balances to General Reserve and Profit and Loss Account of S Ltd. stood at Rs. 3,000 lakh and 1,200 lakh respectively.
- (b) On 4th July, 2009 S Ltd. declared a dividend @ 20% for the year ended 31st March, 2009. H Ltd. credited the dividend received by it to its Profit and Loss Account.
- (c) On 1st January, 2010 S Ltd. issued 3 fully paid-up shares for every 5 shares held as bonus shares out of balances to its general reserve as on 31st March, 2009.
- (d) On 31st March, 2010 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 Rs. 45 lakh of these acceptances in hand, the rest having been endorsed in favour of its creditors.
- (e) On 31st March, 2010 S Ltd.'s stock included goods which it had purchased for Rs. 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, 2010 bearing in mind the requirements of AS 21.

Answer

Consolidated Balance Sheet of H Ltd.

and its subsidiary S Ltd. as on 31st March, 2010

Liabilities	Rs. in lakhs	Rs. in lakhs	Assets	Rs. in lakhs	Rs. in lakhs
Share Capital			Fixed Assets		
Authorised		<u>15,000</u>	Land and Buildings		
Issued and Subscribed:			H Ltd.		2,718
Equity shares of Rs. 10 each, fully paid up		12,000	Plant and Machinery		
Minority Interest (Note 6)		3,120	H Ltd.	4,905	
			S Ltd.	<u>4,900</u>	9,805
Reserves and Surplus			Furniture and Fittings		
Capital Reserve (Note 5)		1,320	H Ltd.	1,845	
General Reserve (2,784 + 108)		2,892	S Ltd.	<u>586</u>	2,431

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Profit and Loss Account:

H Ltd.	2,715				<i>Current Assets, Loans and Advances</i>
Less: Dividend wrongly credited	360				
Unrealised Profit	<u>20</u>	<u>380</u>			<i>Current Assets</i>
		2,335			Stock
Add: Share in S Ltd.'s				H Ltd.	3,949
Revenue profits	<u>612</u>	2,947		S Ltd.	<u>1,956</u>
					5,905
<i>Current Liabilities and Provisions</i>				Less: Unrealised profit	<u>20</u> 5,885
<i>Current Liabilities</i>				Debtors	
Bills Payable				H Ltd.	2,600
H Ltd.	372			S Ltd.	<u>1,363</u> 3,963
S Ltd.	<u>160</u>			Cash and Bank Balances	
	532			H Ltd.	1,490
Less: Mutual owing	<u>45</u>	487		S Ltd.	<u>204</u> 1,694
				<i>Loans and Advances</i>	
Sundry Creditors				Bills Receivable	
H Ltd.	1,461			H Ltd.	360
S Ltd.	<u>854</u>	2,315		S Ltd.	<u>199</u>
					559
<i>Provisions</i>				Less: Mutual Owing	<u>45</u> 514
Provision for Taxation				Sundry Advances	
H Ltd.	855			H Ltd.	520
S Ltd.	<u>394</u>	1,249			
Proposed Dividend					
H Ltd.	<u>1,200</u>				
		<u>27,530</u>			<u>27,530</u>

Working Notes:

1.

S Ltd.'s General Reserve Account

	<i>Rs. in lakhs</i>		<i>Rs. in lakhs</i>
To Bonus to Equity Shareholders	1,800	By Balance b/d	3,000
To Balance c/d	1,380	By Profit and Loss A/c	180
		(Balancing figure)	
	<u>3,180</u>		<u>3,180</u>

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2. S Ltd.'s Profit and Loss Account

	<i>Rs. in lakhs</i>		<i>Rs. in lakhs</i>
To General Reserve	180	By Balance b/d	1,200
To Dividend paid (20% on Rs.3,000 lakhs)	600	By Net Profit for the year*	1,200
To Balance c/d	<u>1,620</u>	(Balancing figure)	<u> </u>
	<u>2,400</u>		<u>2,400</u>

*Out of Rs. 1,200 lakhs profit for the year, Rs. 180 lakhs has been transferred to reserves.

3. Distribution of Revenue profits

	<i>Rs. in lakhs</i>
Revenue profits (W. N. 2)	1,200
Less: Share of H Ltd. 60%	720
(General Reserve Rs. 108 + Profit and Loss Account Rs. 612)	<u> </u>
Share of Minority Shareholders (40%)	<u>480</u>

4. Calculation of Capital Profits

	<i>Rs. in lakhs</i>
General Reserve on the date of acquisition less bonus shares (Rs. 3,000 – Rs. 1,800)	1,200
Profit and loss account on the date of acquisition less dividend paid (Rs. 1,200 – Rs. 600)	600
	<u>1,800</u>

H Ltd.'s share = 60% of Rs. 1,800 lakhs = Rs. 1,080 lakhs

Minority interest = Rs. 1,800 – Rs. 1,080 = Rs. 720 lakhs

5. Calculation of capital reserve

	<i>Rs. in lakhs</i>
Paid up value of shares held (60% of Rs.4,800)	2,880
Add: Share in capital profits	<u>1,080</u>
	3,960
Less: Cost of shares less dividend received (Rs. 3,000 – Rs. 360)	<u>2,640</u>
Capital reserve	<u>1,320</u>

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6. Calculation of Minority Interest

	<i>Rs. in lakhs</i>
40% of share capital (40% of Rs. 4,800)	1,920
Add: Share in revenue profits	480
Share in capital profits	<u>720</u>
	<u>3,120</u>

7. Unrealised profit in respect of stock

$$\text{Rs. 100 lakhs} \times \frac{25}{125} = \text{Rs. 20 lakhs}$$

Question 4

The following are the summarised Balance Sheets of PD Co. Ltd. and SD Co. Ltd. as on 31.3.2010.

<i>Liabilities</i>	<i>PD Co. Ltd.</i>	<i>SD Co. Ltd.</i>
	<i>Rs.</i>	<i>Rs.</i>
<i>Share Capital:</i>		
<i>Authorised</i>	<u>70,00,000</u>	<u>30,00,000</u>
<i>Issued and Subscribed Capital</i>		
<i>Equity shares of Rs. 10 each fully paid</i>	50,00,000	20,00,000
<i>Capital Reserve</i>	5,00,000	3,10,000
<i>Revenue Reserve</i>	8,50,000	75,000
<i>Profit and Loss Account</i>	4,00,000	2,80,000
<i>Sundry Creditors</i>	2,50,000	2,25,000
<i>Bills Payable</i>	<u>1,00,000</u>	<u>10,000</u>
	<u>71,00,000</u>	<u>29,00,000</u>
 <i>Assets</i>		
	<i>PD Co. Ltd.</i>	<i>SD Co. Ltd.</i>
	<i>Rs.</i>	<i>Rs.</i>
<i>Land and Buildings</i>	20,00,000	15,20,000
<i>Plant and Machinery</i>	20,00,000	8,00,000
<i>Furniture</i>	5,00,000	1,60,000

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<i>Investments</i>	16,10,000	—
<i>Stock</i>	3,40,000	1,00,000
<i>Sundry Debtors</i>	3,60,000	2,00,000
<i>Bills Receivable</i>	50,000	40,000
<i>Bank</i>	<u>2,40,000</u>	<u>80,000</u>
	<u>71,00,000</u>	<u>29,00,000</u>

PD Ltd. acquired 80% shares of SD Ltd. on 30.09.2009 at a cost of Rs. 18,10,000. On 1.10.2009 SD Ltd. declared and paid dividend on Equity Shares. PD Ltd. appropriately adjusted its share of dividend in Investment Account.

On 1.4.2009, the Capital Reserve and Profit and Loss Account stood in the books of SD Ltd. at Rs. 50,000 and Rs. 2,75,000 respectively.

Land and Buildings standing in the books of SD Ltd. at Rs. 16,00,000 on 1.4.2009, revalued at Rs.20,00,000 on 1.10.2009. Furniture, which stood in the books at Rs. 2,00,000 on 1.4.2009 revalued at Rs.1,50,000 on 1.10.2009. In both the cases the effects have not yet been given in the books.

SD Ltd. bought an item of machinery from PD Ltd. on hire-purchase basis. The following are the balances in respect of this machinery in the books on 31.03.2010:

	Rs.
<i>Instalment due</i>	20,000
<i>Instalment not due</i>	8,000
<i>Hire-purchase stock reserve</i>	1,600

The above items stood included under appropriate heads in Balance Sheet.

Prepare a Consolidated Balance Sheet of PD Ltd. and its subsidiary SD Ltd. as at 31.03.2010, complying with the requirements of AS 21.

Answer

Consolidated Balance Sheet of PD Co. Ltd. with its subsidiary

SD Co. Ltd. as on 31st March, 2010

<i>Liabilities</i>	Rs.	Rs.	<i>Assets</i>	Rs.	Rs.
<i>Share Capital</i>			<i>Fixed Assets</i>		
Authorised		<u>70,00,000</u>	Land and buildings		
Issued and subscribed			PD Ltd.	20,00,000	
Equity shares of			SD Ltd. (W.N. 2)	<u>19,50,000</u>	39,50,000

Financial Reporting

Rs. 10 each, fully paid up	50,00,000	Plant and machinery		
Minority interest (W.N. 5)	6,14,000	PD Ltd.	20,00,000	
Reserves and surplus:		SD Ltd.	<u>8,00,000</u>	
Capital reserve (W.N.8)	12,18,000		28,00,000	
Revenue reserve (W.N. 9)	8,80,000	Less: Unrealised profit on hire purchase transaction	<u>5,600</u>	27,94,400
Profit and loss account (W.N. 10)	4,92,400	Furniture PD Ltd.	5,00,000	
Current liabilities and provisions		SD Ltd. (W.N. 2)	<u>1,35,000</u>	6,35,000
Current liabilities		Current assets, loans and advances		
Sundry creditors				
PD Ltd.	2,50,000			
SD Ltd.	<u>2,25,000</u>	Current assets		
	4,75,000	Stock		
Less: Mutual hire purchase indebtedness	<u>28,000</u>	PD Ltd.	3,40,000	
	4,47,000	SD Ltd.	<u>1,00,000</u>	
Bills payable			4,40,000	
PD Ltd.	1,00,000	Less: Hire purchase instalment not due	<u>8,000</u>	4,32,000
SD Ltd.	<u>10,000</u>			
	1,10,000	Sundry debtors		
		PD Ltd.	3,60,000	
		SD Ltd.	<u>2,00,000</u>	
			5,60,000	
		Less: Hire purchase Instalment due	<u>20,000</u>	5,40,000

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	<i>Loans and advances</i>		
	Bills receivable		
	PD Ltd.	50,000	
	SD Ltd.	<u>40,000</u>	90,000
	Cash and Bank		
	Balances:		
	Bank		
	PD Ltd.	2,40,000	
	SD Ltd.	<u>80,000</u>	<u>3,20,000</u>
	<u>87,61,400</u>		<u>87,61,400</u>

Working Notes:

1. Analysis of reserves and profits of SD Co. Ltd. as on 31.03.2010.

		<i>Pre-acquisition profit upto 30.09.2009</i>	<i>Post-acquisition profits (1.10.2009 – 31.3.2010)</i>	
		<i>(Capital profits)</i>	<i>Capital reserve</i>	<i>Revenue reserve Profit and loss account</i>
Capital reserve as on 31.3.2010	3,10,000			
Less: Balance as on 1.4.2009	<u>50,000</u>	50,000		
Created during the year	<u>2,60,000</u>	1,30,000	1,30,000	
Revenue reserve as on 31.3.2010	75,000			
Less: balance as on 1.4.2009	<u>—</u>			
Created during the year	<u>75,000</u>	37,500	37,500	
Profit and loss account as on 31.3.2010	2,80,000			
Add: Dividend paid on 1.10.2009	2,50,000			
(out of pre-acquisition profits)	<u> </u>			

Financial Reporting

	5,30,000		
Less: balance as on 1.4.2009	<u>2,75,000</u>		
Earned during the year	<u>2,55,000</u>	1,27,500	1,27,500
Profit as on 1.4.2009	2,75,000		
Less: Dividend paid			
[(Rs.18,10,000 –			
Rs.16,10,000) × 5/4]	2,50,000		
Balance of pre-acquisition profit			
as on 31.3.2010	<u>25,000</u>	25,000	
Revaluation reserves as on			
1.10.2009:			
Profit on land and buildings			
(W.N. 2)		4,40,000	
Loss on furniture (W.N. 2)		(30,000)	
Difference in depreciation (for 6			
months) due to revaluation:			
Short depreciation on land and			
building (W.N. 3)			(10,000)
Excess depreciation on furniture			
(W.N. 3)			<u>5,000</u>
Total	<u>7,80,000</u>	<u>1,30,000</u>	<u>37,500</u>
Minority Interest (20%)	1,56,000	26,000	7,500
Share of PD Co. Ltd. (80%)	<u>6,24,000</u>	<u>1,04,000</u>	<u>30,000</u>
2. Profit or loss on revaluation of assets in the books of SD Ltd. and their book values as on 31.3.2010			

	Rs.
<i>Land and buildings</i>	
Book value as on 1.4.2009	16,00,000
Depreciation at 5%* p.a. for 6 months	<u>40,000</u>
	15,60,000
Revalued on 1.10.2009	<u>20,00,000</u>
Profit on revaluation	<u>4,40,000</u>
*(80,000 × 100)/16,00,000 = 5%	

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Value as per balance sheet on 31.3.2010	15,20,000
Add: Profit on revaluation	<u>4,40,000</u>
	19,60,000
Less: Short Depreciation (W.N. 3)	<u>10,000</u>
Value as on 31.3.2010	<u>19,50,000</u>
<i>Furniture</i>	
Book value as on 1.4.2009	2,00,000
Less: Depreciation @ 20%* p.a. for 6 months	<u>20,000</u>
	1,80,000
Revalued on 1.10.2009	<u>1,50,000</u>
Loss on revaluation	<u>30,000</u>
Value as per balance sheet on 31.3.2010	1,60,000
Less: Loss on revaluation	<u>30,000</u>
	1,30,000
Add: Excess depreciation written back (W.N. 3)	<u>5,000</u>
Value as on 31.3.2010	<u>1,35,000</u>

*(40,000 × 100)/2,00,000 = 20%

3. Calculation of short/excess depreciation

	<i>Building</i>	<i>Furniture</i>
Revalued figure as on 1.10.2009	20,00,000	1,50,000
Rate of depreciation	5% p.a.	20% p.a.
Depreciation for 6 months on revalued figure (1.10.2009 to 31.3.2010)	50,000	15,000
Depreciation already provided	<u>40,000</u>	<u>20,000</u>
Difference [(short)/excess]	<u>(10,000)</u>	<u>5,000</u>

4. Calculation of cost of control

	<i>Rs.</i>
Share capital in SD Ltd.	16,00,000
Add: Capital profit	<u>6,24,000</u>
	22,24,000
Less: Cost of Investments	<u>16,10,000</u>
Capital Reserve	<u>6,14,000</u>

Financial Reporting

5. Calculation of minority interest

	Rs.	Rs.
Share capital		4,00,000
Capital (pre-acquisition) profits		1,56,000
Revenue (post-acquisition) profits:		
Capital Reserve	26,000	
Revenue reserve	7,500	
Profit and loss	<u>24,500</u>	<u>58,000</u>
		<u>6,14,000</u>

6. Stock reserve (plant and machinery)

Percentage of profit on hire purchase transaction

$$\frac{1,600 \times 100}{8,000} = 20\%$$

20% on Rs. 20,000 = Rs. 4,000

Total unrealised profit = Rs. 4,000 + Rs. 1,600 = Rs. 5,600

7. Elimination of mutual indebtedness

Elimination of mutual indebtedness in respect of sale of machinery on hire purchase basis will be made as under in the Consolidated Balance Sheet.

	Creditors	Debtors	Stock	Plant and machinery
	Rs.	Rs.	Rs.	Rs.
Total (PD Ltd. and SD Ltd.)	4,75,000	5,60,000	4,40,000	28,00,000
Less: Instalment due	20,000	20,000	—	—
Less: Instalment not due	8,000	—	8,000	—
Less: Profit on plant purchased by SD Ltd. from PD Ltd. on hire purchase	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,600</u>
	<u>4,47,000</u>	<u>5,40,000</u>	<u>4,32,000</u>	<u>27,94,400</u>

For consolidated balance sheet purpose, the unrealised profits will be eliminated by deducting Rs. 5,600 from Plant & Machinery and from profit and loss account.

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8. Consolidated capital reserve as on 31.3.2010

	Rs.
Capital reserve of PD Ltd. as on 31.3.2010	5,00,000
Add: Share in post acquisition capital reserve of SD Ltd. (W.N. 1)	1,04,000
Add: Cost of control (W.N. 4)	<u>6,14,000</u>
	<u>12,18,000</u>

9. Consolidated revenue reserve as on 31.3.2010

	Rs.
Revenue reserve of PD Ltd. as on 31.3.2010	8,50,000
Add: Share in post acquisition revenue reserve of SD Ltd. (W.N. 1)	<u>30,000</u>
	<u>8,80,000</u>

10. Consolidated profit and loss account as on 31.3.2010

	Rs.
Profit and loss account balance of PD Ltd. as on 31.3.2010	4,00,000
Add: Share in post acquisition profit and loss account of SD Ltd. (W.N. 1)	98,000
Less: Unrealised profit on hire purchase	<u>(5,600)</u>
	<u>4,92,400</u>

Note: In the question, the balance of capital reserve and profit and loss account of SD Ltd., as on 1.4.2009 only has been given and not of revenue reserve. Hence, it has been assumed in the above solution that the revenue reserve is created during the year from current year's profits.

Problems involving one Subsidiary- Different Dates of Acquisition

Question 5

The Balance Sheets of Football Ltd. and its subsidiary Hockey Ltd. as on 31st March, 2010 are as under:

Liabilities	Football Ltd. Rs.	Hockey Ltd. Rs.	Assets	Football Ltd. Rs.	Hockey Ltd. Rs.
Equity shares of Rs. 10 each	48,00,000	20,00,000	Goodwill	4,50,000	3,00,000
10% Preference shares of Rs. 10 each	7,00,000	3,80,000	Plant and machinery	12,00,000	5,00,000
			Motor vehicles	9,50,000	7,50,000

Financial Reporting

General reserve	5,50,000	4,20,000	Furniture and		
Profit and loss account	10,00,000	6,00,000	fittings	6,50,000	4,00,000
Bank overdraft	1,20,000	70,000	Investments	26,00,000	4,50,000
Sundry creditors	4,30,000	4,80,000	Stock	4,50,000	7,20,000
Bills payable	—	1,60,000	Cash at bank	2,25,000	2,10,000
			Debtors	9,30,000	7,80,000
			Bills receivable	<u>1,45,000</u>	<u>—</u>
	<u>76,00,000</u>	<u>41,10,000</u>		<u>76,00,000</u>	<u>41,10,000</u>

Details of acquisition of shares by Football Ltd. are as under:

Nature of shares	No. of shares acquired	Date of acquisition	Cost of acquisition Rs.
Preference shares	14,250	1.4.2007	3,10,000
Equity shares	80,000	1.4.2008	9,50,000
Equity shares	70,000	1.4.2009	8,00,000

Other information:

- On 1.4.2009 profit and loss account and general reserve of Hockey Ltd. had credit balances of Rs. 3,00,000 and Rs. 2,00,000 respectively.
- Dividend @ 10% was paid by Hockey Ltd. for the year 2008-2009 out of its profit and loss account balance as on 1.4.2009. Football Ltd. credited its share of dividend to its profit and loss account.
- Hockey Ltd. allotted bonus shares out of general reserve at the rate of 1 share for every 10 shares held. Accounting thereof has not yet been made.
- Bills receivable of Football Ltd. were drawn upon Hockey Ltd.
- During the year 2009-2010 Football Ltd. purchased goods from Hockey Ltd. for Rs. 1,00,000 at a sale price of Rs. 1,20,000. 40% of these goods remained unsold at close of the year.
- On 1.4.2009 motor vehicles of Hockey Ltd. were overvalued by Rs. 1,00,000. Applicable depreciation rate is 20%.
- Dividends recommended for the year 2009-2010 in the holding and the subsidiary companies are 15% and 10% respectively.

Prepare consolidated Balance Sheet as on 31st March, 2010.

Consolidated Financial Statements of Group Companies

Answer

Consolidated Balance Sheet of Football Ltd. and its subsidiary Hockey Ltd. as on 31st March, 2010

	Amount			Amount	
Liabilities	Rs.	Rs.	Assets	Rs.	Rs.
Share Capital			Fixed Assets		
Authorised, Issued and paid up capital		—	Goodwill		
4,80,000 equity shares of Rs. 10 each		48,00,000	Football Ltd.	4,50,000	
70,000, 10% preference shares of Rs. 10 each		7,00,000	Hockey Ltd.	<u>3,00,000</u>	
				7,50,000	
Minority Interest (W.N. 3)		9,86,750	Add: Goodwill on consolidation (W.N. 2)	<u>1,97,500</u>	9,47,500
Reserves and Surplus			Plant and Machinery		
General reserve (W.N. 5)		7,15,000	Football Ltd.	12,00,000	
Profit and loss account (W.N. 4)		5,07,750	Hockey Ltd.	<u>5,00,000</u>	17,00,000
Current Liabilities and Provisions			Motor Vehicles		
Bank Overdraft			Football Ltd.	9,50,000	
Football Ltd.	1,20,000		Hockey Ltd.		
Hockey Ltd.	<u>70,000</u>	1,90,000	(7,50,000 – 1,00,000 + 20,000)	<u>6,70,000</u>	16,20,000
Sundry Creditors			Furniture & Fittings		
Football Ltd.	4,30,000		Football Ltd.	6,50,000	
Hockey Ltd.	<u>4,80,000</u>	9,10,000	Hockey Ltd.	<u>4,00,000</u>	10,50,000
Bills payable			Investments		

Financial Reporting

Hockey Ltd.	1,60,000		Football Ltd.		
Less: Mutual debt	<u>1,45,000</u>	15,000	(26,00,000 – 20,60,000)	5,40,000	
Proposed Dividend			Hockey Ltd.	<u>4,50,000</u>	9,90,000
Equity	7,20,000		<i>Current assets, loans</i>		
Preference	<u>70,000</u>	7,90,000	<i>and advances</i>		
			<i>Current assets</i>		
			Stock		
			Football Ltd.	4,50,000	
			Hockey Ltd.	<u>7,20,000</u>	
				11,70,000	
			<i>Less: Unrealised profit</i>	<u>8,000</u>	11,62,000
			Debtors		
			Football Ltd.	9,30,000	
			Hockey Ltd.	<u>7,80,000</u>	17,10,000
			Cash at Bank		
			Football Ltd.	2,25,000	
			Hockey Ltd.	<u>2,10,000</u>	4,35,000
			<i>Loans and advances</i>		
			Bills receivable		
			Football Ltd.	1,45,000	
			<i>Less: Mutual Debt</i>	<u>1,45,000</u>	<u>Nil</u>
		<u>96,14,500</u>			<u>96,14,500</u>

Consolidated Financial Statements of Group Companies

Working Notes:

(1) Analysis of Profits of Hockey Ltd.

		Capital Profits	Revenue Reserve	Revenue Profit
	Rs.	Rs.	Rs.	Rs.
(a) General Reserve as on 1.4.2009	2,00,000			
Less: Bonus issue (1/10 of Rs. 20,00,000)	<u>2,00,000</u>	—	—	
(b) Addition to General Reserve during 2009-2010 (Rs. 4,20,000 – Rs. 2,00,000)			2,20,000	
(c) Profit and Loss Account balance as on 1.4.2009	3,00,000			
Less: Dividend paid for the year 2008-2009	<u>2,00,000</u>	1,00,000		
(d) Profit for the year 2009-2010 (Rs. 6,00,000 – Rs. 1,00,000)				5,00,000
(e) Adjustment for over valuation of motor vehicles		(1,00,000)		
(f) Adjustment of revenue profit due to overcharged depreciation (20% on Rs. 1,00,000)				20,000
(g) Preference dividend for the year 2009-2010 @ 10%				<u>(38,000)</u>
		<u>—</u>	<u>2,20,000</u>	<u>4,82,000</u>
Football Ltd.'s share (3/4)			1,65,000	3,61,500
Minority Interest (1/4)			<u>55,000</u>	<u>1,20,500</u>
			<u>2,20,000</u>	<u>4,82,000</u>

(2) Cost of Control

	Rs.	Rs.
Cost of investments in Hockey Ltd.		20,60,000
Less: Paid up value of equity shares (including bonus shares)		16,50,000
[80,000 + 70,000 + (10% of 1,50,000)] × Rs. 10		

Financial Reporting

Paid-up value of preference shares	1,42,500	
Pre-acquisition dividend*	<u>70,000</u>	<u>18,62,500</u>
Cost of control/Goodwill		<u>1,97,500</u>
(3) Minority Interest		
Equity share capital [Rs. 5,00,000 + Rs. 50,000 (Bonus)]		5,50,000
Preference share capital (Rs. 3,80,000 – Rs. 1,42,500)		2,37,500
Share of revenue reserve		55,000
Share of revenue profit		1,20,500
Proposed preference dividend		<u>23,750</u>
		<u>9,86,750</u>
(4) Profit and Loss Account – Football Ltd.		
Balance		10,00,000
Share in profit of Hockey Ltd.		3,61,500
Share in proposed preference dividend of Hockey Ltd.		<u>14,250</u>
		13,75,750
Less: Pre-acquisition dividend credited to profit and loss account	70,000	
Unrealised profit on stock (40% of Rs.20,000)	8,000	
Proposed equity dividend	7,20,000	
Proposed preference dividend	<u>70,000</u>	<u>8,68,000</u>
		<u>5,07,750</u>
(5) General reserve – Football Ltd.		
Balance		5,50,000
Add: Share in Hockey Ltd.		<u>1,65,000</u>
		<u>7,15,000</u>

Note: No information has been given in the question regarding date of bonus issue by Hockey. It is also not mentioned whether the bonus shares are issued from pre-acquisition general reserve or post-acquisition general reserve. The above solution is given on the basis that Hockey Ltd. allotted bonus shares out of pre-acquisition general reserve.

* The dividend on 70,000 shares only (acquired on 1.4.2009) is a pre-acquisition dividend.

Consolidated Financial Statements of Group Companies

Problems involving more than one subsidiary

Question 6

From the following Balance Sheets of a group of companies and the other information provided, draw up the consolidated Balance Sheet as on 31.3.2010. Figures given are in Rupees Lakhs:

Balance Sheets as on 31.3.2010

	X	Y	Z		X	Y	Z
Shares capital (in shares of Rs. 10 each)	300	200	100	Fixed Assets less depreciation	130	150	100
Reserves	50	40	30	Cost of investment in Y Ltd.	180	—	—
Profit and loss balance	60	50	40	Cost of investment in Z Ltd.	40	—	—
Bills payables	10	—	5	Cost of investment in Z Ltd.	—	80	—
Creditors	30	10	10	Stock	50	20	20
Y Ltd. balance	—	—	15	Debtors	70	10	20
Z Ltd. balance	50	—	—	Bills receivables	—	10	20
				Z Ltd. balance	—	10	—
				X Ltd. balance	—	—	30
				Cash and bank balance	<u>30</u>	<u>20</u>	<u>10</u>
	<u>500</u>	<u>300</u>	<u>200</u>		<u>500</u>	<u>300</u>	<u>200</u>

- X Ltd. holds 1,60,000 shares and 30,000 shares respectively in Y Ltd. and Z Ltd.; Y Ltd. holds 60,000 shares in Z Ltd. These investments were made on 1.7.2009 on which date the provision was as follows:

	Y Ltd.	Z Ltd.
Reserves	20	10
Profit and loss account	30	16

- In December, 2009 Y Ltd. invoiced goods to X Ltd. for Rs. 40 lakhs at cost plus 25%. The closing stock of X Ltd. includes such goods valued at Rs. 5 lakhs.
- Z Ltd. sold to Y Ltd. an equipment costing Rs. 24 lakhs at a profit of 25% on selling price on 1.1.2010. Depreciation at 10% per annum was provided by Y Ltd. on this equipment.
- Bills payables of Z Ltd. represent acceptances given to Y Ltd. out of which Y Ltd. had discounted bills worth Rs. 3 lakhs.
- Debtors of X Ltd. include Rs. 5 lakhs being the amount due from Y Ltd.
- X Ltd. proposes dividend at 10%.

Financial Reporting

Answer

Consolidated Balance Sheet of X Ltd. and its subsidiaries Y Ltd. and Z Ltd. as at 31st March, 2010

				(Rs. in lakhs)
Liabilities	Amount	Assets	Amount	
Share capital	300.00	Fixed Assets		
Minority Interest		X Ltd.	130.00	
Y Ltd.	63.08	Y Ltd.	150.00	
Z Ltd.	<u>16.22</u>	Z Ltd.	<u>100.00</u>	
Capital Reserve	13.40		380.00	
		Less: Unrealised profit	<u>7.80</u>	372.20
Other Reserves	81.60	Stock		
Profit and Loss Account	56.90	X Ltd.	50.00	
Bills Payables		Y Ltd.	20.00	
X Ltd.	10.00	Z Ltd.	<u>20.00</u>	
Y Ltd.	<u>5.00</u>		90.00	
	15.00	Less: Unrealised profit	<u>1.00</u>	89.00
Less: Mutual indebtedness	<u>2.00</u>	Debtors		
	13.00	X Ltd.	70.00	
Creditors		Y Ltd.	10.00	
X Ltd.	30.00	Z Ltd.	<u>20.00</u>	
Y Ltd.	10.00		100.00	
Z Ltd.	<u>10.00</u>	Less: Mutual indebtedness	<u>5.00</u>	95.00
	50.00	Cash and Bank Balances		60.00
Less: Mutual indebtedness	<u>5.00</u>	Bills Receivables		
	45.00	Y Ltd.	10.00	
Current Account Balances		Z Ltd.	<u>20.00</u>	
			30.00	
X Ltd.	50.00	Less: Mutual indebtedness	<u>2.00</u>	28.00

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Z Ltd.	<u>15.00</u>		
	65.00		
Less: Mutual indebtedness (10+ 30)	<u>40.00</u>	25.00	
Proposed Dividend		<u>30.00</u>	
	<u>644.20</u>		<u>644.20</u>

Working Notes:

	(Rs. in lakhs)		
	Capital Profit	Revenue Reserve	Revenue profit
(1) Analysis of Profits of Z Ltd.			
Reserves on 1.7.2009	10.00		
Profit and Loss A/c on 1.7.2009	16.00		
Increase in Reserves		20.00	
Increase in Profit			<u>24.00</u>
	<u>26.00</u>	<u>20.00</u>	<u>24.00</u>
Less: Minority Interest (10%)	<u>2.60</u>	<u>2.00</u>	<u>2.40</u>
	<u>23.40</u>	<u>18.00</u>	<u>21.60</u>
Share of X Ltd.	7.80	6.00	7.20
Share of Y Ltd.	15.60	12.00	14.40
(2) Analysis of Profits of Y Ltd.			
Reserves on 1.7.2009	20.00		
Profit and Loss A/c on 1.7.2009	30.00		
Increase in Reserves		20.00	
Increase in Profit			<u>20.00</u>
	<u>50.00</u>	<u>20.00</u>	<u>20.00</u>
Share in Z Ltd.		<u>12.00</u>	<u>14.40</u>
	<u>50.00</u>	<u>32.00</u>	<u>34.40</u>
Less: Minority Interest (20%)	<u>10.00</u>	<u>6.40</u>	<u>6.88</u>
Share of X Ltd.	<u>40.00</u>	<u>25.60</u>	<u>27.52</u>
(3) Cost of Control			
Investments in Y Ltd.			180.00
Investments in Z Ltd.			<u>120.00</u>
			300.00

Financial Reporting

Less: Paid up value of investments			
in Y Ltd.	160.00		
in Z Ltd.	<u>90.00</u>	250.00	
Capital Profit			
in Y Ltd.	40.00		
in Z Ltd.	<u>23.40</u>	<u>63.40</u>	<u>313.40</u>
Capital Reserve			<u>13.40</u>
(4) Minority Interest	Y Ltd.	Z Ltd.	
Share Capital	40.00	10.00	
Capital Profit	10.00	2.60	
Revenue Reserves	6.40	2.00	
Revenue Profits	<u>6.88</u>	<u>2.40</u>	
	63.28	17.00	
Less: Unrealised profit on stock (20% of 1)	.20		
Unrealised profit on equipment (10% of 7.8)		<u>.78</u>	
	<u>63.08</u>	<u>16.22</u>	
(5) Unrealised Profit on equipment sale			
Cost	24.00		
Profit	<u>8.00</u>		
Selling Price	<u>32.00</u>		
Unrealised profit = $8 - 8 \times \frac{10}{100} \times \frac{3}{12} = 8.00 - 0.20 = 7.80$			
(6) Profit and Loss Account – X Ltd.			
Balance	60.00		
Less: Proposed Dividend	<u>30.00</u>		
	30.00		
Share in Y Ltd.	27.52		
Share in Z Ltd.	<u>7.20</u>		
	64.72		
Less: Unrealised profit on equipment (90% of 7.8)	<u>7.02</u>		
	57.70		
Less: Unrealised profit on stock $\left(5 \times \frac{25}{125} \times 80\%\right)$	<u>.80</u>		
	<u>56.90</u>		

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(7) Reserves – X Ltd.	
X Ltd.	50.00
Share in Y Ltd.	25.60
Share in Z Ltd.	<u>6.00</u>
	<u>81.60</u>

Question 7

Following are the Balance Sheets of Mumbai Limited, Delhi Limited, Amritsar Limited and Kanpur Limited as at 31st December, 2009:

Liabilities	Mumbai Ltd.	Delhi Ltd.	Amritsar Ltd.	Kanpur Ltd.
Share Capital (Rs. 100 face value)	50,00,000	40,00,000	20,00,000	60,00,000
General Reserve	20,00,000	4,00,000	2,50,000	10,00,000
Profit & Loss Account	10,00,000	4,00,000	2,50,000	3,20,000
Sundry Creditors	3,00,000	1,00,000	50,000	80,000
	<u>83,00,000</u>	<u>49,00,000</u>	<u>25,50,000</u>	<u>74,00,000</u>
Assets				
Investments:				
30,000 shares in Delhi Ltd.	35,00,000	—	—	—
10,000 shares in Amritsar Ltd.	11,00,000	—	—	—
5,000 shares in Amritsar Ltd.	—	5,00,000	—	—
Shares in Kanpur Ltd. @ Rs. 120	36,00,000	18,00,000	6,00,000	—
Fixed Assets	—	20,00,000	15,00,000	70,00,000
Current Assets	1,00,000	6,00,000	4,50,000	4,00,000
	<u>83,00,000</u>	<u>49,00,000</u>	<u>25,50,000</u>	<u>74,00,000</u>

Balance in General Reserve Account and Profit & Loss Account, when shares were purchased in different companies were:

	Mumbai Ltd.	Delhi Ltd.	Amritsar Ltd.	Kanpur Ltd.
General Reserve Account	10,00,000	2,00,000	1,00,000	6,00,000
Profit & Loss Account	6,00,000	2,00,000	50,000	60,000

Required:

Prepare the consolidated Balance Sheet of the group as at 31st December, 2009 (Calculations may be rounded off to the nearest rupee).

Financial Reporting

Answer

Consolidated Balance Sheet of Mumbai Ltd. and its subsidiaries Delhi Ltd., Amritsar Ltd. and Kanpur Ltd.

As at 31st December, 2009

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
Share Capital (Fully paid shares of Rs. 100 each)	50,00,000.00	Goodwill	6,37,500.00
Minority Interest	31,25,312.50	Fixed Assets	105,00,000.00
General Reserve	25,51,041.67	Current Assets	15,50,000.00
Profit and Loss Account	14,81,145.83		
Sundry Creditors	5,30,000.00		
	<u>1,26,87,500.00</u>		<u>1,26,87,500.00</u>

Working Notes:

(i) Analysis of profits of Kanpur Ltd.

	<i>Capital Profit Rs.</i>	<i>Revenue Reserve Rs.</i>	<i>Revenue Profit Rs.</i>
General Reserve on the date of purchase of shares	6,00,000.00		
Profit and Loss A/c on the date of purchase of shares	60,000.00		
Increase in General Reserve		4,00,000.00	
Increase in profit			2,60,000.00
	<u>6,60,000.00</u>	<u>4,00,000.00</u>	<u>2,60,000.00</u>
Less : Minority Interest (1/6)	<u>1,10,000.00</u>	<u>66,666.67</u>	<u>43,333.33</u>
	<u>5,50,000.00</u>	<u>3,33,333.33</u>	<u>2,16,666.67</u>
Share of Mumbai Ltd. (1/2)	3,30,000.00	2,00,000.00	1,30,000.00
Share of Delhi Ltd. (1/4)	1,65,000.00	1,00,000.00	65,000.00
Share of Amritsar Ltd. (1/12)	55,000.00	33,333.33	21,666.67

(ii) Analysis of profits of Amritsar Ltd.

	<i>Capital Profit Rs.</i>	<i>Revenue Reserve Rs.</i>	<i>Revenue Profit Rs.</i>
General Reserve on the date of purchase of shares	1,00,000.00		
Profit and Loss A/c on the date of purchase of shares	50,000.00		
Increase in General Reserve		1,50,000.00	

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Increase in Profit and Loss A/c			2,00,000.00
Share in Kanpur Ltd.		33,333.33	21,666.67
	1,50,000.00	1,83,333.33	2,21,666.67
Less : Minority Interest (1/4)	37,500.00	45,833.33	55,416.67
	1,12,500.00	1,37,500.00	1,66,250.00
Share of Mumbai Ltd. (1/2)	75,000	91,666.67	1,10,833.33
Share of Delhi Ltd. (1/4)	37,500	45,833.33	55,416.67
(iii) Analysis of profits of Delhi Ltd.			
	<i>Capital</i>	<i>Revenue</i>	<i>Revenue</i>
	<i>Profit</i>	<i>Reserve</i>	<i>Profit</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
General Reserve on the date			
of purchase of shares	2,00,000.00		
Profit and Loss A/c on the date of			
purchase of shares	2,00,000.00		
Increase in General Reserve		2,00,000.00	
Increase in Profit and Loss A/c			2,00,000.00
Share in Kanpur Ltd.		1,00,000.00	65,000.00
Share in Amritsar Ltd.		45,833.33	55,416.67
	4,00,000.00	3,45,833.33	3,20,416.67
Less : Minority Interest (1/4)	1,00,000.00	86,458.33	80,104.17
Share of Mumbai Ltd. (3/4)	3,00,000.00	2,59,375.00	2,40,312.50
(iv) Cost of control			
Investments in			<i>Rs.</i>
Delhi Ltd.		35,00,000	
Amritsar Ltd.		16,00,000	
Kanpur Ltd.		<u>60,00,000</u>	
			1,11,00,000
Paid up value of investments in			
Delhi Ltd.		30,00,000	
Amritsar Ltd.		15,00,000	
Kanpur Ltd.		<u>50,00,000</u>	

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Capital profits in		(95,00,000)
Delhi Ltd.	3,00,000	
Amritsar Ltd.	1,12,500	
Kanpur Ltd.	<u>5,50,000</u>	<u>(9,62,500)</u>
Goodwill		<u>6,37,500</u>
(v) Minority interest		
Share Capital :		
Delhi Ltd. (1/4)	10,00,000.00	
Amritsar Ltd. (1/4)	5,00,000.00	
Kanpur Ltd (1/6)	<u>10,00,000.00</u>	25,00,000.00
Share in profits & reserves		
(Pre and Post-Acquisitions)		
Delhi Ltd.	2,66,562.50	
Amritsar Ltd.	1,38,750.00	
Kanpur Ltd.	<u>2,20,000.00</u>	<u>6,25,312.50</u>
		<u>31,25,312.50</u>
(vi) General Reserve — Mumbai Ltd.		
Balance as on 31.12.2009 (given)		20,00,000.00
Share in		
Delhi Ltd.		2,59,375.00
Amritsar Ltd.		91,666.67
Kanpur Ltd.		<u>2,00,000.00</u>
		<u>25,51,041.67</u>
(vii) Profit and Loss Account — Mumbai Ltd.		
Balance as on 31.12.2009 (given)		10,00,000.00
Share in		
Delhi Ltd.		2,40,312.50
Amritsar Ltd.		1,10,833.33
Kanpur Ltd.		<u>1,30,000.00</u>
		<u>14,81,145.83</u>

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Question 8

A Limited is a holding company and B Limited and C Limited are subsidiaries of A Limited. Their Balance Sheets as on 31.12.2009 are given below:

	A Ltd.	B Ltd.	C Ltd.		A Ltd.	B Ltd.	C Ltd.
	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Share Capital	1,00,000	1,00,000	60,000	Fixed Assets	20,000	60,000	43,000
Reserves	48,000	10,000	9,000	Investments			
Profit & Loss Account	16,000	12,000	9,000	Shares in B Ltd.	95,000		
C Ltd. Balance	3,000			Shares in C Ltd.	13,000	53,000	
Sundry Creditors	7,000	5,000		Stock in Trade	12,000		
A Ltd. Balance		7,000		B Ltd. Balance	8,000		
				Sundry Debtors	26,000	21,000	32,000
				A Ltd. Balance			3,000
	<u>1,74,000</u>	<u>1,34,000</u>	<u>78,000</u>		<u>1,74,000</u>	<u>1,34,000</u>	<u>78,000</u>

The following particulars are given:

- (i) *The Share Capital of all companies is divided into shares of Rs. 10 each.*
- (ii) *A Ltd. held 8,000 shares of B Ltd. and 1,000 shares of C Ltd.*
- (iii) *B Ltd. held 4,000 shares of C Ltd.*
- (iv) *All these investments were made on 30.6.2009.*
- (v) *On 31.12.2008, the position was as shown below:*

	B Ltd.	C Ltd.
	Rs.	Rs.
Reserve	8,000	7,500
Profit & Loss Account	4,000	3,000
Sundry Creditors	5,000	1,000
Fixed Assets	60,000	43,000
Stock in Trade	4,000	35,500
Sundry Debtors	48,000	33,000

- (vi) *10% dividend is proposed by each company.*

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(vii) The whole of stock in trade of B Ltd. as on 30.6.2009 (Rs. 4,000) was later sold to A Ltd. for Rs. 4,400 and remained unsold by A Ltd. as on 31.12.2009.

(viii) Cash-in-transit from B Ltd. to A Ltd. was Rs. 1,000 as at the close of business.

You are required to prepare the Consolidated Balance Sheet of the group as on 31.12.2009.

Answer

Consolidated Balance Sheet of A Ltd. and its subsidiaries B Ltd. and C Ltd. as on 31st December, 2009

Liabilities	Amount	Assets	Amount
	Rs.		Rs.
Share Capital	1,00,000	Goodwill	5,525
Minority Interest	37,820	Fixed Assets	1,23,000
Reserves	49,325	Stock in Trade	12,000
Profit & Loss Account	10,980	Less: Provision for	
Sundry Creditors	12,000	unrealised profit	400
Proposed Dividend	10,000	Sundry Debtors	79,000
		Cash in Transit (8,000 – 7,000)	1,000
	<u>2,20,125</u>		<u>2,20,125</u>

Working Notes:

(1) Position on 30.06.2009

	Reserves	Profit and Loss Account
	Rs.	Rs.
B Ltd.		
Balance on 31.12.2009	10,000	12,000
Less: Balance on 31.12.2008	<u>8,000</u>	<u>4,000</u>
Increase during the year	<u>2,000</u>	<u>8,000</u>
Estimated increase for half year	1,000	4,000
Balance on 30.06.2009	9,000 (8,000 + 1,000)	8,000 (4,000 + 4,000)
C Ltd.		
Balance on 31.12.2009	9,000	9,000
Balance on 31.12.2008	<u>7,500</u>	<u>3,000</u>
Increase during the year	<u>1,500</u>	<u>6,000</u>
Estimated increase for half year	750	3,000
Balance on 30.06.2009	8,250 (7,500 + 750)	6,000 (3,000 + 3,000)

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(2) Analysis of Profits of C Ltd.

	<i>Capital Profit</i>	<i>Revenue Reserve</i>	<i>Revenue profit</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Reserves on 30.6.2009	8,250		
Profit and Loss A/c on 30.6.2009	6,000		
Increase in reserves		750	
Increase in profit			<u>3,000</u>
	14,250	750	3,000
Less: Minority interest (1/6)	<u>2,375</u>	<u>125</u>	<u>500</u>
	<u>11,875</u>	<u>625</u>	<u>2,500</u>
Share of A Ltd. (1/6)	2,375	125	500
Share of B Ltd. (4/6)	9,500	500	2,000

(3) Analysis of Profits of B Ltd.

	<i>Capital Profit</i>	<i>Revenue Reserve</i>	<i>Revenue profit</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Reserves on 30.6.2009	9,000		
Profit and Loss A/c on 30.6.2009	8,000		
Increase in reserves		1,000	
Increase in profit			4,000
Share in C Ltd.		<u>500</u>	<u>2,000</u>
	17,000	1,500	6,000
Less: Minority interest (2/10)	<u>3,400</u>	<u>300</u>	<u>1,200</u>
Share of A Ltd. (8/10)	<u>13,600</u>	<u>1,200</u>	<u>4,800</u>

(4) Cost of control

	<i>Rs.</i>	<i>Rs.</i>
Investments in		
B Ltd.	95,000	
C Ltd.	<u>66,000</u>	1,61,000
Less : Paid up value of investments in		
B Ltd.	80,000	
C Ltd.	<u>50,000</u>	
		(1,30,000)

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Capital profits in		
B Ltd.	13,600	
C Ltd.	<u>11,875</u>	
		<u>(25,475)</u>
Goodwill		<u>5,525</u>
(5) Minority Interest		
(5) Minority Interest	Rs.	Rs.
Share Capital:		
B Ltd.	20,000	
C Ltd.	<u>10,000</u>	30,000
Share in profits and reserves (Pre and Post-Acquisitions)		
B Ltd.	4,900	
C Ltd.	<u>3,000</u>	<u>7,900</u>
		37,900
Less: Provision for unrealized profit (20% of Rs. 400)		<u>80</u>
		<u>37,820</u>
(6) Reserves – A Ltd.		
		Rs.
Balance as on 31.12.2009 (given)		48,000
Share in		
B Ltd.		1,200
C Ltd.		<u>125</u>
		<u>49,325</u>
(7) Profit and Loss Account – A Ltd.		
		Rs.
Balance as on 31.12.2009 (given)		16,000
Share in		
B Ltd.		4,800
C Ltd.		<u>500</u>
		21,300

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Less: Proposed dividend (10% of Rs. 1,00,000)	10,000
Provision for unrealised profit on stock	320
80% of (Rs. 4,400 – Rs. 4,000)	<u>10,980</u>

Note: The above solution has been done by direct method. Alternatively, students may follow indirect method. In indirect method, the share in pre-acquisition profits of B Ltd. in C Ltd. amounting Rs. 9,500 will be included as capital profit while analysing the profits of B Ltd. and will not be considered for the purpose of cost of control. Thus, in this case, the amounts of goodwill and minority interest will increase by Rs. 1,900 (2/10 of Rs. 9,500). Goodwill and minority interest will be shown at Rs. 7,425 and Rs. 39,720 respectively in the consolidated balance sheet. Therefore, the total of the assets and liabilities side of the consolidated balance sheet will be Rs. 2,22,025.

Question 9

On 31st March, 2009 Bee Ltd. became the holding company of Cee Ltd. and Dee Ltd. by acquiring 450 lakhs fully paid shares in Cee Ltd. for Rs. 6,750 lakhs and 240 lakhs fully paid shares in Dee Ltd. for Rs. 2,160 lakhs. On that date, Cee Ltd. showed a balance of Rs. 2,550 lakhs in General Reserve and a credit balance of Rs. 900 lakhs in Profit and Loss Account. On the same date, Dee Ltd. showed a debit balance of Rs. 360 lakhs in Profit and Loss Account. While its Preliminary Expenses Account showed a balance of Rs. 30 lakhs.

After one year, on 31st March, 2010 the Balance Sheets of three companies stood as follows:

(All amounts in lakhs of Rupees)			
Liabilities	Bee Ltd.	Cee Ltd.	Dee Ltd.
Fully paid equity shares of Rs. 10 each	27,000	7,500	3,000
General Reserve	33,000	3,150	–
Profit and Loss Account	9,000	1,200	750
15 lakh fully paid 9.5%			
Debentures of Rs. 100 each	–	–	1,500
Loan from Cee Ltd.	–	–	75
Bills Payable	–	–	150
Sundry Creditors	<u>14,100</u>	<u>2,700</u>	<u>930</u>
	<u>83,100</u>	<u>14,550</u>	<u>6,405</u>
(All amounts in lakhs of Rupees)			
Assets	Bee Ltd.	Cee Ltd.	Dee Ltd.
Machinery	39,000	7,500	2,100
Furniture and Fixtures	6,000	1,500	600

Financial Reporting

Investments:

450 lakhs shares in Cee Ltd.	6,750	—	—
240 lakhs shares in Dee Ltd.	2,160	—	—
3 lakhs debentures in Dee Ltd.	294	—	—
Stocks	16,500	3,000	1,500
Sundry Debtors	9,000	1,350	1,290
Cash and Bank balances	3,201	1,050	900
Loan to Dee Ltd.	—	90	—
Bills Receivable	195	60	—
Preliminary Expenses	—	—	15
	<u>83,100</u>	<u>14,550</u>	<u>6,405</u>

The following points relating to the above mentioned Balance Sheets are to be noted:

- All the bills payable appearing in Dee Ltd.'s Balance Sheet were accepted in favour of Cee Ltd. out of which bills amounting to Rs. 75 lakhs were endorsed by Cee Ltd. in favour of Bee Ltd. and bills amounting to Rs. 45 lakhs had been discounted by Cee Ltd. with its bank.
- On 29th March, 2010 Dee Ltd. remitted Rs. 15 lakhs by means of a cheque to Cee Ltd. to return part of the loan; Cee Ltd. received the cheque only after 31st March, 2010.
- Stocks with Cee Ltd. includes goods purchased from Bee Ltd. for Rs. 200 lakhs. Bee Ltd. invoiced the goods at cost plus 25%.
- In August, 2009 Cee Ltd. declared and distributed dividend @ 10% for the year ended 31st March, 2009. Bee Ltd. credited the dividend received to its Profit and Loss Account.

You are required to prepare a Consolidated Balance Sheet of Bee Ltd. and its subsidiaries Cee Ltd. and Dee Ltd. as at 31st March, 2010.

Answer

Consolidated Balance Sheet of Bee Ltd. and its subsidiaries Cee Ltd. and Dee Ltd. as at 31st March, 2010

Liabilities	Rs. in lakhs	Assets	Rs. in lakhs
Share Capital		Fixed Assets	
Authorised	?	Goodwill (W.N. 3)	246
Issued and subscribed		Machinery	48,600
Fully paid equity shares of Rs. 10 each	27,000	Furniture and Fixtures	8,100

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Minority interest (W.N. 2)	5,487	Current Assets, Loans and Advances:		
Reserves and Surplus		(A) Current Assets		
General Reserve (W.N. 4)	33,360	Stock	21,000	
Profit and Loss A/c (W.N. 4)	10,040	Less: Unrealised profit	<u>40</u>	20,960
Secured Loans		Sundry debtors		11,640
Debentures	1,200	Cash and bank balances		5,151
<i>Current Liabilities</i>		Cash in transit		15
Acceptances	150	(B) Loan and Advances		
Less: Mutual owing	<u>105</u>	45 Bills receivable	255	
Sundry creditors	<u>17,730</u>	Less: Mutual owing (W.N.5)	<u>105</u>	<u>150</u>
	<u>94,862</u>			<u>94,862</u>

Working Notes:

(1) Calculation of pre and post acquisition profits of subsidiaries:

			<i>Rs. in lakhs</i>	
			<i>Post-acquisition</i>	
		<i>Pre-acquisition capital profit</i>	<i>General Reserve</i>	<i>Profit/Loss A/c</i>
Cee Ltd.				
General Reserve (Cr.)		2,550	600	
Profit and Loss A/c (Cr.)	900			
(–) Dividend	<u>750</u>	<u>150</u>	<u>—</u>	<u>1,050</u>
		<u>2,700</u>	<u>600</u>	<u>1,050</u>
Holding (60%)		1,620	360	630
Subsidiary (40%)		<u>1,080</u>	<u>240</u>	<u>420</u>

			<i>Rs. in lakhs</i>	
			<i>Post-acquisition</i>	
		<i>Pre-acquisition capital profit</i>	<i>Preliminary expenses</i>	<i>Profit / Loss A/c</i>
Dee Ltd.				
Profit and Loss A/c (Cr.)		(360)		1,110

Financial Reporting

Preliminary expenses (Dr.)	<u>(30)</u>	<u>15</u>	<u> </u>
(–) Dividend	<u>(390)</u>	<u>15</u>	<u>1,110</u>
Holding (80%)	(312)	12	888
Subsidiary (20%)	<u>(78)</u>	<u>3</u>	<u>222</u>
(2) Minority Interest			(Rs. in lakhs)
Cee Ltd.			
Share capital		3,000	
Capital profit	1,080		
Revenue General Reserve	240		
Profit/Loss	<u>420</u>	<u>1,740</u>	4,740
Dee Ltd.			
Share capital		600	
Capital profit	(78)		
Revenue profit (Cr.)	222		
Add: Preliminary expenses written off	<u>3</u>	<u>225</u>	<u>147</u>
			<u>747</u>
			<u>5,487</u>
(3) Cost of Control			(Rs. in lakhs)
Cee Ltd.			
Investment	6,750		
Less: Dividend received and wrongly credited to Profit and Loss	<u>450</u>	<u>6,300</u>	
Less: Paid-up share capital (60%)	4,500		
Capital profit	<u>1,620</u>	<u>6,120</u>	180
Dee Ltd.			
Investment in Shares	2,160		
in debentures	<u>294</u>	2,454	
Less: Paid-up share capital (80%)	2,400		
Nominal value of debentures	300		
Capital profit	<u>(312)</u>	<u>2,388</u>	<u>66</u>
Goodwill			<u>246</u>

Consolidated Financial Statements of Group Companies

(4) Consolidated General Reserve and Profit and Loss Account

	<i>General Reserve</i>	<i>Profit and Loss A/c</i>
Bee Ltd.	33,000	9,000
Less: Wrong dividend credited	<u> — </u>	<u> 450 </u>
	33,000	8,550
Cee Ltd.	360	630
Dee Ltd. (888 + 12)	<u> — </u>	<u> 900 </u>
	33,360	10,080
Less: Unrealised profit on stock	<u> — </u>	<u> 40 </u>
	<u> 33,360 </u>	<u> 10,040 </u>

(5) Mutual owing regarding bills = Rs. (150 – 45) lakhs = Rs. 105 lakhs.

(6) Unrealised profit = $\left(200 \times \frac{25}{125}\right)$ lakhs = Rs. 40 lakhs

(7) Amount of dividend wrongly credited to Profit and Loss A/c = 60% of Rs. 750 lakhs = Rs. 450 lakhs.

Question 10

The following are the Balance Sheets of Arun Ltd., Brown Ltd. and Crown Ltd. as at 31.12.2009:

<i>Liabilities:</i>	<i>Arun Ltd.</i>	<i>Brown Ltd.</i>	<i>Crown Ltd.</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Share Capital (Shares of Rs.100 each)	6,00,000	4,00,000	2,40,000
Reserves	80,000	40,000	30,000
Profit and Loss Account	2,00,000	1,20,000	1,00,000
Sundry Creditors	80,000	1,00,000	60,000
Arun Ltd.	<u> — </u>	<u> 40,000 </u>	<u> 32,000 </u>
Total	<u> 9,60,000 </u>	<u> 7,00,000 </u>	<u> 4,62,000 </u>
<i>Assets:</i>			
	<i>Arun Ltd.</i>	<i>Brown Ltd.</i>	<i>Crown Ltd.</i>
	<i>Rs.</i>	<i>Rs.</i>	<i>Rs.</i>
Goodwill	80,000	60,000	40,000
Fixed Assets	2,80,000	2,00,000	2,40,000

Financial Reporting

Shares in:

Brown Ltd. (3,000 Shares)	3,60,000	--	--
Crown Ltd. (400 Shares)	60,000	--	--
Crown Ltd. (1,400 Shares)	--	2,08,000	--
Due from: Brown Ltd.	48,000	--	--
Crown Ltd.	32,000	--	--
Current Assets	<u>1,00,000</u>	<u>2,32,000</u>	<u>1,82,000</u>
Total	<u>9,60,000</u>	<u>7,00,000</u>	<u>4,62,000</u>

(i) All shares were acquired on 1.7.2009.

(ii) On 1.1.2009 the balances to the various accounts were as under:

Particulars	Arun Ltd. Rs.	Brown Ltd. Rs.	Crown Ltd. Rs.
Reserves	40,000	40,000	20,000
Profit and Loss account	20,000	(Dr.) 20,000	12,000

(iii) During 2009, Profits accrued evenly.

(iv) In August, 2009, each company paid interim dividend of 10%. Arun Ltd. and Brown Ltd. have credited their profit and loss account with the dividends received.

(v) During 2009, Crown Ltd. sold an equipment costing Rs.40,000 to Brown Ltd. for Rs.48,000 and Brown Ltd. in turn sold the same to Arun Ltd. for Rs.52,000.

Prepare the consolidated Balance Sheet as at 31.12.2009, of Arun Ltd. and its subsidiaries.

Answer

Consolidated Balance Sheet of Arun Ltd. and its subsidiaries

as on 31.12.2009

Liabilities	Rs.	Assets	Rs.
Share Capital (Shares of Rs. 100 each)	6,00,000	Goodwill (W. N. 5)	1,81,000
Minority Interest (W. N. 4)	2,33,729	Fixed Assets	7,08,000
Reserves (W. N. 8)	83,021	Current Assets	5,14,000
Profit & Loss A/c (W. N. 8)	2,54,250	Cash in Transit (W. N. 7)	8,000
Sundry Creditors	<u>2,40,000</u>		
	<u>14,11,000</u>		<u>14,11,000</u>

Consolidated Financial Statements of Group Companies

Working Notes

1. Shareholding Pattern

<i>In Brown Ltd.:</i>	<i>Number of Shares</i>	<i>%age of Holding</i>
Arun Ltd.	3,000	75%
Minority Interest	1,000	25%
<i>In Crown Ltd.:</i>		
Arun Ltd.	400	16.667%
Brown Ltd.	1,400	58.333%
Minority Interest	600	25%

2. Analysis of apportionment of profit in Crown Ltd.

(a) Calculation of Unrealized Profit in Equipment

Crown Ltd sold equipment to Brown Ltd. at a profit of Rs. 8,000 and this would be apportioned to

	<i>Rs.</i>
Arun Ltd.	1,333
Brown Ltd.	4,667
Minority Interest	<u>2,000</u>
	<u>8,000</u>

Brown Ltd sold the equipment to Arun Ltd. at a profit of Rs. 4,000. This would be apportioned to:

	<i>Rs.</i>
Arun Ltd.	3,000
Minority Interest	<u>1,000</u>
	<u>4,000</u>

The above amounts are to be deducted from the respective share of profits.

(b) Reserves

	<i>Rs.</i>	
Closing balance	30,000	
Opening balance	<u>20,000</u>	Capital Profit
Current year Appropriation	<u>10,000</u>	
Apportionment of Profit from 1.1.2009 to 30.6.2009	<u>5,000</u>	Capital Profit
Apportionment of Profit from 1.7.2009 to 31.12.2009	<u>5,000</u>	Revenue Reserve

Financial Reporting

(c) Profit and Loss Account

Closing balance	1,00,000	
Opening balance	<u>12,000</u>	Capital Profit
Current year profits before interim dividend	<u>1,12,000</u>	
Apportionment of Profit from 1.1.2009 to 30.6.2009	56,000	
Less: Interim Dividend	<u>24,000</u>	
	32,000	Capital Profit
From 1.7.2009 to 31.12.2009	<u>56,000</u>	Revenue Profit

(d) Apportionment of profits of Crown Ltd.

	Pre-Acquisition	Post Acquisition	
	Capital Profit	Revenue	Revenue Profit
	Rs.	Reserve	Rs.
		Rs.	
Reserves	25,000	5,000	--
Profit & Loss Account	<u>44,000</u>	<u>--</u>	<u>56,000</u>
	<u>69,000</u>	<u>5,000</u>	<u>56,000</u>
Arun Ltd [16.667%]	11,500	833	9,333
Brown Ltd. [58.333%]	40,250	2,917	32,667
Minority Interest [25%]	17,250	1,250	14,000

3. Analysis of Profit of Brown Ltd

(a) Reserves

	Rs.
Closing balance	40,000
Opening balance	<u>40,000</u> (Capital Profit)
Current year Appropriation	<u>Nil</u>

(b) Profit and Loss Account

	Rs.
Closing balance	1,20,000
Opening balance (Dr.)	<u>20,000</u>
Current year Appropriation after interim dividend	1,40,000
Interim Dividend	<u>40,000</u>
Profit before Interim Dividend	1,80,000
Less: Dividend from Crown Ltd.	<u>14,000</u>
	<u>1,66,000</u>

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Apportionment of Profit from 1.1.2009 to 30.6.2009	83,000
Less: Interim Dividend	<u>40,000</u>
Capital profit	<u>43,000</u>
Apportionment of Profit from 1.7.2009 to 31.12.2009 (Revenue profit)	<u>83,000</u>

(c) *Apportionment of Profit of Brown Ltd.*

	Pre- Acquisition	Post-Acquisition	
	<i>Capital Profit Rs.</i>	<i>Revenue Reserve Rs.</i>	<i>Revenue Profit Rs.</i>
Reserves	40,000	--	--
Profit & Loss Account (Opening balance (-) 20,000+43,000)	23,000		83,000
Less: Unrealised Profit of Equipment from Crown Ltd.			(4,667)
Share of Post-Acquisition Profit of Crown Ltd.	<u>--</u>	<u>2,917</u>	<u>32,667</u>
	<u>63,000</u>	<u>2,917</u>	<u>1,11,000</u>
Arun Ltd. 75%	47,250	2,188	83,250
Minority Interest 25%	15,750	729	27,750

4. Minority Interest

	<i>Brown Ltd. Rs.</i>	<i>Crown Ltd. Rs.</i>
Share Capital	1,00,000	60,000
Capital Profit	15,750	17,250
Revenue: Reserves	729	1,250
Profit & Loss Account	27,750	14,000
Unrealised Profit on Equipment	<u>(1,000)</u>	<u>(2,000)</u>
	<u>1,43,229</u>	<u>90,500</u>
Total Minority Interest: Rs.1,43,229+ Rs.90,500 =		
Rs.2,33,729		

Financial Reporting

5. Cost of Control

	<i>Arun Ltd. in Brown Ltd. Rs.</i>	<i>Arun Ltd. in Crown Ltd. Rs.</i>	<i>Brown Ltd in Crown Ltd. Rs.</i>
Amount Invested	3,60,000	60,000	2,08,000
Less: Pre-acquisition dividend*	<u>30,000</u>	<u>4,000</u>	<u>14,000</u>
Adjusted Cost of Investment (A)	<u>3,30,000</u>	<u>56,000</u>	<u>1,94,000</u>
Share capital	3,00,000	40,000	1,40,000
Capital Profit	<u>47,250</u>	<u>11,500</u>	<u>40,250</u>
(B)	<u>3,47,250</u>	<u>51,500</u>	<u>1,80,250</u>
Capital Reserve/Goodwill (A)-(B)	(17,250)	4,500	13,750
Net Goodwill	Rs.1,000		
Goodwill on Consolidation Rs. (80,000+ 60,000+40,000+1,000) = Rs.1,81,000			

6. Dividend declared

	<i>Brown Ltd. Rs.</i>	<i>Crown Ltd. Rs.</i>
Dividend declared	<u>40,000</u>	<u>24,000</u>
Share of: Arun Ltd.	30,000	4,000
Brown Ltd.		14,000
Minority	10,000	6,000

7. Inter-Company Transactions

(a) Owings

	<i>Dr. Arun Ltd. Rs.</i>	<i>Cr. Brown Ltd. Rs.</i>	<i>Cr. Crown Ltd. Rs.</i>
Balance in books	80,000	40,000	32,000
Less: Inter- co. owings	<u>72,000</u>	<u>40,000</u>	<u>32,000</u>
Cash-in-transit	<u>8,000</u>	<u>NIL</u>	<u>NIL</u>

* The entire amount of interim dividend of 10 % has been treated as pre-acquisition dividend.

Consolidated Financial Statements of Group Companies

(b) Fixed Assets

	Rs.
Total Fixed Assets	7,20,000
Less: Unrealised Profit on sale of equipment	<u>12,000</u>
Amount to be taken to consolidated Balance Sheet	<u>7,08,000</u>

8. Reserves and Profit and Loss Account balances in the Consolidated Balance Sheet

	Reserves Rs.	Profit and Loss A/c Rs.
Balance in Books	80,000	2,00,000
Add: Shares of Post Acquisition Profits:		
From Brown Ltd.	2,188	83,250
From Crown Ltd	833	9,333
Less: Pre-Acquisition dividend:		
From Brown Ltd.		(30,000)
From Crown Ltd		(4,000)
Less: Unrealised Profit on Equipment:		
From Brown Ltd.		(3,000)
From Crown Ltd.		<u>(1,333)</u>
	<u>83,021</u>	<u>2,54,250</u>

Question 11

The following information has been extracted from the Books of 'X' Limited group (as at 31st December, 2009):

	X Ltd. Rs.	Y Ltd. Rs.	Z Ltd. Rs.		X Ltd. Rs.	Y Ltd. Rs.	Z Ltd. Rs.
Share capital				Fixed Assets less Depreciation	4,20,000	3,76,000	5,22,000
(Fully paid equity shares of Rs.10 each)	8,00,000	6,00,000	4,00,000	Investment at Cost Current	6,30,000	4,00,000	---
Profit and Loss Account	2,10,000	1,90,000	1,28,000	Assets	1,20,000	60,000	40,000

Financial Reporting

Dividend received:

From Y Ltd. in 2008 60,000

From Y Ltd. in 2009 60,000

From Z Ltd. in 2009 36,000

Current

Liabilities 40,000 10,000 34,000

11,70,000 8,36,000 5,62,000 11,70,000 8,36,000 5,62,000

All the companies pay dividends of 12 percent of paid-up share capital in March following the end of the accounting year. The receiving companies account for the dividends in their books when they are received.

'X' Limited acquired 50,000 equity shares of Y Ltd. on 31st December, 2007.

'Y' Limited acquired 30,000 equity shares of Z Ltd. on 31st December, 2008.

The detailed information of Profit and Loss Accounts is as follows:

	X Ltd. Rs.	Y Ltd. Rs.	Z Ltd. Rs.
Balance of Profit and Loss Account on 31 st December, 2007 after dividends of 12% in respect of calendar year 2007, but excluding dividends received	86,000	78,000	60,000
Net profit earned in 2008	<u>1,20,000</u>	<u>84,000</u>	<u>56,000</u>
	2,06,000	1,62,000	1,16,000
Less – Dividends of 12% (paid in 2009)	<u>96,000</u>	<u>72,000</u>	<u>48,000</u>
	1,10,000	90,000	68,000
Net profit earned in 2009 (Before taking into account proposed dividends of 12% in respect of calendar year 2009)	<u>1,00,000</u>	<u>1,00,000</u>	<u>60,000</u>
	<u>2,10,000</u>	<u>1,90,000</u>	<u>1,28,000</u>

Taking into account the transactions from 2007 to 2009 and ignoring taxation, you are required to prepare:

- The Consolidated Balance Sheet of X Limited group as at 31st December, 2009.
- The Consolidated Profit and Loss Account for the year ending 31st December, 2009.
- Cost of control.
- Minority shareholders interest.

Consolidated Financial Statements of Group Companies

Answer

(i) Consolidated Balance Sheet of X Ltd. and its subsidiaries Y Ltd. and Z Ltd.

as on 31st December, 2009

<i>Liabilities</i>	<i>Rs.</i>	<i>Assets</i>	<i>Rs.</i>
<i>Share Capital:</i>		<i>Fixed Assets:</i>	
80,000 Equity shares of Rs.10 each fully paid	8,00,000	Goodwill [Refer (iii)]	18,000
Minority Interest [Refer (iv)]	2,47,167	Other Fixed Assets less depreciation	13,18,000
<i>Reserves and Surplus:</i>		<i>Current Assets, Loans and Advances:</i>	
Profit and Loss Account [Refer (ii)]	3,04,833	Current Assets	2,20,000
<i>Current Liabilities and Provision:</i>			
Current Liabilities	84,000		
Proposed Dividend:			
X Ltd.	96,000		
Minority Interest [Refer (iv)]	<u>24,000</u>		
	<u>15,56,000</u>		<u>15,56,000</u>

(ii) Consolidated Profit and Loss Account for the year ending 31st December, 2009

(in Rs.)

Particulars	X Ltd.	Y Ltd.	Z Ltd.	Adjustments	Total	Particulars	X Ltd.	Y Ltd.	Z Ltd.	Adjustments	Total
To Dividend (paid for 2008)	96,000	72,000	48,000	96,000	1,20,000	By Balance b/d	2,06,000	1,62,000	1,16,000	-	4,84,000
To Minority Interest	-	39,167	32,000	-	71,167	By Dividend received in 2008 (for 2007)	60,000	-	-	-	60,000
To Capital Reserve (Cost of Control)	-	65,000	51,000	-	1,16,000	By Dividend received in 2009 (for 2008)	60,000	36,000	-	96,000	-
To Investments Accounts						By Profit for the year	1,00,000	1,00,000	60,000	-	2,60,000
(Dividend received out of capital profit)	60,000*	36,000*	-	-	96,000						
To Proposed Dividend	96,000	-	-	-	96,000						
To Balance c/d	<u>1,74,000</u>	<u>85,833</u>	<u>45,000</u>	<u>-</u>	<u>3,04,833</u>						
	<u>4,26,000</u>	<u>2,98,000</u>	<u>1,76,000</u>	<u>96,000</u>	<u>8,04,000</u>		<u>4,26,000</u>	<u>2,98,000</u>	<u>1,76,000</u>	<u>96,000</u>	<u>8,04,000</u>

Financial Reporting

Notes:*

- (1) X Ltd. receives from Y Ltd., dividend amounting to Rs.60,000 for the year 2007 in the year 2008 for shares acquired in 2007. It is a capital profit, therefore it has been transferred to cost of control to reduce the cost of investment.
- (2) Y Ltd. receives a dividend of Rs.36,000 from Z Ltd. for the year 2008 in the year 2009. The shares were acquired by Y Ltd on 31st December, 2008. The entire amount is therefore, a capital profit and hence transferred to cost of control to reduce the cost of investment.

(iii) Cost of Control:

	Rs.	Rs.
Cost of Investment in Y Ltd. on 31 st December 2007	6,30,000	
Less: Dividend of the year 2007 received in 2008 out of Pre-acquisition profit	<u>60,000</u>	5,70,000
Cost of Investment in Z Ltd.	4,00,000	
Less: Dividend of the year 2008 received in 2009 out of Pre-acquisition Profit	<u>36,000</u>	<u>3,64,000</u>
		9,34,000
Less: Paid up value of shares in Y Ltd.	5,00,000	
Paid up value of shares in Z Ltd.	3,00,000	
Capital Profits in Y Ltd. (Refer W.N. 2)	65,000	
Capital Profits in Z Ltd. (Refer W.N. 2)	<u>51,000</u>	<u>9,16,000</u>
Goodwill		<u>18,000</u>

(iv) Minority shareholders' interest:

	Y Ltd. Rs.	Z Ltd. Rs.
Share Capital (Y Ltd. – 1/6 and Z Ltd. – 1/4)	1,00,000	1,00,000
Capital Profits (Refer W.N. 2)	13,000	17,000
Revenue Profits (Refer W.N. 2)	<u>26,167</u>	<u>15,000</u>
	<u>1,39,167</u>	<u>1,32,000</u>
Total (1,39,167 + 1,32,000)		2,71,167
Less: Minority shareholders' share of proposed dividend (shown separately in the Balance Sheet)		
$\left(\frac{1}{6} \text{ of Rs. 72,000} + \frac{1}{4} \text{ of Rs. 48,000} \right)$		<u>24,000</u>
Balance		<u>2,47,167</u>

Consolidated Financial Statements of Group Companies

Working Notes:

1. Shareholding Pattern	<i>Number of shares</i>	<i>share of holding</i>
In Y Ltd.		
X Ltd.	50,000	5/6
Minority Interest	10,000	1/6
In Z Ltd.		
Y Ltd.	30,000	3/4
Minority Interest	10,000	1/4
2. Analysis of Profits	<i>Pre - acquisition</i>	<i>Post - acquisition</i>
	<i>Capital Profit</i>	<i>Revenue Profit</i>
Z Ltd.	<i>Rs</i>	<i>Rs.</i>
Balance on 31 st December, 2008 after dividend for 2008 (1,16,000 – 48,000)	68,000	-
Profit for the year ending 31 st December, 2009 before proposed dividends for 2009	<u>-</u>	<u>60,000</u>
	<u>68,000</u>	<u>60,000</u>
Share of Y Ltd. (3/4)	51,000	45,000
Minority Interest (1/4)	<u>17,000</u>	<u>15,000</u>
Y Ltd.		
Balance on 31 st December, 2007	78,000	-
Profit for the year 2008 after payment of dividend for 2008 (84,000 – 72,000)	-	12,000
Profit for the year 2009 (before payment of dividend of the year 2009)	-	1,00,000
Revenue Profit from Z Ltd.	<u>-</u>	<u>45,000</u>
	<u>78,000</u>	<u>1,57,000</u>
Share of X Ltd. (5/6)	65,000	1,30,833
Share of Minority Shareholders' Interest (1/6)	<u>13,000</u>	<u>26,167</u>

Note: This problem has been solved by following 'direct approach'.

Financial Reporting

Question 12

The draft Balance Sheets of 3 Companies as at 31st March, 2010 are as below:

	(In Rs.000's)		
	Morning Ltd.	Evening Ltd.	Night Ltd.
Liabilities			
Share Capital – shares of Rs.100 each	40,000	20,000	10,000
Reserves	1,800	1,000	900
P/L A/c (1.4.09)	1,500	2,000	800
Profit for 2009-10	7,000	3,800	1,800
Loan from Morning Ltd.	—	5,000	—
Creditors	<u>2,500</u>	<u>1,000</u>	<u>1,400</u>
	<u>52,800</u>	<u>32,800</u>	<u>14,900</u>
Assets			
Investments:			
1,60,000 shares in Evening	18,000	—	—
75,000 shares in Night	8,000	—	—
Loan to Evening Ltd.	5,000	—	—
Sundry assets	<u>21,800</u>	<u>32,800</u>	<u>14,900</u>
	<u>52,800</u>	<u>32,800</u>	<u>14,900</u>

Following additional information is also available:

- (a) Dividend is proposed by each company at 10%.
- (b) Stock transferred by Night Ltd. to Evening Ltd. fully paid for was Rs.8 lacs on which the former made a Profit of Rs.3 lacs. On 31st March, 2010, this was in the inventory of the latter.
- (c) Loan referred to is against 8% interest. Neither Morning Ltd. nor Evening Ltd. has considered the interest.
- (d) Reserves as on 1.4.2009 of Evening Ltd. and Night Ltd. were Rs.8,00,000 and Rs.7,50,000 respectively.
- (e) Cash-in-transit from Evening Ltd. to Morning Ltd. was Rs.1,00,000 as on 31.3.2010.
- (f) The shares of the subsidiaries were all acquired by Morning Ltd. on 1st April, 2009.

Prepare consolidated Balance Sheet as on 31st March, 2010. Workings should be part of the answer.

Consolidated Financial Statements of Group Companies

Answer

Consolidated Balance Sheet of Morning Ltd. with its subsidiaries Evening Ltd. and Night Ltd.

As on 31st March, 2010

				(Rs. in thousand)			
Liabilities	Rs.	Rs.	Rs.	Assets	Rs.	Rs.	Rs.
<i>Share Capital</i>			40,000	<i>Sundry Assets*</i>			
<i>Minority Interest</i>				Morning Ltd.		21,800	
Evening Ltd.		4,880		Evening Ltd.	32,800		
Night Ltd.		<u>3,125</u>	8,005	Less: Unrealized profit	<u>300</u>	32,500	
<i>Capital Reserve</i> [Refer Note 5]			902.5	Night Ltd.		<u>14,900</u>	69,200
<i>General Reserve</i>							
Morning Ltd.		1,800					
Evening Ltd.		160					
Night Ltd.		<u>112.5</u>	2,072.5				
<i>Profit & Loss A/c</i>							
Balance on 1.04.09	1,500						
Profit during 09-10	7,000						
<i>Add: Interest on Loan</i>	<u>400</u>						
	8,900						
<i>Less: Proposed dividend</i>	<u>4,000</u>	4,900					
<i>Add: P & L A/c of Evening Ltd.</i>		2,720					
<i>Add: P & L A/c of Night Ltd</i>		<u>1,050</u>	8,670				

* The total of Sundry Assets of the Group mutually sets off the effect of Cash-in-transit of Rs.1 lac from Evening Ltd. to Morning Ltd. Hence, cash in transit has not been separately shown.

Financial Reporting

Creditors

Morning Ltd.	2,500	
Evening Ltd.	1,000	
Night Ltd	<u>1,400</u>	4,900

Proposed Dividend

Morning Ltd.	4,000		
Evening Ltd. (Minority)	400		
Night Ltd. (Minority)	<u>250</u>	<u>4,650</u>	
		<u>69,200</u>	<u>69,200</u>

Workings Notes:

- A. Morning Ltd.'s holding in Evening Ltd. is 1,60,000 shares out of 2,00,000 shares, i.e., 4/5th or 80%; Minority holding 1/5th or 20%.
- B. Morning Ltd.'s holding in Night Ltd. is 75,000 shares out of 1,00,000 shares, i.e., 3/4th or 75%; Minority holding 1/4th or 25%.

Analysis of Reserves and Profits of Subsidiary Companies

	Evening Ltd. (Rs.'000)	Night Ltd Rs.('000)	Minority interest in Evening Ltd. (1/5) Rs.('000)	Minority interest in Night Ltd. (1/4) Rs.('000)
1. Capital Reserve (pre-acquisition reserves and profits)				
Reserves on 1.04.2009	800	750		
Profit on 1.04.2009	<u>2,000</u>	<u>800</u>		
	2,800	1,550		
Less: Minority interest	<u>560</u>	<u>387.5</u>	560	387.5
	<u>2,240</u>	<u>1,162.5</u>		
2. General Reserve				
Reserves as per Balance Sheet	1,000	900		
Less: Capital Reserve	<u>800</u>	<u>750</u>		
	200	150		
Less: Minority interest	<u>40</u>	<u>37.5</u>	40	37.5
	<u>160</u>	<u>112.5</u>		

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3. Profit and Loss Account

Profit for the year as per Balance Sheet	3,800	1,800		
Less: Interest on Loan (5,000 x 8%)	<u>400</u>			
	3,400			
Less: Minority Interest	<u>680</u>	<u>450</u>	680	450
	2,720	1,350		
Less: Unrealised profit on stock transfer	<u> </u>	<u>300*</u>		
	<u>2,720</u>	<u>1,050</u>		

4. Share Capital

As per Balance sheet	20,000	10,000		
Less: Minority interest	<u>4,000</u>	<u>2,500</u>	<u>4,000</u>	<u>2,500</u>
Transferred for computation of Goodwill/Capital Reserve	<u>16,000</u>	<u>7,500</u>	5,280	3,375
Less: Proposed dividend shown separately			<u>400</u>	<u>250</u>
Transferred to Consolidated Balance Sheet			<u>4,880</u>	<u>3,125</u>

5. Computation of Cost of Control i.e. Goodwill / Capital Reserve on consolidation

(Rs. In thousand)

	Evening Ltd.	Night Ltd.
Cost of Investments	18,000	8,000
Less: Paid up value of shares [Refer Note 4]	<u>16,000</u>	<u>7,500</u>
	2,000	500
Less: Capital Reserve [Refer Note 1]	<u>2,240</u>	<u>1,162.5</u>
	<u>-240</u>	<u>-662.5</u>
Total Capital Reserve (Rs.240 + Rs.662.5)	902.5	

* As per para 17 of AS 21, 'Unrealised profits resulting from intragroup transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full.

Financial Reporting

Question 13

The Balance Sheets of three companies Angle Ltd., Bolt Ltd., and Canopy Ltd., as at 31st December, 2009 are given below:

Liabilities	Angle Ltd. Rs.	Bolt Ltd. Rs.	Canopy Ltd. Rs.
Share capital			
(Equity shares of Rs.100 each)	15,00,000	10,00,000	6,00,000
Reserves	2,00,000	1,25,000	75,000
Profit and Loss A/c	5,00,000	2,75,000	2,50,000
Sundry creditors	2,00,000	2,50,000	1,00,000
Bills payable	-	-	50,000
Angle Ltd.	-	1,00,000	80,000
	<u>24,00,000</u>	<u>17,50,000</u>	<u>11,55,000</u>
Goodwill	2,50,000	5,80,000	4,50,000
Plant and Machinery	4,00,000	2,50,000	3,25,000
Furniture and Fittings	2,00,000	1,50,000	1,40,000
Shares in-			
Bolt Ltd. (7,500 shares)	9,00,000	-	-
Canopy Ltd. (1,000 shares)	1,50,000		
Canopy Ltd. (3,500 shares)	-	5,20,000	-
Stock in trade	1,00,000	1,50,000	1,60,000
Sundry debtors	1,40,000	70,000	70,000
Bills receivable	50,000	20,000	-
Due from-			
Bolt Ltd.	1,20,000	-	-
Canopy Ltd.	80,000	-	-
Cash in hand	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total	<u>24,00,000</u>	<u>17,50,000</u>	<u>11,55,000</u>

(a) All shares were acquired on 1st July, 2008.

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(b) On 1st January, 2008, the balances were:

	Angle Ltd.	Bolt Ltd.	Canopy Ltd.
	Rs.	Rs.	Rs.
Reserves	1,00,000	1,00,000	50,000
Profit and Loss account	50,000	(50,000)Dr.	30,000
Profit during 2008 were earned evenly over the year	3,00,000	2,50,000	1,00,000

- (c) Each company declared a dividend of 10% in the year 2009 on its shares out of Profits for the year 2008; Angle Ltd. and Bolt Ltd. have credited their Profit and Loss account with the dividends received.
- (d) The increase in reserves in case of Angle Ltd., Bolt Ltd., and Canopy Ltd., was effected in the year 2008.
- (e) All the bills payable appearing in Canopy Ltd.'s Balance Sheet were accepted in favour of Bolt Ltd., out of which bills amounting Rs.30,000 were endorsed by Bolt Ltd., in favour of Angle Ltd.
- (f) Stock with Bolt Ltd. includes goods purchased from Angle Ltd., for Rs.18,000. Angle Ltd., invoiced the goods at cost plus 20%.

Prepare consolidated Balance Sheet of the group as at 31st December, 2009. Working should be part of the answer. Ignore taxation including dividend distribution tax, disclose minority interest as per AS 21.

Answer

Consolidated Balance Sheet of Angle Ltd. and its subsidiaries

Bolt Ltd and Canopy Ltd

as at 31st December, 2009

Liabilities	Rs.	Assets	Rs.
Share Capital (Equity shares of Rs.100 each)	15,00,000	Goodwill	
Minority Interest (W.N. 6)		Angle Ltd. 2,50,000	
Bolt Ltd.	3,97,396	Bolt Ltd. 5,80,000	
Canopy Ltd.	<u>2,31,250</u>	Canopy Ltd. <u>4,50,000</u>	12,80,000
Reserves (2,00,000+14,844+2,083)	2,16,927	Add: Cost of control(W.N.7)	<u>1,55,833</u>
Profit and Loss Account (W.N.4)	7,62,260	Plant & Machinery	
		Angle Ltd. 4,00,000	
		Bolt Ltd. 2,50,000	
		Canopy Ltd. <u>3,25,000</u>	9,75,000

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Sundry Creditors		Furniture & Fittings		
Angle Ltd. 2,00,000	5,50,000	Angle Ltd.	2,00,000	
Bolt Ltd. 2,50,000		Bolt Ltd.	1,50,000	
Canopy Ltd. <u>1,00,000</u>		Canopy Ltd.	<u>1,40,000</u>	4,90,000
Bills Payable	50,000	Stock-in-Trade		
Less: Mutually held	<u>50,000</u>	Angle Ltd.	1,00,000	
		Bolt Ltd.	1,50,000	
		Canopy Ltd.	<u>1,60,000</u>	
			4,10,000	
		Less: Provision for unrealised Profit	<u>3,000</u>	4,07,000
		Sundry Debtors		
		Angle Ltd.	1,40,000	
		Bolt Ltd.	70,000	
		Canopy Ltd.	<u>70,000</u>	2,80,000
		Bills Receivable		
		Angle Ltd.	50,000	
		Bolt Ltd.	<u>20,000</u>	
			70,000	
		Less: Mutually held	<u>50,000</u>	20,000
		Cash-in-hand		
		Angle Ltd.	10,000	
		Bolt Ltd.	10,000	
		Canopy Ltd.	<u>10,000</u>	30,000
		Cash-in-Transit / Dues from Bolt Ltd. (W.N. 8)		<u>20,000</u>
	<u>36,57,833</u>			<u>36,57,833</u>

Disclosure of Minority Interest in accordance with AS 21

Amount of Equity attributable to minorities on the date of Investment ie. 1.7.2008

	Bolt Ltd	Canopy Ltd.
Share capital	2,50,000	1,50,000
Share in Capital Reserve as on 1.1.08	25,000	12,500
Share in Capital Profits as on 1.1.08	(12,500)	7,500
Share in Capital Profits for the period 1.1.08 to 30.6.08	<u>31,250</u>	<u>12,500</u>
	<u>2,93,750</u>	<u>1,82,500</u>
Total amount of Equity attributable to minorities	4,76,250	

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Disclosure in accordance with AS 21

Minority Interest as on 31.12.2009

Amount of equity as on the date of Investment ie. 1.7.2008	4,76,250
Add: Movement in equity and proportionate share of Profit less dividend from the date of Investment upto 31.12.09	<u>1,52,396</u>
	<u>6,28,646</u>

Working Notes:

1. Ascertainment of Profits for the year 2009

	<i>Angle Ltd.</i>	<i>Bolt Ltd.</i>	<i>Canopy Ltd.</i>
	Rs.	Rs.	Rs.
Balance as on 1 st January, 2008	50,000	(50,000)	30,000
Add: Profits earned during 2008	<u>3,00,000</u>	<u>2,50,000</u>	<u>1,00,000</u>
	3,50,000	2,00,000	1,30,000
Less: Dividend Declared	<u>1,50,000</u>	<u>1,00,000</u>	<u>60,000</u>
	2,00,000	1,00,000	70,000
Less: Transfer to Reserve	<u>1,00,000</u>	<u>25,000</u>	<u>25,000</u>
	1,00,000	75,000	45,000
Profit for the year 2009 (Balancing Figure)	<u>4,00,000</u>	<u>2,00,000</u>	<u>2,05,000</u>
Balance as on 31 st December, 2009	<u>5,00,000</u>	<u>2,75,000</u>	<u>2,50,000</u>

2. Undistributed profits for the year 2008

	<i>Bolt Ltd.</i>	<i>Canopy Ltd.</i>
	Rs.	Rs.
Profits for the year 2008	2,50,000	1,00,000
Less: Dividends declared	<u>1,00,000</u>	<u>60,000</u>
	1,50,000	40,000
Less: Transfer to Reserves	<u>25,000</u>	<u>25,000</u>
	<u>1,25,000</u>	<u>15,000</u>

3. Analysis of Profits

	<i>Capital Profits</i>	<i>Revenue Reserve</i>	<i>Revenue Profits</i>
	Rs.	Rs.	Rs.
Canopy Ltd.			
Reserves as on 1 st January, 2008	50,000		
Transfer to Reserve in the year 2008 [(75,000-50,000)/2]	12,500	12,500	

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Profit & Loss Account

Balance as on 1 st January, 2008	30,000		
Profit for 2008 remaining undistributed [(1,00,000-25,000-60,000)/2]	7,500		7,500
Profit for the year 2009 (2,50,000-30,000-15,000)			<u>2,05,000</u>
(A)	1,00,000	12,500	2,12,500
Minority Interest [$\frac{1}{4}$ th of (A)]	<u>25,000</u>	<u>3,125</u>	<u>53,125</u>
	75,000	9,375	1,59,375
Share of Angle Ltd. [$\frac{1}{6}$ th of (A)]	<u>16,667</u>	<u>2,083</u>	<u>35,417</u>
Share of Bolt Ltd.	<u>58,333</u>	<u>7,292</u>	<u>1,23,958</u>
Bolt Ltd.			
Reserves as on 1 st January, 2008	1,00,000		
Transfer to Reserves 2008 [(1,25,000-1,00,000)/2]	12,500	12,500	
Profit & Loss Account - Balance (Dr.) as on 1 st January, 2008	(50,000)		
Undistributed Profits for 2008 [(2,50,000-25,000-1,00,000)/2]	62,500		62,500
Share in profits of Canopy Ltd.	58,333	7,292	1,23,958
Profit for the year, 2009 (2,75,000+50,000-1,25,000)			<u>2,00,000</u>
(B)	1,83,333	19,792	3,86,458
Less: Minority Interest [$\frac{1}{4}$ th of (B)]	<u>45,833</u>	<u>4,948</u>	<u>96,615</u>
Share of Angle Ltd.	<u>1,37,500</u>	<u>14,844</u>	<u>2,89,843</u>

4. Consolidated Profit and Loss Account of Angle Ltd.

		Rs.
Profit & Loss Account balance as on 31.12.2009		5,00,000
Add: Share in revenue profits of Canopy Ltd.		35,417
Share in revenue profits of Bolt Ltd.		<u>2,89,843</u>
Less: Pre-acquisition dividend		8,25,260
Angle Ltd. $\frac{1}{2}$ (Rs. 75,000 +Rs. 10,000)	42,500	
Bolt Ltd. ($\frac{1}{2}$ of Rs. 35,000)	<u>17,500</u>	<u>60,000</u>
		7,65,260
Less: Unrealised Profit in Closing Stock (20/120 $\times$ 18,000)		<u>3,000</u>
		<u>7,62,260</u>

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5. Consolidated Reserves of Angle Ltd.

	Rs.
Reserves as on 31.12.2009	2,00,000
Add: Share in revenue reserves of Canopy Ltd.	2,083
Add: Share in revenue reserves of Bolt Ltd.	<u>14,844</u>
	<u>2,16,927</u>

6. Minority Interest

	<i>Bolt Ltd.</i>	<i>Canopy Ltd.</i>
	Rs.	Rs.
Share Capital	2,50,000	1,50,000
Share of Capital Profits	45,833	25,000
Share of Revenue Reserves	4,948	3,125
Share of Revenue Profits	<u>96,615</u>	<u>53,125</u>
Total	<u>3,97,396</u>	<u>2,31,250</u>
Grand total		<u>6,28,646</u>

7. Cost of Control/Goodwill

	Rs.	Rs.
Cost of investments (9,00,000+1,50,000+5,20,000)		15,70,000
Less: Dividend Attributable to Pre-Acquisition Profits for 6 months i.e. [(75,000+45,000)/2]		<u>60,000</u>
		15,10,000
Less: Face value of Shares		
Bolt Ltd.	7,50,000	
Canopy Ltd.	4,50,000	
Capital Profits		
Bolt Ltd.	1,37,500	
Canopy Ltd.	<u>16,667</u>	<u>13,54,167</u>
Goodwill		<u>1,55,833</u>

8 Cash in Transit /Dues from Bolt Ltd.

	Rs.	Rs.
(i) Due to Angle Ltd.		
From Bolt Ltd.	1,20,000	
From Canopy Ltd.	<u>80,000</u>	2,00,000

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(ii) Due by Angle Ltd.			
To Bolt Ltd.	1,00,000		
To Canopy Ltd.	<u>80,000</u>	<u>1,80,000</u>	
			<u>20,000</u>

Question 14

The following are the Balance Sheets of Ram Ltd., Shyam Ltd. and Tom Ltd. as on 31.03.2008:

Particulars	Ram Ltd.	Shyam Ltd.	Tom Ltd.
<i>Liabilities</i>			
Equity Share Capital (Rs. 100 each)	8,000	4,000	1,600
General Reserve	1,600	280	-
Profit and Loss Account	1,360	960	-
Current Liabilities	<u>1,280</u>	<u>3,000</u>	<u>1,120</u>
Total	<u>12,240</u>	<u>8,240</u>	<u>2,720</u>

Particulars	Ram Ltd.	Shyam Ltd.	Tom Ltd.
<i>Investments :</i>			
32,000, shares in Shyam Ltd.	4,800	-	-
4,000, shares in Tom Ltd.	200	-	-
12,000, shares in Tom Ltd.	-	720	-
Profit and Loss Account	-	-	640
Current Assets	<u>7,240</u>	<u>7,520</u>	<u>2,080</u>
Total	<u>12,240</u>	<u>8,240</u>	<u>2,080</u>

From the following information, prepare consolidated Balance Sheet of Ram Ltd. and its subsidiaries as on 31.03.2008:

- (i) Shyam Ltd. has advanced Rs. 8, 00,000 to Tom Ltd.
- (ii) Current Liabilities of Ram Ltd. includes Rs. 4, 00,000 due to Tom Ltd.
- (iii) Shyam Ltd. and Tom Ltd. have not paid any Dividend.
- (iv) Ram Ltd. acquired its investments on 01.04.2007 from Shyam Ltd. and then amount standing to credit of General reserve and Profit and Loss account were Rs. 2,80,000 and Rs. 5,20,000 respectively.
- (v) Ram Ltd. acquired investments in Tom Ltd. on 01.04.2007, when the debit balance in Profit and Loss account in books of Tom Ltd. was Rs. 4, 80,000.

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- (vi) *Shyam Ltd. acquired its investments in Tom Ltd. on 01.04.2005 and then the Debit balance in profit and Loss account was Rs. 1,60,000.*
- (vii) *Shyam Ltd.'s stock includes stock worth Rs. 4,80,000 which was invoiced by Ram Ltd. at 20% above cost.*

Answer

Consolidated Balance Sheet of Ram Ltd. and its subsidiaries Shyam Ltd and Tom Ltd. as on 31.3.08

Liabilities	Rs. in 000s	Assets	Rs. in 000s
Share Capital	8,000	Goodwill (W. N. 5)	688
Minority Interest (W. N. 7)	952		
General Reserve	1,600		
Profit and Loss A/c (W. N. 6)	1,496		
Current Liabilities		Current Assets	
Ram Ltd.	1,280	Ram Ltd.	7,240
Shyam Ltd.	3,000	Shyam Ltd.	7,520
Tom Ltd.	<u>1,120</u>	Tom Ltd.	<u>2,080</u>
	5,400		16,840
Less: Mutual Owings	<u>1,200</u>	Less: Mutual Owings	<u>1,200</u>
	4,200		15,640
		Less: Unrealised Profit	<u>80</u>
	<u>16,248</u>		<u>15,560</u>
			<u>16,248</u>

Working Notes:

1. General Reserve and Profit and Loss Account of Shyam Ltd.

General Reserve Account of Shyam Ltd.

	Rs. '000		Rs. '000
31.3.08 To Balance c/d	<u>280</u>	1.4.07 By Balance b/d	<u>280</u>

Profit and Loss Account of Shyam Ltd.

	Rs. '000		Rs. '000
31.3.08 To Balance c/d	960	1.4.07 By Balance b/d	520
		By Profit earned during the year (Bal. Fig.)	<u>440</u>
	<u>960</u>		<u>960</u>

Financial Reporting

2. Profit and Loss Account of Tom Ltd.

			<i>Rs.'000</i>			<i>Rs.'000</i>
1.4.05	To	Balance b/d	<u>160</u>	31.3.06	By	Balance c/d
			<u>160</u>			<u>160</u>
1.4.06	To	Balance b/d	160	31.3.07	By	Balance c/d
						480
	To	Loss incurred during the year (Bal. Fig.)	<u>320</u>			
			<u>480</u>			<u>480</u>
1.4.07	To	Balance b/d	480	31.3.08	By	Balance c/d
						640
	To	Loss incurred during the year (Bal. Fig.)	<u>160</u>			
			<u>640</u>			<u>640</u>

3. Analysis of Profits of Tom Ltd.

	<i>Capital Profits</i>	<i>Revenue Profits</i>
	<i>Rs.'000</i>	<i>Rs'000.</i>
(i) From the viewpoint of Shyam Ltd.		
Debit Balance in Profit and Loss Account as on 1.4.2005	(160)	
Loss incurred between 1.4.2005 to 31.3.2008 [(320 + 160) – Refer W.N. 2]		<u>(480)</u>
	<u>(160)</u>	<u>(480)</u>
Share of Shyam Ltd.-75% [carried forward to W. N. 4]	<u>(120)</u>	<u>(360)</u>
(ii) From the view point of Ram Ltd.		
Debit Balance of Profit and Loss Account as on 1.4.07	(480)	
Loss during the year 2007-08		<u>(160)</u>
	<u>(480)</u>	<u>(160)</u>
Share of Ram Ltd. (25%)	<u>(120)</u>	<u>(40)</u>

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4. Analysis of Profits of Shyam Ltd. (From the viewpoint of Ram Ltd.)

	<i>Capital Profits Rs. '000</i>	<i>Revenue Profits Rs. '000</i>
General Reserve as on 1.4.07	280	
Profit and Loss Account Balance as on 1.4.07	520	
Profit earned during 2007-08 (W.N.1)		440
Brought forward Shyam Ltd.'s share of loss in Tom Ltd. [W. N. 3(i)]	(120)	(360)
Share of Shyam Ltd. in revenue loss of Tom Ltd. for the period 1.4.05 to 31.3.07 [75% of (360- 40)] being treated as capital loss from view point of Ram Ltd.	<u>(240)</u>	<u>240</u>
	440	320
Less: Share of Minority Interest (20%)	<u>88</u>	<u>64</u>
Balance taken to Ram Ltd. (80%)	<u>352</u>	<u>256</u>
5. Cost of Control		<i>Rs. '000</i>
Investment by Ram Ltd. in		
Shyam Ltd.	4,800	
Tom Ltd.	200	
Investment by Shyam Ltd. in		
Tom Ltd.	<u>720</u>	5,720
Less: Paid up value of shares of:		
Shyam Ltd.	3,200	
Tom Ltd. (400 + 1,200)	<u>1,600</u>	
	4,800	
Capital loss of Ram Ltd. in Tom Ltd. [W.N. 3(ii)]	(120)	
Capital Profit of Ram Ltd. in Shyam Ltd. (W.N. 4)	<u>352</u>	<u>5,032</u>
Goodwill		<u>688</u>
		<i>Rs. '000</i>
6. Consolidated Profit and Loss A/c of Ram Ltd.		
Profit and Loss A/c Balance		1,360
Post acquisition share of loss from Tom Ltd.		(40)
Post acquisition share of profit from Shyam Ltd.		<u>256</u>

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	1,576
Less: Unrealised Profit on Stock ($\frac{1}{6}$ th of 480)	<u>80</u>
	<u>1,496</u>
7. Minority Interest	Rs.'000
Paid up value of shares in Shyam Ltd. (20% of 4,000)	800
Share of Capital Profit (W.N. 4)	88
Share of Revenue Profit (W.N. 4)	<u>64</u>
	<u>952</u>

Question 15

From the following details, prepare a consolidated Balance Sheet of Sun Limited and its subsidiaries as on 31st March, 2009:

	(Rs. in Lakhs)		
	Sun Ltd.	Moon Ltd.	Star Ltd.
Assets			
Fixed assets (net)	816	312	126
Investment (at cost)			
7,50,000, equity shares of Moon Ltd.	75	-	-
2,40,000 equity shares of Star Ltd.	24	-	-
4,80,000, equity shares of Star Ltd.	-	60	-
30,000 cumulative preference shares of Sun Ltd.	-	-	30
4,500 mortgage debentures of Sun Ltd.	-	-	42
Current assets	1,059	369	336
Profit and loss account	288	108	63
	<u>2,262</u>	<u>849</u>	<u>597</u>
Liabilities			
Equity share capital (Rs.10 each fully paid up)	180	144	120
7.5% cumulative preference share capital (Rs.100 each fully paid)	45	36	30
Capital reserve (revaluation of fixed assets)	360	-	-
General reserve	75	45	30
7,500, 8% mortgage debenture bonds of Rs.1,000 each	75	-	-
Secured loans and advances:			

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From banks	513	249	165
Unsecured loans:			
From Moon Ltd.	-	-	36
From Star Ltd.	45	-	-
Current liabilities and provisions:			
Inter-company balances	27	-	-
Other liabilities	942	375	216
	<u>2,262</u>	<u>849</u>	<u>597</u>

Other information are as follows:

- (a) Moon Ltd. Subscribed for 2,40,000 shares of Star Ltd. at par at the time of first issue and further acquired 2,40,000 shares from the market at Rs.15 each, when the Reserve and Surplus account of Star Ltd. stood at Rs.15 lakhs.
- (b) Sun Ltd. Subscribed for shares of Moon Ltd. and Star Ltd. at par at the time of first issue of shares by both the companies.
- (c) Current assets of Moon Ltd. and Star Ltd. Includes Rs.12 lakhs and Rs.18 lakhs respectively being Current account balance against Sun Ltd.

Answer

Consolidated Balance Sheet of Sun Limited and Its subsidiaries as on 31st March, 2009

Liabilities	Rs.	Assets	Rs.	Rs.
Share capital		Goodwill		3,00,000
(18,00,000 Equity Shares of Rs.10 each)	180,00,000	Fixed assets		12,54,00,000
15,00,000, 7½% Cumulative Preference shares of Rs. 100 each	15,00,000	Current assets	17,64,00,000	
Minority interest	132,18,750			
Reserves and surplus		Less: Inter-company owing	81,00,000	
Capital reserve	360,00,000		<u>16,83,00,000</u>	
Secured loan		Less: Inter-company balances	27,00,000	16,56,00,000
8% Mortgage debentures	30,00,000	Profit and loss account		264,18,750

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Loans and advances

Secured loan from bank	927,00,000	
Current liabilities and provisions	<u>15,33,00,000</u>	
	<u>31,77,18,750</u>	<u>31,77,18,750</u>

Working Notes:

(1) Shareholding Pattern	In Moon Ltd.	In Star Ltd.
(i) Sun Limited	$\frac{25}{48}$	$\frac{2}{10}$
(ii) Moon Limited		$\frac{4}{10}$
(iii) Minority Interest	$\frac{23}{48}$	$\frac{4}{10}$
(2) Analysis of Profits	Capital	Revenue
(a) Star Limited	Rs.	Rs.
Balance at acquisition	15,00,000	
Balance as per P&L A/c	(-)63,00,000	
Less: General reserve	30,00,000	
Less: Profit on debentures	<u>3,00,000</u>	
Net loss as on 31.3.09	(-)30,00,000	
Less: Capital profit	<u>15,00,000</u>	
	(-)45,00,000	(-)45,00,000
Minority interest (4/10)	6,00,000	(-)18,00,000
Share of Moon Limited (4/10)	6,00,000	(-)18,00,000
Share of Sun Limited (2/10)	3,00,000	(-)9,00,000
(b) Moon Limited		
P&L A/c as on 31.3.09		(-)1,08,00,000
General Reserve		<u>45,00,000</u>
Loss after acquisition		(-)63,00,000
Share of revenue loss in Star Ltd.		(-)18,00,000
		<u>(-)81,00,000</u>
Minority Interest (23/48)		(-)38,81,250
Sun Limited (25/48)		<u>(-)42,18,750</u>

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(3) Goodwill/Capital Reserve	Moon Ltd.	Star Ltd.
Share capital	75,00,000	72,00,000
Capital profit	3,00,000	6,00,000
	78,00,000	78,00,000
Less: Cost of investment	75,00,000	84,00,000
Capital reserve/(Goodwill)	3,00,000	(6,00,000)
Goodwill (6,00,000 less 3,00,000)	3,00,000	
(4) Minority Interest		
Share capital	69,00,000	48,00,000
Capital profit	-	6,00,000
Revenue profit	(-)38,81,250	(-)18,00,000
Preference shares (36,00,000+30,00,000)	-	66,00,000
	30,18,750	1,02,00,000
(5) Profit and Loss Account – Sun Ltd.		
Balance as on 31.03.09	(-)2,88,00,000	
General reserve	75,00,000	
Share of Star Limited	(-)9,00,000	
Share of Moon Limited	(-)42,18,750	
	(-)2,64,18,750	

Note: In this question, Inter-company balances amounting Rs. 27 lakhs have been shown in the balance sheet of Sun Ltd as on 31st March, 2009. However, Information (c) of the question states that current assets of Moon Ltd. and Star Ltd. includes Rs. 12 lakhs and Rs. 18 lakhs respectively being current account balance against Sun Ltd. The candidates may assume that Rs. 30 lakhs is in addition to inter-company balance of Rs. 27 lakhs. In that case, current assets and current liabilities will be reduced by Rs. 30 lakhs and will be shown at Rs. 1626 lakhs and Rs. 1503 lakhs respectively. The total of the consolidated balance sheet will also be reduced by Rs. 30 lakhs

Question 16

P Ltd. owns 80% of S and 40% of J and 40% of A. J is jointly controlled entity and A is an associate. Balance Sheet of four companies as on 31.03.09 are:

	P Ltd.	S	J	A
			(Rs. in lakhs)	
Investment in S	800	-	-	-
Investment in J	600	-	-	-

Financial Reporting

Investment in A	600	-	-	-
Fixed assets	1000	800	1400	1000
Current assets	<u>2200</u>	<u>3300</u>	<u>3250</u>	<u>3650</u>
Total	<u>5200</u>	<u>4100</u>	<u>4650</u>	<u>4650</u>
Liabilities:				
Share capital Re. 1				
Equity share	1000	400	800	800
Retained earnings	4000	3400	3600	3600
Creditors	<u>200</u>	<u>300</u>	<u>250</u>	<u>250</u>
Total	<u>5200</u>	<u>4100</u>	<u>4650</u>	<u>4650</u>

P Ltd. acquired shares in 'S' many years ago when 'S' retained earnings were Rs. 520 lakhs. P Ltd. acquired its shares in 'J' at the beginning of the year when 'J' retained earnings were Rs. 400 lakhs. P Ltd. acquired its shares in 'A' on 01.04.08 when 'A' retained earnings were Rs. 400 lakhs.

The balance of goodwill relating to S had been written off three years ago. The value of goodwill in 'J' remains unchanged.

Prepare the Consolidated Balance Sheet of P Ltd. as on 31.03.09 as per AS 21, 23, and 27.

Answer

Consolidated Balance Sheet of P Ltd.

Liabilities	Rs. in lakhs	Assets	Rs. in lakhs
Share Capital	1,000	Goodwill (W.N.1)	120
Retained Earnings(W.N.2)	8,800	Fixed Assets	2,360
		[1,000 + 800 + 560 (1400 x 40%)]	
Creditors (200+ 300 + 40% of 250)	600	Current Assets	6,800
		[2,200+3,300+1,300(3,250x 40%)]	
Minority Interest (W.N.3)	<u>760</u>	Investment in Associates (W.N.4)	<u>1,880</u>
	<u>11,160</u>		<u>11,160</u>

Consolidated Financial Statements of Group Companies

Working Notes:

1. Computation of Goodwill

S (subsidiary)

		<i>Rs. in lakhs</i>
Cost of investment		800
Less: Paid up value of shares acquired	320	
Share in pre- acquisition profits of S Ltd. (520 × 80%)	<u>416</u>	<u>736</u>
Goodwill		<u>64</u>

J (Jointly Controlled Entity)

		<i>Rs. in lakhs</i>
Cost of Investment		600
Less: Paid up value of shares acquired (40% of 800)	320	
Share in pre-acquisition profits (40% of 400)	<u>160</u>	<u>480</u>
Goodwill		<u>120</u>

Note : Jointly controlled entity 'J' to be consolidated on proportionate basis i.e. 40% as per AS 27

Associate A (AS 23)

		<i>Rs. in lakhs</i>
Cost of investment		600
Less: Paid up value of shares acquired (800 x 40%)	320	
Share in pre-acquisition profits (400 x 40%)	<u>160</u>	<u>480</u>
Goodwill		<u>120</u>

Goodwill shown in the Consolidated Balance Sheet

	<i>Rs. in lakhs</i>
Goodwill of 'J'	120
Goodwill of 'S'	64
Less: Goodwill written off of 'S'	<u>64</u>
Goodwill	<u>120</u>

2. Consolidated Retained Earnings

	<i>Rs. in lakhs</i>
P Ltd.	4,000
Share in post acquisition profits of S - 80% (3,400 – 520)	2,304

Financial Reporting

Share in post acquisition profits of J - 40% (3,600 – 400)	1,280
Share in post acquisition profits of A - 40% (3,600 – 400)	1,280
Less: Goodwill written off	<u>(64)</u>
	<u>8,800</u>

3. Minority Interest 'S'

	<i>Rs. in lakhs</i>
Share Capital (20% of 400)	80
Share in Retained Earnings (20% of 3,400)	<u>680</u>
	<u>760</u>

4. Investment in Associates

	<i>Rs. in lakhs</i>
Cost of Investments (including goodwill Rs. 120 lakhs)	600
Share of post acquisition profits	<u>1,280</u>
Carrying amount of Investment (including goodwill Rs. 120 lakhs)	<u>1,880</u>

Consolidated Financial Statements of Group Companies

EXERCISES

Question 1

Following are the draft Balance Sheets of two companies A Ltd. and B Ltd. as at 31.03.2010:

(Rs. in lakhs)					
Liabilities	A Ltd.	B Ltd.	Assets	A Ltd.	B Ltd.
Share Capital (Rs. 100 each)	6.00	3.00	Fixed Assets	5.00	1.50
Profits:			Investment:		
Capital Profit	0.80	0.85	2,400 Shares in B Ltd.	3.00	—
Reserve Profit	3.20	0.29	1,200 Shares in A Ltd.	—	2.00
Creditors	1.50	0.81	Current Assets:		
			Debtors	2.00	0.80
			Stock	0.40	0.30
			Cash and Bank	<u>1.10</u>	<u>0.35</u>
	<u>11.50</u>	<u>4.95</u>		<u>11.50</u>	<u>4.95</u>

The following adjustments were not yet made:

1. Stock worth Rs. 5,000 in B Ltd. was found to be obsolete with no value.
2. A Ltd. acquires an asset costing Rs. 50,000 on 31.3. 2010. No effect has been given for both the purchase and payment.
3. During the year A Ltd. sold an asset for Rs. 60,000 (original cost Rs. 40,000). The profit was included in the revenue profit.
4. Debtors of A Ltd. included a sum of Rs. 50,000 owed by B Ltd.

You are required to prepare the consolidated Balance Sheet of both the companies as on 31.3.2010 after giving effect to the above adjustments.

[Answer: CBS Total Rs.1,130 (in'000s); Minority Interest Rs.105 (in'000s); Cost of control Rs.40 (in'000s)]

Question 2

War Ltd. purchased on 31st March, 2008, 48,000 shares in Peace Ltd. at 50% premium over face value by issue of 8% debentures at 20% premium. The balance sheets of War and Peace Ltd. as on 31.3.2008, the date of purchase were as under:

Liabilities	War Ltd. Rs.	Peace Ltd. Rs.	Assets	War Ltd. Rs.	Peace Ltd. Rs.
Share Capital (Rs. 10)	10,50,000	6,00,000	Fixed assets	6,50,000	2,00,000
General reserve	1,20,000	40,000	Stock in trade	3,00,000	1,80,000

Financial Reporting

Profit and loss account	80,000	—	Sundry debtors	3,20,000	2,00,000
Sundry Creditors	1,00,000	60,000	Cash in hand	60,000	30,000
			Preliminary expenses	20,000	10,000
			Profit and loss account	—	80,000
	<u>13,50,000</u>	<u>7,00,000</u>		<u>13,50,000</u>	<u>7,00,000</u>

Particulars of War Ltd:

- (i) Profit made: Rs.
- 2008-2009 1,60,000
- 2009-2010 2,00,000
- (ii) The above profit was made after charging depreciation of Rs. 60,000 and Rs. 40,000 respectively.
- (iii) Out of profit shown above every year Rs. 20,000 had been transferred to general reserve.
- (iv) 10% dividend had been paid in both the years.
- (v) It has been decided to write down investment to face value of shares in 10 years and to provide for share of loss to subsidiary.

Particulars of Peace Ltd.:

The company incurred losses of Rs. 40,000 and Rs. 60,000 in 2008-2009 and 2009-2010 after charging depreciation of 10% p.a. of the book value as on 1.4.2008.

Prepare consolidated balance sheet as at 31.3.2010 of War Ltd., and its subsidiary.

[Answer: CBS Total Rs. 20,82,000; Minority Interest Rs.90,000; Cost of control Rs.2,32,000]

Question 3

The Balance Sheets of Sun Ltd. and Moon Ltd. as on 31.3.2010 are given below:

	Sun Ltd. (Rs.)	Moon Ltd. (Rs.)	Assets	Sun Ltd. (Rs.)	Moon Ltd. (Rs.)
Share Capital (Rs. 10)	1,20,000	1,00,000	Fixed Assets	44,000	84,000
General Reserve	20,000	36,000	Investment in Moon Ltd.		
Profit and Loss Account	12,000	20,000	8,000 Shares @ Rs. 11	88,000	
Bills Payable	2,000	5,000			
Sundry Creditors	4,000	7,000	Sundry Debtors	6,000	15,000

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Contingent Liability of Sun Ltd.: Bills Discounted not yet matured Rs.2,500		Bills Receivable	4,000	16,000
		Stock in Trade	10,000	40,000
		Cash at Bank	<u>6,000</u>	<u>13,000</u>
	<u>1,58,000</u>		<u>1,58,000</u>	<u>1,68,000</u>

Shares were purchased on 1.4.2007. When the shares were purchased General Reserve and Profit and Loss Account of Moon Ltd. stood at Rs. 30,000 and Rs. 16,000 respectively. Dividends have been paid @ 10% every year after acquisition of shares, first dividend being paid out of pre-acquisition profits. No dividend has been proposed for 2009-2010 as yet and no provision need be made in consolidated Balance Sheet. Sun Ltd. has credited all dividends received to Profit and Loss Account.

On 31.3.2010, Bonus shares has been declared by Moon Ltd. @ 1 fully paid share for 5 held, but no effect has been given to that in the above accounts. The Bonus was declared out of profits earned prior to 1.4.2007 from General Reserve.

When the shares were purchased, agreed valuations of Fixed Assets of Moon Ltd. was Rs. 1,08,000 although no effect has been given thereto in accounts.

Depreciation has been charged @ 10% p.a. on the book value as on 1.4.2007, (on straight line method), there being no addition or sale since then.

Out of Current Profits, Rs. 2,000 has been transferred to general reserve every year. Bills receivable of Sun Ltd. include Rs. 2,000 bills accepted by Moon Ltd. and bills discounted by Sun Ltd., but not yet matured include Rs. 1,500 accepted by Moon Ltd. Sundry creditors of Sun Ltd. include Rs. 2,000 due to Moon Ltd. whereas Sundry Debtors of Moon Ltd. include Rs. 4,000 due from Sun Ltd. It is found that Sun Ltd. has remitted a cheque of Rs. 2,000, which has not yet been received by Moon Ltd.

Prepare consolidated Balance Sheet as at 31.3.2010 of Sun Ltd. and its Subsidiary.

[Answer: CBS Total Rs.2,25,600; Minority Interest Rs. 29,520; Cost of control (Rs.19,200)]

Question 4

The Balance Sheets of Bat Ltd. and Ball Ltd. as on 31.3.2010 are as follows:

	Bat Ltd. Rs.	Ball Ltd. Rs.		Bat Ltd. Rs.	Ball Ltd. Rs.
Share Capital (Shares of Rs. 10 each)	1,60,000	2,00,000	Investments Shares in Ball Ltd.	1,96,000	—
Profit and Loss account	50,000	60,000	Debtors	—	1,20,000
Creditors	—	16,000	Stock	—	80,000
			Cash at Bank	—	70,000
			Cash in hand	<u>14,000</u>	<u>6,000</u>
	<u>2,10,000</u>	<u>2,76,000</u>		<u>2,10,000</u>	<u>2,76,000</u>

Financial Reporting

Particulars of Bat Ltd.:

- (1) This company was formed on 1.4.2009.
- (2) It acquired the shares of Ball Ltd. as under:

Date of Acquisition	No. of Shares	Cost Rs.
1.4.2009	8,000	1,10,000
31.7.2009	6,000	86,000

- (3) The shares purchased on 31.7.2009 are ex-dividend and ex-bonus from existing holders.
- (4) On 31.7.2009 dividend at 10% was received from Ball Ltd. and was credited to Profit and Loss Account.
- (5) On 31.7.2009 it received bonus shares from Ball Ltd. in the ratio of one share on every four shares held.
- (6) Bat Ltd. incurred an expenditure of Rs. 500 per month on behalf of Ball Ltd. and this was debited to the Profit and Loss Account of Bat Ltd., but nothing has been done in the books of Ball Ltd.
- (7) The balance in the Profit and Loss Account as on 31.3.2010 included Rs. 36,000 being the net profit made during the year.
- (8) Dividend proposed for 2009-2010 at 10% was not provided for as yet.

Particulars of Ball Ltd.:

- (1) The balance in the Profit and Loss Account as on 31.3.2010 is after the issue of bonus shares made on 31.7.2009.
- (2) The net profit made during the year is Rs. 24,000 including Rs. 6,000 received from insurance company in settlement of the claim towards loss of stock by fire on 30.06.2009 (Cost Rs. 10,800 included in opening stock).
- (3) Dividend proposed for 2009-2010 at 10% was not provided for in the accounts.

Prepare the Consolidated Balance Sheet of Bat Ltd. as on 31.3.2010.

[Answer: CBS Total Rs.2,90,000; Minority Interest Rs. 50,800; Cost of control (Rs.30,400)]

Question 5

The summarised Balance Sheets of A Ltd. and B Limited are as follows:

Balance Sheets as at 31st December, 2009

	A Ltd.	B Ltd.
Sources of Funds:	Rs.	Rs.
Share Capital in equity shares of Rs. 10 each	2,00,000	50,000

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Reserves	20,000	5,000
Profit and Loss Account as on 1st January, 2009	30,000	10,000
Profit for the year	8,000	8,000
Add: Dividends from B Ltd.	4,000	—
Less: Dividends paid	—	(5,000)
Creditors	<u>30,000</u>	<u>20,000</u>
Total	<u>2,92,000</u>	<u>88,000</u>
Application of Funds:		
Fixed Assets	2,00,000	80,000
Current Assets	32,000	8,000
Shares in B Ltd. at cost – 3,000 shares	<u>60,000</u>	<u>—</u>
Total	<u>2,92,000</u>	<u>88,000</u>

A Limited had acquired 4,000 shares in B Ltd. at Rs. 20 each on 1st January, 2009 and sold 1,000 of them at the same price on 1st October, 2009. The sale is cum dividend. An interim dividend of 10% was paid by B Limited on 1st July, 2009.

Draft the consolidated Balance Sheet as at 31st December, 2009.

[Answer: CBS Total Rs.3,41,000; Minority Interest Rs. 27,200; Cost of control Rs.21,000]

Question 6

The Balance Sheet of Golden and Silver Limited as on 31.3.2010 are given below:

Liabilities	Golden Ltd. (Rs.)	Silver Ltd.(Rs.)	Assets	Golden Ltd. (Rs.)	Silver Ltd. (Rs.)
Equity share capital	2,40,000	2,40,000	Fixed assets	88,000	1,68,000
General reserve	40,000	32,000	Investment	1,80,000	10,000
Profit and Loss account	24,000	39,000	Sundry debtors	12,000	30,000
Bills payable	4,000	10,000	Bills receivable	8,000	32,000
Sundry creditors	8,000	15,000	Stock in trade	20,000	80,000
			Cash at bank	<u>8,000</u>	<u>16,000</u>
	<u>3,16,000</u>	<u>3,36,000</u>		<u>3,16,000</u>	<u>3,36,000</u>

Note: Contingent liability of Golden Ltd.: Bills discounted not yet matured at Rs.5,000.

Financial Reporting

Additional information:

- (i) On 1.10.2007, Golden Ltd. acquired 16,000 shares of Rs.10 each at the rate of Rs.11 per share.
- (ii) Balances to General reserve and Profit and Loss account of Silver Ltd. stood on 1.4.2007 at Rs.60,000 and Rs.32,000 respectively.
- (iii) Dividends have been paid @ 10% for each of the years 2007-08 and 2008-09. Dividend for the year 2007-08 was paid out of the pre-acquisition profits. No dividend has been proposed for the year 2009-10 as yet and no provision need to be made in consolidated Balance Sheet. Golden Ltd. has credited all dividends received to profit and Loss account.
- (iv) On 1.3.2010, bonus shares were issued by Silver Ltd. at the rate of one fully paid share for every five held and effect has been given to that in the above accounts. The bonus was declared from general reserves from out of profits earned prior to 1.4.2007.
- (v) On 1.10.2007, Fixed assets was revalued at Rs.2,16,000, but no adjustment had been made in the books.
- (vi) Depreciation had been charged @ 10% p.a. on the book value as on 1.4.2007 (on straight line method), there being no addition or sale since then.
- (vii) Out of Current profits Rs.4,000 have been transferred to General reserve every year.
- (viii) Bills receivable of Golden Ltd. include Rs.4,000 bills accepted by Silver Ltd. Bills discounted by Golden Ltd., but not yet matured include Rs.3,000 accepted by Silver Ltd.
- (ix) Sundry creditors of Golden Ltd. include Rs.4,000 due to Silver Ltd. Sundry debtors of Silver Ltd. include Rs.8,000 due from Golden Ltd.
- (x) It is found that Golden Ltd. has remitted a cheque of Rs.4,000, which has not yet been received by Silver Ltd.

Prepare consolidated Balance Sheet as at 31.3.2010 of Golden Ltd. and its Subsidiary.

[Answer: CBS Total Rs.459,000; Minority Interest Rs.60,400; Capital Reserve Rs.53,200]

Question 7

Astha Ltd. acquired 80% of both classes of shares in Birat Ltd. on 1.4.2009. The draft Balance Sheets of two companies on 31st March, 2010 were as follows:

(Rs. in 000's)					
Liabilities	Astha Ltd.	Birat Ltd.	Assets	Astha Ltd.	Birat Ltd.
Share Capital:					
Equity shares of Rs.10 each, full paid up	3,000	600	Plant & machinery	2,060	600

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14% Preference shares of Rs.100 each, fully paid up	-	400	Furniture & fixtures	600	540
General reserve	1,900	40	Investments in equity shares of Birat Ltd.	1,920	-
Profit and loss account	1,600	720	in preference shares of Birat Ltd.	320	-
Creditors	300	320	Stock	680	404
			Debtors	560	316
			Cash at bank	<u>660</u>	<u>220</u>
				<u>6,800</u>	<u>2,080</u>

Note:

Contingent liability – Astha Ltd.: Claim for damages lodged by a contractor against the company pending in a law-suit – Rs.1,55,000.

Additional Information:

- (i) General reserve balance of Birat Ltd. was the same as on 1.4.2009.
- (ii) The balance in Profit and Loss A/c of Birat Ltd. on 1.4.2009 was Rs.3,20,000, out of which dividend of 16% p.a. on the Equity capital of Rs.6,00,000 was paid for the year 2008-09.
- (iii) The dividend in respect of preference shares of Birat Ltd. for the year 2009-10 was still payable as on 31.3.2010.
- (iv) Astha Ltd. credited its Profit and Loss A/c for the dividend received by it from Birat Ltd. for the year 2008-09.
- (v) Sundry creditors of Astha Ltd. included an amount of Rs.1,20,000 for purchases from Birat Ltd., on which the later company made a loss of Rs.10,000.
- (vi) Half of the above goods were still with the closing stock of Astha Ltd. as at 31.3.2010.
- (vii) At the time of acquisition by Astha Ltd., while determining the price to be paid for the shares in Birat Ltd. it was considered that the value of plant and machinery was to be increased by 25% and that of furniture and fixtures reduced to 80%. There was no transaction of purchase or sale of these assets during the year. The directors wish to give effect to these revaluations in the consolidated balance sheet.
- (viii) The directors of Astha Ltd. are of opinion that disclosure of its contingent liability will seriously prejudice the company's position in dispute with the contractor.

Financial Reporting

Prepare consolidated balance sheet as at 31st March, 2010, assuming the rate of depreciation charged as 25% p.a. and 10% p.a. on plant and machinery and furniture and fixtures respectively. Workings should be part of the answer.

[Answer: CBS Total Rs.7,655; Minority Interest Rs. 360.4; Cost of control Rs.1,088]

Question 8

The Balance Sheets of Aqua Ltd. and Baqa Ltd. as on the dates of last closing of accounts are as under:

	Aqua Ltd. as on 31.03.2009 Rs.	Baqa Ltd. as on 31.12.2008 Rs.
Liabilities		
Share capital (equity shares of Rs.10 each)	11,00,000	5,00,000
Accumulated Profits & Reserves	4,50,000	2,05,000
15% Rs.100 non-convertible debentures	-	3,00,000
Accounts Payable	4,80,000	2,80,000
Other liabilities	1,00,000	40,000
Tax Provision	1,50,000	2,50,000
Total	22,80,000	15,75,000
Assets		
Fixed Assets at Cost	8,45,000	5,26,500
Less: Depreciation	1,95,000	1,21,500
	6,50,000	4,05,000
Investments:		
40,000 shares in Baqa Ltd.	8,00,000	—
1,000 debentures in Baqa Ltd.	1,50,000	—
Current Assets:		
Inventories	2,00,000	3,50,000
Accounts Receivable	2,50,000	4,65,000
Cash & Bank	2,30,000	3,55,000
Total	22,80,000	15,75,000

The following information is also available:

1. On 8th February, 2009 there was a fire at the factory of Baqa Ltd., resulting in inventory worth Rs.20,000 being destroyed. Baqa received 75 per cent of the loss as insurance.

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2. The same fire resulted in destruction of a machine having a written down value of Rs.1,00,000. The Insurance company admitted the Company's claim to the extent of 80 per cent. The machine was insured at its fair value of Rs.1,50,000.
3. On 13th March, 2009, Aqua sold goods costing Rs.1,50,000 to Baqa at a mark-up of 20 per cent. Half of these goods were resold to Aqua who in turn was able to liquidate the entire stock of such goods before closure of accounts on 31st March, 2009. As on 31st March, 2009 Baqa's accounts payable show Rs.60,000 due to Aqua on the two transactions.
4. Aqua acquired the holdings in Baqa on 1st January, 2007 when the reserves and accumulated profits of Baqa Ltd. stood at Rs.75,000.
5. Both Companies have not provided for tax on current year profits. The current year taxable profits are Rs.33,000 and Rs.66,000 for Aqua Ltd. and Baqa Ltd. respectively. The tax rate is 33%.
6. The incremental profits earned by Baqa Ltd. for the period January, 2009 to March 2009 over that earned in the corresponding period in 2008 was Rs.56,000. Except for the profits that resulted from the transactions with Aqua in the aforesaid period, the entire profits have been realised in cash before 31st March, 2009.

You are requested to consolidate the accounts of the two companies and prepare a Consolidated Balance Sheet of Aqua Limited and its subsidiary as at 31st March, 2009.

[Answer: CBS Total Rs. 33,51,000; Minority Interest Rs. 1,50,844; Cost of control Rs.3,90,000]