CONSOLIDATION OF FINANIAL STATEMENTS

Steps for preparing consolidated Balance Sheet

1. Date of Acquisition
2. Shareholding pattern
3. Analysis of subsidiary reserves and surplus
   - Reserves adjustments: Dividend/ Bonus/ Unaccounted items
   - Revalued asset- Surplus/deficit to be considered
   - Arrears in dividend of cumulative pref. shares to be provided
   - Current year profits apportioned on time basis if investments in current year

4. Apportionment of profits
   - Pre acquisition profits: Capital profit
   - Post acquisition profit: Revenue profit
5. Minority Interest
   - Share Capital
   - Capital profits
   - Revenue reserves
   - Revenue profits
   - Equity dividend
   - Pref. share Capital
   - Pref. dividend
   - Less: Stock reserve

6. Cost of control
   - Cost of investment
     - Amount Invested less Pre acquisition dividend if any
   - Less: Share Capital

     Pre Acquisition Profits

Positive value means Goodwill

Negative value means Capital Reserve

7. Inter company transactions
8. Reserves for consolidated balance sheet
9. Consolidated Balance sheet

Question 1

From the following balance sheet of M Ltd. and its subsidiary N Ltd. drawn up at 31st March, 2004, prepare a consolidated balance sheet as at that date, having regard to the following :

a. Reserves and Profit and loss A/c of N Ltd. stood at Rs. 25,000 and Rs. 15,000 respectively on the date of acquisition of its 80% shares by M Ltd. on 1st April, 2003.

Balance sheet of M Ltd. and N Ltd. as on 31st March, 2004

Liabilities	*M Ltd.* Rs.	*N Ltd.* Rs.	*Assets*	*M Ltd.* Rs.	*N Ltd.* Rs.
Share capital			Machinery	3,00,000	90,000
Shares of Rs. 100 each	6,00,000	1,00,000			
Reserves	2,00,000	75,000	Furniture	1,50,000	17,000
Profit and Loss A/c	1,00,000	25,000	Other assets	4,40,000	1,50,000
Creditors	1,50,000	57,000	Shares in S Ltd. 800 shares at Rs. 200 each	1,60,000	-
Total	***10,50,000***	***2,57,000***	***Total***	***10,50,000***	***2,57,000***

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000
   - Profit and loss account Rs.25,000
     - Opening: Rs.15,000
     - Balance: Rs.10,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		10000
TOTAL	**40000**	**50000**	**10000**
M Ltd. Share(80%)	32000	40000	8000
MI(20%)	8000	10000	2000

5. Minority Interest

- 20000+8000+10000+2000=Rs.40000
- Alternate way is 20% of
  Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(80000)
Capital Profit	(32000)
Goodwill/ (Capital Reserve)	**48000**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 40,000
	TOTAL	**Rs.2,40,000**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 8,000
	TOTAL	**Rs.1,08,000**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	48,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,40,000		Furniture	1,67,000
P&L	1,08,000		Current Assets	5,90,000
Minority Interest	40,000			
Creditors	2,07,000			
TOTAL	**11,95,000**		**TOTAL**	**11,95,000**

Q2

- Machinery(book value Rs.100000) and furniture(book value Rs.20000) of N Ltd. Were revalued at Rs. 150000 and 15000 respectively on 1.4.2003 for the purpose of fixing price of shares(Depreciation rate: Machinery 15%, furniture 10%)

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Revaluation reserve

• Machinery	WDV:	1,00,000
	Revalued Amount	1,50,000
	Reval reserve	50,000
• Furniture WDV		20,000
	Revalued Amount	15,000
	Reval Reserve	(5,000)
Net Reval Reserve		45,000

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance:Rs.50,000
- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000
    - Additional Depreciation (Machinery (Rs.7500) & Furniture Rs.500) (Rs. 7,000)
  - Net Balance Rs.3,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reval Reserve	45000		
Reserves	25000	50000	
P&L	15000		3000
TOTAL	**85000**	**50000**	**3000**
M Ltd. Share(80%)	68000	40000	2400
MI(20%)	17000	10000	600

5. Minority Interest

- 20000+17000+10000+600=Rs.47600
- Alternate way is 20% of

  Rs. 2,45,000(100000+45000+75000+25000-7000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(80000)
Capital Profit	(68000)
Goodwill/ (Capital Reserve)	**12000**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.2,00,000
  - From N Rs. 40,000

  TOTAL Rs.2,40,000

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 2,400

  TOTAL Rs.1,02,400

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	12,000
Reserves:			Machinery	4,32,500
Revenue Reserve	2,40,000		Furniture	1,62,500
P&L	1,02,400		Current Assets	5,90,000
Minority Interest	47,600			
Creditors	2,07,000			
TOTAL	**11,97,000**		**TOTAL**	**11,97,000**

Q3

- N Ltd. Showed a debit balance of Rs.30,000 on the date of acquisition
- Included in the stock in trade of N Ltd. At balance sheet date were goods purchased from M Ltd. For Rs.6000 on which there was a profit of 50% on cost of M Ltd. Out of this Rs.3000 remains unpaid.

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000
   - Profit and loss account Rs.25,000
     - Opening: Rs.(30,000)
     - Balance: Rs.55,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	(30000)		55000
TOTAL	**(5000)**	**50000**	**55000**
M Ltd. Share(80%)	(4000)	40000	44000
MI(20%)	(1000)	10000	11000

5. Minority Interest

- 20000+(1000)+10000+11000=Rs.40000
- Alternate way is 20% of

  Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(80000)
Capital Profit	4000
Goodwill/ (Capital Reserve)	**84000**

7. Inter company owning-

CA Balance	Rs.5,90,000
Less: Profit on Stock (6000*50/150)	Rs. 2,000
Less: Inter holding	Rs. 3,000
NET Balance	Rs.5,85,000
CL Balance	Rs.207,000
Less: Inter holding	Rs. 3,000
NET Balance	Rs.2,04,000

8. Reserves in consolidated Balance sheet

- Revenue reserves

• M Ltd. Balance	Rs.2,00,000
• From N	Rs. 40,000
TOTAL	**Rs.2,40,000**

- P&L

• M. Ltd. Balance	Rs.1,00,000
• From N	Rs. 44,000
• Less: Profit on stock	Rs. (2,000)
TOTAL	**Rs.1,42,000**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	84,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,40,000		Furniture	1,67,000
P&L	1,42,000		Current Assets	5,85,000
Minority Interest	40,000			
Creditors	2,04,000			
TOTAL	**12,26,000**		**TOTAL**	**12,26,000**

Q4

- Out of profits of Rs.15000, dividend of Rs.10,000 were paid on 1st November. M Ltd. Credited its share of dividend to P&L
- M Ltd. Sold an item of machinery too N Ltd. On hire purchase basis, following balance is available on year end

– Installments due	Rs.5000
– Installments not due	Rs.2000
– HP stock Reserve	Rs. 400

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000
   - Profit and loss account Rs.25,000
     - Opening: Rs.(15,000-10,000)=Rs.5,000
     - Balance: Rs.20,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	5000		20000
TOTAL	**30000**	**50000**	**20000**
M Ltd. Share(80%)	24000	40000	16000
MI(20%)	6000	10000	4000

5. Minority Interest

- 20000+6000+10000+4000=Rs.40000
- Alternate way is 20% of
  Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	(8000)
TOTAL	**152000**
Less: Share Capital	(80000)
Capital Profit	(24000)
Goodwill/ (Capital Reserve)	**48000**

7. Inter company owning-

– Creditors=	2,07,000
• Less: Installments due	(5,000)
• Less: Installments not due	(2,000)
	2,00,000
– Debtors & Stock	5,90,000
• Less: Installments due	(5,000)
• Less: Stock(2000-400)	(1,600)
	5,83,400
– Machinery	3,90,000
• Less: Profit element (7000*400/2000)	(1,400)
	3,88,600

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 40,000
	TOTAL	**Rs.2,40,000**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 16,000
• Less: Dividend capitalized		Rs. 8,000
• Less: Profit on machinery		Rs. 1,000
	TOTAL	**Rs.1,07,000**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	48,000
Reserves:			Machinery	3,88,600
Revenue Reserve	2,40,000		Furniture	1,67,000
P&L	1,07,000		Current Assets	5,83,400
Minority Interest	40,000			
Creditors	2,00,000			
TOTAL	**11,87,000**		**TOTAL**	**11,87,000**

Q5

- M Ltd. Acquired shares on 1st July. On October, N Ltd. paid dividend of 5%
- P&M which stood at Rs.100000 on March was revalued at Rs. 150000 on date of acquisition

Working notes

1. Date of acquisition: 1/7/2003
2. Share holding pattern

– M Ltd.	800 shares	80%
– Minority Interest	200 shares	20%

3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000
       - 50,000*3/12=12,500(pre)
       - 50,000*9/12=37,500(post)

- Reval Reserve
  - Machinery current value Rs.90,000
  - Opening Rs.1,00,000
  - Thus depreciation rate= 90000*100/100000

    = 10%
  - Value on 1st July= 1,00,000-10%*1,00,000*3/12

    = 97,500
  - Revalued by Rs.(150000-97500)= **52,500**
    - Additional Depreciation=52500*10%*9/12

      =3,937.5

Assumption1

- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
    - Less: Dividend paid= 5,000
    - Balance= Rs.10,000
  - Current year: Rs.15,000
    - Pre=15,000*3/12 =3,750
    - Post=15,000*9/12 =11,250

Less: Add. Dep= 3937.5

Balance= 7,312.5

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reval Reserve	52500		
Reserves	37500	37500	
P&L	13750		7312.5
TOTAL	**103750**	**37500**	**7312.5**
M Ltd. Share(80%)	83000	30000	5850
MI(20%)	20750	7500	1462.5

5. Minority Interest

- 20000+20750+7500+1462.5=Rs.49712.5
- Alternate way is 20% of Rs. 2,48,562.5(100000+75000+25000+52500-3937.5)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	4000
TOTAL	**156000**
Less: Share Capital	(80000)
Capital Profit	(83000)
Goodwill/ (Capital Reserve)	**(7000)**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 30,000
	TOTAL	**Rs.2,30,000**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 5,850
Less: Dividend Recd.		Rs. 4,000
	TOTAL	**Rs.1,01,850**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	-
Reserves:			Machinery	438563
Capital Reserve	7,000		(300000+90000+52500	
Revenue Reserve	2,30,000		-3937.5)	
P&L	1,01,850		Furniture	1,67,000
Minority Interest	49,713		Current Assets	5,90,000
Creditors	2,07,000			
TOTAL	**11,95,563**		**TOTAL**	**11,95,563**

Assumption 2

- Profit and loss account Rs.25,000
- Opening: Rs.15,000
- Current year: Rs.15,000
  - Pre= 15,000*3/12 =3,750

Less: Interim Dividend=	5000*3/6=2500
Balance:	**1,250**
• Post=	11,250
Less: Add. Dep=	3,937.5
Less: Interim Dividend=	2,500
Balance=	**4,812.5**

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reval Reserve	52500		
Reserves	37500	37500	
P&L	16250		4812.5
TOTAL	**106250**	**37500**	**4812.5**
M Ltd. Share(80%)	85000	30000	3850
MI(20%)	21250	7500	962.5

5. Minority Interest

- 20000+21250+7500+962.5=Rs.49712.5
- Alternate way is 20% of

  Rs. 2,48,562.5(100000+75000+25000+52500-3937.5)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	2000
TOTAL	**158000**
Less: Share Capital	(80000)
Capital Profit	(85000)
Goodwill/ (Capital Reserve)	**(7000)**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 30,000
	TOTAL	**Rs.2,30,000**

- P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 3,850
Less: Dividend Recd.		Rs. 2,000
	TOTAL	**Rs.1,01,850**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	-
Reserves:			Machinery	438563
Capital Reserve	7,000		(300000+90000+52500	
Revenue Reserve	2,30,000		-3937.5)	
P&L	1,01,850		Furniture	1,67,000
Minority Interest	49,713		Current Assets	5,90,000
Creditors	2,07,000			
TOTAL	**11,95,563**		**TOTAL**	**11,95,563**

Bonus Issue

Q6

- On 31st March bonus shares were declared @1 share for every 5 shares held, no effect has been given in above accounts

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
       - Less: Bonus issue: Rs.(20,000)
       - Pre= Rs.5,000
     - Balance:Rs.50,000
   - Profit and loss account Rs.25,000
     - Opening: Rs.15,000
     - Balance: Rs.10,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	5000	50000	
P&L	15000		10000
TOTAL	**20000**	**50000**	**10000**
M Ltd. Share(80%)	16000	40000	8000
MI(20%)	4000	10000	2000

5. Minority Interest

- 20000+(20000/5)+4000+10000+2000=Rs.40000
- Alternate way is 20% of
  Rs. 2,00,000(120000+75000-20000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(96000)
Capital Profit	(16000)
Goodwill/ (Capital Reserve)	**48000**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 40,000
	TOTAL	**Rs.2,40,000**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 8,000
	TOTAL	**Rs.1,08,000**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	48,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,40,000		Furniture	1,67,000
P&L	1,08,000		Current Assets	5,90,000
Minority Interest	40,000			
Creditors	2,07,000			
TOTAL	**11,95,000**		**TOTAL**	**11,95,000**

Q7

- On 14th July, it declared a dividend @10% and paid corporate dividend tax on the same@10%
- On 1st November it declared bonus of 1shares for every 4 shares held
- Dividend recommended for the year @15% and 10% respectively.

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
       - Less: Bonus Issue: Rs. 20,000
       - Pre: Rs.5,000
     - Balance: Rs.70,000

(Bonus issue: 100000*1/5=20000)

- Profit and loss account Rs.25,000
    - Opening: Rs.15,000
        - Less: Dividend paid: Rs.8,800
        - Pre: Rs. 6,200
    - Balance: Rs.18,800
        - Less: Proposed dividend: Rs.10,000
        - Post: Rs.8,800

(Dividend=100000*4/5=80000*10%=8000

8000+TAX@10%=8800)

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	5000	70000	
P&L	6200		8800
TOTAL	**11200**	**70000**	**8800**
M Ltd. Share(80%)	8960	56000	7040
MI(20%)	2240	14000	1760

5. Minority Interest

- 20000+2240+14000+1760=Rs.38000
- Alternate way is 20% of

  Rs. 1,90,000(100000+75000+15000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	6400
TOTAL	**153600**
Less: Share Capital	(80000)
Capital Profit	(8960)
Goodwill/ (Capital Reserve)	**64640**

7. Inter company owning-

Dividend Payable by N:	Rs.10,000
Less: Dividend Payable to M:	Rs.8,000
Dividend payable to Minoriy:	Rs.2,000

(to be reflected in consolidated balance sheet as payable by M as N being its subsidiary)

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 56,000
	TOTAL	**Rs.2,56,000**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 7,040
• Less: Dividend recd. On july		Rs.(6,400)
• Less: Div. proposed		Rs.(90,000)
• Add: Div receivable		Rs. 8,000
	TOTAL	**Rs.18,640**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	64,640
Reserves:			Machinery	3,90,000
Revenue Reserve	2,56,000		Furniture	1,67,000
P&L	18,640		Current Assets	5,90,000
Minority Interest	38,000			
Div. Payable(90000+2000)	92,000			
Creditors	2,07,000			
TOTAL	**12,11,640**		**TOTAL**	**12,11,640**

Investment in preference shares and debentures

Q8

- Suppose N Ltd. Has 10% preference shares of Rs.50,000@10 each and
- 10% Debentures worth Rs.50000@100 each
- Corresponding debit to Current Asset of Rs.100000
- M Ltd. Purchased 2000 preference shares for Rs.21000 and 200 debentures for Rs.21500(corresponding credit of Rs.42500 to CL)
- M Ltd. Owed Rs.50000 to N Ltd. On which interest of Rs.5000 was provided, however N Ltd. Has not made corresponding entry.

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000

- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000
  - Add: interest rec. Rs. 5,000
  - Less: Debenture int. Rs. 5,000
  - Less: Pref. dividend Rs. 5,000
  - Post: **Rs. 5,000**

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		5000
TOTAL	**40000**	**50000**	**5000**
M Ltd. Share(80%)	32000	40000	4000
MI(20%)	8000	10000	1000

5. Minority Interest

– 20000+30000+8000+10000+1000=Rs.69000

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested(160000+21000+21500)	202500
Less: Pre acquisition dividend	-
TOTAL	**202500**
Less: Share Capital	(80000)
Pref. shares	(20000)
Debentures	(20000)
Capital Profit	(32000)
Goodwill/ (Capital Reserve)	**50500**

- Inter company owning-
  - M Ltd. Credit to reduce by Rs.55,000
  - N Ltd. Debit to reduce by Rs.50,000
  - Minority to be paid dividend of Rs.3,000

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.2,00,000
  - From N Rs. 40,000

	TOTAL	**Rs.2,40,000**

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 4,000
  - Deb. Int. Rs. 2,000
  - Pref. dividend Rs. 2,000

	TOTAL	**Rs.1,08,000**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	50,500
Reserves:			Machinery	3,90,000
Revenue Reserve	2,40,000		Furniture	1,67,000
P&L	1,08,000		Current Assets	6,40,000
Minority Interest	69,000		(590000+100000-50000)	
10% Debentures	30,000			
Deb. Int. payable	3,000			
Pref. div. payable	3,000			
Creditors	1,94,500			
(207000+42500-55000)				
TOTAL	**12,47,500**		**TOTAL**	**12,47,500**

Q9

- Suppose N Ltd. Has 10% preference shares of Rs.50,000@10 each
- Corresponding debit to Current Asset of Rs.50000
- M Ltd. Purchased 2000 preference shares for Rs.21000(corresponding credit of Rs.21000 to CL)
- Balance in P&L is after providing for dividend to pref. share holders which were credited by M in P&L
- Goods of Rs.20,000 of N Ltd. were completely destroyed in fire insurance company paid 75%

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern

– M Ltd.	800 shares	80%
– Minority Interest	200 shares	20%

3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000

- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000
  - Less: Pref. dividend Rs. 5,000
  - Less: loss on fire Rs. 5,000
  - Post: **NIL**

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		0
TOTAL	**40000**	**50000**	**0**
M Ltd. Share(80%)	32000	40000	0
MI(20%)	8000	10000	0

5. Minority Interest

– 20000+30000+8000+10000=Rs.68000

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested(160000+21000)	181000
Less: Pre acquisition dividend	2000
TOTAL	**179000**
Less: Share Capital	(80000)
Pref. shares	(20000)
Capital Profit	(32000)
Goodwill/ (Capital Reserve)	**47000**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.2,00,000
  - From N Rs. 40,000

TOTAL Rs.2,40,000

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - Less: Pref. div of 2003 Rs. 2,000
  - Pref. dividend Rs. 2,000

TOTAL Rs.1,00,000

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	47,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,40,000		Furniture	1,67,000
P&L	1,00,000		Current Assets	6,35,000
Minority Interest	68,000		(590000+50000+15000	
Pref. div. payable	3,000		-20000)	
Creditors	2,28,000			
(207000+21000)				
TOTAL	**12,39,000**		**TOTAL**	**12,39,000**

Q10

- M Ltd. Sold goods to N ltd. Costing Rs.150000 at an invoice of cost plus 20%. 50% of these goods were resold by N Ltd. To M Ltd. Before 31st March. These goods were sold by N Ltd. To a third party. N Ltd. Owes Rs.60,000 to M Ltd. In respect of these goods. Entries of following are yet to be made in books of N Ltd.

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits

– Goods sold by M Ltd.	150000
– Add: 20% Profit	30000
	180000
50% sold back	90000
Amount due for sales	180000
Less: Amount due to M Ltd.	60000
Resale value of goods	120000
Profit on resale 120000-90000	30000

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance:Rs.50,000
- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000
    - Add: Profit on resale Rs. 30,000
    - Post **Rs.40000**

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		40000
TOTAL	**40000**	**50000**	**40000**
M Ltd. Share(80%)	32000	40000	32000
MI(20%)	8000	10000	8000

5. Minority Interest

- 20000+8000+10000+8000=Rs.46000
- Alternate way is 20% of

  Rs. 2,00,000(100000+75000+25000+30000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(80000)
Capital Profit	(32000)
Goodwill/ (Capital Reserve)	**48000**

7. Inter company owning-

- Creditors 207000
  - Add:Purchases 180000
  - Less: Resale (120000)
  - Less: Inter company owning (60000)
  - 207000

- Debtors& stock 590000
  - Less: Inter company owning (60000)
  - Add: stock in hand 90000
  - 620000

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.2,00,000
  - From N Rs. 40,000

TOTAL Rs.2,40,000

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 32,000

TOTAL Rs.1,32,000

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	48,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,46,000		Furniture	1,67,000
P&L	1,32,000		Current Assets	6,20,000
Minority Interest	40,000			
Creditors	2,07,000			
TOTAL	**12,25,000**		**TOTAL**	**12,25,000**

Q11- Different accounting policies

- M Ltd. Values stack on LIFO basis and N Ltd. On FIFO. To bring in line N Ltd. Stock needs to be brought down by 10,000 in 2003 and 30000 in 2004.
- Depreciation charged by N Ltd. Is on useful life basis. Machine was purchased 2 yrs. Back has a useful life of 18yrs. More. M Ltd. Charges on straight line@10%
- N Ltd. Deducts 10% as doubtful debts. Opening of debtors was 18000 and closing 45000

- Prepaid adv. Expenditure carry forward is 10000 in 2003 and 5000 in 2004

First restate balance sheet of N Ltd.

1. Stock valuation
   - Opening difference of Rs.10,000
     - Reserves a/c. Dr. Rs.10000
       To P&L Rs.10000
   - Closing difference of Rs.30,000
     - P&L a/c dr. Rs.30000
       To Stock Rs.30000

2. Depreciation

- Remaining useful life is 18yrs
- Depreciation is90000/18=5000
- Bought 2 yrs. Back 5000*2=10000
- Value of machine=100000
- Straight line@10%=10000
- Accounting entry
  - Reserves a/c. dr. 5000
    To Machine 5000
  - P&L a/c. dr. 5000
    To Machine 5000

3. Doubtful debts

- Opening 18000
- 10% deduction= 18000*10/90=2000
- Entry
  - Debtors dr. 2000

    To PDD 2000
- Closing 45000
- 10% deduction= 45000*10/90=5000
- Earlier provision=2000 net provision=5000-2000=3000
- Entry
  - Debtors 3000

    To PDD 3000

4. Adv. Exp. Carry forward Rs.10000

– Reserves Rs.10000

to CA Rs.10000

– CA dr. Rs.5000

to P&L Rs.5000

Balance Sheet of N Ltd.

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	1,00,000		Machinery	80,000
Reserves:			(90000-10000)	
Revenue Reserve	52,000		Furniture	17,000
(75000-10000-5000+2000			Current Assets	1,20,000
-10000)			(150000-30000+2000+	1,20,000
P&L	8,000		3000+5000-10000)	
(25000+10000-30000-				
5000+3000+5000)				
Creditors	57,000			
TOTAL	**2,17,000**		**TOTAL**	**2,17,000**

- Pre Reserves- 25000-5000+2000-10000=12000
- Pre Profit- 15000-10000=5000

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 800 shares 80%
   - Minority Interest 200 shares 20%
3. Analysis of profits
   - Reserves Rs.52,000
     - Opening: Rs.12,000
     - Balance:Rs.40,000
   - Profit and loss account Rs.8,000
     - Opening: Rs.5,000
     - Balance: Rs.3,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	12000	40000	
P&L	5000		3000
TOTAL	**17000**	**40000**	**3000**
M Ltd. Share(80%)	13600	32000	2400
MI(20%)	3400	8000	600

5. Minority Interest

- 20000+3400+8000+600=Rs.32000
- Alternate way is 20% of

  Rs. 1,60,000(100000+52000+8000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(80000)
Capital Profit	(13600)
Goodwill/ (Capital Reserve)	**66400**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 32,000
	TOTAL	**Rs.2,32,000**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 2,400
	TOTAL	**Rs.1,02,400**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	66,400
Reserves:			Machinery	3,80,000
Revenue Reserve	2,32,000		Furniture	1,67,000
P&L	1,02,400		Current Assets	5,60,000
Minority Interest	32,000			
Creditors	2,07,000			
TOTAL	**11,73,400**		**TOTAL**	**11,73,400**

Multiple stages of Acquisition

Q12

- M Ltd. Acquired 400 shares on 1.4.2003 and further 400 on 1.10.2003 at a cost of Rs.74000 and Rs.86000 respectively

Working notes

1. Date of acquisition:

   1/4/2003- 400 shares

   1.10.2003-400 shares

2. Share holding pattern

   – M Ltd. 800 shares 80%
   – Minority Interest 200 shares 20%

3. Analysis of profits

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance:Rs.50,000
    - April to Sept.=Rs.25000
    - Oct. to March=Rs.25000
- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000
    - April to Sept.=Rs.5000
    - Oct. to March=Rs.5000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		10000
TOTAL	**40000**	**50000**	**10000**
M Ltd. Share(80%)	32000	40000	8000
MI(20%)	8000	10000	2000
Transfer with ref. to II acquisition(only M share)			
Reserve: 25000*40%	10000	(10000)	
P&L: 5000*40%	2000		(2000)
M Ltd. Net share	44000	30000	6000

5. Minority Interest
   - 20000+8000+10000+2000=Rs.40000
   - Alternate way is 20% of

     Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	-
TOTAL	**160000**
Less: Share Capital	(80000)
Capital Profit	(44000)
Goodwill/ (Capital Reserve)	**36000**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 30,000
	TOTAL	**Rs.2,30,000**

- P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 6,000
	TOTAL	**Rs.1,06,000**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	36,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,30,000		Furniture	1,67,000
P&L	1,06,000		Current Assets	5,90,000
Minority Interest	40,000			
Creditors	2,07,000			
TOTAL	**11,95,000**		**TOTAL**	**11,83,000**

Q13

- M Ltd. Acquired 400 shares on 1.4.2003 and further 300 on 1.7.2003 at a cost of Rs.74000 and Rs.86000 respectively
- Shares on 1.7.2003 were ex dividend and ex bonus
- On 31.7.2003 N Ltd. Declared dividend@10%
- On 31.7.2003 N Ltd. Declared bonus of 1 share for every 4 shares held

Working notes

1. Date of acquisition:

   1/4/2003- 400 shares

   1.7.2003-300 shares

   31.7.2003-100 shares as bonus

2. Share holding pattern

– M Ltd.	800 shares	80%
– Minority Interest	200 shares	20%

3. Analysis of profits

- Reserves Rs.75,000
  - Opening: Rs.25,000
    Less: Bonus issue: 1000*1/5=200*100= Rs.20,000
  - Pre Reserves= Rs. 5,000
  - Balance:Rs.70,000
    - April to June=Rs.17500
    - July to March=Rs.52500
- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
    Less: Div@10%(1000-200)=800shares Rs.8,000
  - Pre P&L balance= Rs.7,000
  - Balance: Rs.18,000
    - April to June=Rs.4500
    - July to March=Rs.13500

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	5000	70000	
P&L	7000		18000
TOTAL	**12000**	**70000**	**18000**
M Ltd. Share(80%)	9600	56000	14400
MI(20%)	2400	14000	3600
Transfer with ref. to II acquisition(only M share)			
Reserve: 17500*30%	5250	(5250)	
P&L: 4500*30%	1350		(1350)
M Ltd. Net share	16200	50750	13050

5. Minority Interest
   - 20000+2400+14000+3600=Rs.40000
   - Alternate way is 20% of
     Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested	160000
Less: Pre acquisition dividend	(4000)
TOTAL	**156000**
Less: Share Capital	(80000)
Capital Profit	(16200)
Goodwill/ (Capital Reserve)	**59800**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

– Revenue reserves

• M Ltd. Balance		Rs.2,00,000
• From N		Rs. 50,750
	TOTAL	**Rs.2,50,750**

– P&L

• M. Ltd. Balance		Rs.1,00,000
• From N		Rs. 13,050
• Less: Div. capitalized		Rs.(4,000)
	TOTAL	**Rs.1,09,050**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	59,800
Reserves:			Machinery	3,90,000
Revenue Reserve	2,50,750		Furniture	1,67,000
P&L	1,09,050		Current Assets	5,90,000
Minority Interest	40,000			
Creditors	2,07,000			
TOTAL	**12,06,800**		**TOTAL**	**12,06,800**

Multiple subsidiaries

Q14

- Z Ltd. Issued Rs.10,00,000 shares of Rs.10 each on 25th March 2003.It acquired 70% shares of M Ltd. For Rs.600000 on 1st September 2003.
- M Ltd. Declared interim dividend on 1st October@10%
- N Ltd. Declared dividend on 1st july@10%
- M Ltd. Profit and reserve on 31st march were 50,000 and 1,00,000 respectively
- Consider 160000 in M Ltd. As other investments

- Z Ltd. Owed Rs.5000 to M Ltd. And N Ltd. Owed Rs.3000 to Z Ltd.
- M Ltd.: Goods from N Ltd. At Rs.3,000 above cost
- N Ltd.: Goods from M Ltd. At Rs.5,000 above cost

Working notes

1. Date of acquisition:
   - N Ltd. 1/4/2003
   - M Ltd. 1/9/2003
2. Share holding pattern

N Ltd.

– Z Ltd.	800 shares	80%
– Minority Interest	200 shares	20%

M Ltd.

– Z Ltd.	4200 shares	70%
– MI	1800 shares	30%

3. Analysis of profits

1. N Ltd.

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance:Rs.50,000
- Profit and loss account Rs.25,000

– Opening:	Rs.15,000
– Less: Dividend:	Rs.10,000
– Pre profit	Rs. 5,000
– Post:	Rs.20,000
– Less: profit on stock	Rs. 3,000
– Post profit	Rs. 17,000

2. M Ltd.

– Reserves	Rs.2,00,000
– Opening:	Rs.1,00,000
– Current financial year	Rs.1,00,000
• Pre 100000*5/12	Rs. 41,667
• Post100000*7/12	Rs. 58,333
– P&L	Rs.1,00,000
– Opening	Rs. 50,000
– Current financial year	Rs. 110,000
• Pre 110000*5/12	Rs. 45,833
• Less Dividend 60000*5/6	Rs. 50,000
• Net Pre	Rs. (4,167)
• Post110000*7/12	Rs. 64,167
• Less: profit on stock	Rs. 5,000
• Less Dividend 60000/6	Rs. 10,000
• Post profit	Rs . 49,167

4. Apportionment of profits

– N Ltd.

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	5000		17000
TOTAL	**30000**	**50000**	**17000**
M Ltd. Share(80%)	24000	40000	13600
MI(20%)	6000	10000	3400

5. Minority Interest

– 20000+6000+10000+3400=Rs.39,400

– Alternate way is 20% of

Rs. 1,97,000(100000+75000+25000-3000)

4. Apportionment of profits

– M Ltd.

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	141667	58333	
P&L	45833		49167
TOTAL	**187500**	**58333**	**49167**
M Ltd. Share(70%)	131250	40833	34417
MI(30%)	56250	17500	14750

5. Minority Interest

– 180000+56250+17500+14750=Rs.2,68,500

– Alternate way is 30% of

Rs. 8,95,000(600000+200000+100000-5000)

6. Cost of control

Z Ltd.	Amount (Rs.) N Ltd.	Amount (Rs.) M Ltd.
Cost of Investment		
Amount Invested	160000	600000
Less: Pre acquisition dividend	(8000)	(35000)
TOTAL	**152000**	**565000**
Less: Share Capital	(80000)	(420000)
Capital Profit	(24000)	(131250)
Goodwill/ (Capital Reserve)	**48000**	**13750**

7. Inter company owning-

Debtors:	5,90,000
Less: stock	8,000
Less: Z Ltd.	5,000
Net	5,77,000
Creditors:	2,07,000
Less: Z Ltd.	3,000
Net	2,04,000

Bank account of Z Ltd.

Received	Amount	Paid	Amount
Share Capital	10,00,000	N Ltd.	1,60,000
Dividend N Ltd.	8,000	M Ltd.	6,00,000
Dividend M Ltd.	42,000	M Ltd.(cash paid)	3,000
N Ltd.(cash received)	5,000		
		Closing balance	2,92,000

8. Reserves in consolidated Balance sheet

– Revenue reserves

•	From M Ltd.	Rs.40,833
•	From N	Rs. 40,000
	TOTAL	**Rs.80,833**

– P&L

•	Opening	Rs.50,000
•	From M Ltd.	Rs. 34,417
•	From N	Rs. 13,600
•	Less: Dividend capitalized	Rs. 43,000
	TOTAL	**Rs.55,017**

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.10 each	10,00,000		Goodwill	61,750
Reserves:			Machinery	3,90,000
Revenue Reserve	80,833		Furniture	1,67,000
P&L	55,017		Investments	1,60,000
Minority Interest	3,07,900		Current Assets	5,77,000
(39400+268500)			Bank account	2,92,000
Creditors	2,04,000			
TOTAL	**16,47,750**		**TOTAL**	**16,47,750**

Disposal

Q15

- On 1st October M Ltd. Sold 100 shares of N Ltd. For Rs.320/share and credited whole amount to investments.

Working notes

1. Date of acquisition: 1/4/2003
2. Share holding pattern
   - M Ltd. 700 shares 80%
   - Minority Interest 300 shares 20%
3. Analysis of profits
   - Reserves Rs.75,000
     - Opening: Rs.25,000
     - Balance:Rs.50,000
   - Profit and loss account Rs.25,000
     - Opening: Rs.15,000
     - Balance: Rs.10,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		10000
TOTAL	**40000**	**50000**	**10000**
M Ltd. Share(70%)	28000	35000	7000
MI(30%)	12000	15000	3000

5. Minority Interest

- 30000+12000+15000+3000=Rs.60000
- Alternate way is 30% of

  Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested(160000+320*100)	192000
Less: shares sold(192000*100/800)	24000
TOTAL	**168000**
Less: Share Capital	(70000)
Capital Profit	(28000)
Goodwill/ (Capital Reserve)	**70000**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.2,00,000
  - From N Rs. 35,000

  TOTAL Rs.2,35,000

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 7,000
  - Sale of investment Rs. 8,000
    32000-24000

  TOTAL Rs.1,15,000

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	70,000
Reserves:			Machinery	3,90,000
Revenue Reserve	2,35,000		Furniture	1,67,000
P&L	1,15,000		Current Assets	5,90,000
Minority Interest	60,000			
Creditors	2,07,000			
TOTAL	**12,17,000**		**TOTAL**	**12,17,000**

Q.16

- Sold 200 shares on 1.5.2003 at Rs.200 per share
- Purchased 100 shares on 1.7.2003 for Rs.240 per share.
- All amounts credited/debited to investments
- Interim dividend @10% was paid on 1.10.2003

Working notes

1. Date of acquisition:

1/4/2003	600 shares
1/7/2003	100 shares

2. Share holding pattern

– M Ltd.	700 shares	70%
– Minority Interest	300 shares	30%

3. Analysis of profits

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance: Rs.50,000
  - April to june50000*3/12 Rs.12,500
  - July to mar Rs.37,500

- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.20,000
  - April to june20000*3/12 Rs. 5,000
  - Less: dividend10000*3/6 Rs. 5,000
  - Pre nil
  - July to march Rs.15,000
  - Less Div Rs. 5,000
  - Post Rs.10,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		10000
TOTAL	**40000**	**50000**	**10000**
M Ltd. Share(70%)	28000	35000	7000
Transfer with ref. to II acquisition(only M share)			
Reserve: 12500*10%	1250	(1250)	
M Ltd. Net share	29250	33750	7000
MI(30%)	12000	15000	3000

5. Minority Interest
   - 30000+12000+15000+3000=Rs.60000
   - Alternate way is 30% of

     Rs. 2,00,000(100000+75000+25000)

6. Cost of control

Particulars	Amount(Rs.)
Cost of Investment	
Amount Invested in 1st acquisition	176000
(160000+200*200-240*100)	
Less: Shares sold(176000*200/800)	(44000)
Add: 2nd acquisition 240*100	24000
Less: Dividend capitalized(5000*10%)	(500)
TOTAL	**155500**
Less: Share Capital	(70000)
Capital Profit	(29250)
Goodwill/ (Capital Reserve)	**56250**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.2,00,000
  - From N Rs. 33,750

  TOTAL Rs.2,33,750

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 7,000
  - Less: Dividend capitalized Rs. 500
  - Less: Loss on investment Rs.(4,000)

    40,000-44,000

  TOTAL Rs.1,02,500

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	6,00,000		Goodwill	56,250
Reserves:			Machinery	3,90,000
Revenue Reserve	2,33,750		Furniture	1,67,000
P&L	1,02,500		Current Assets	5,90,000
Minority Interest	60,000			
Creditors	2,07,000			
TOTAL	**12,03,250**		**TOTAL**	**12,03,250**

Consolidated P&L

Q.17

Trading Account

	Ram	Bharat	Adjustments	Consolidation
Sales	1,62,00,000	1,53,00,000	(9,37,500)	3,05,62,500
Closing Stock	15,77,520	16,71,480	(1,04,100)	31,44,900
TOTAL	**1,77,77,520**	**1,69,71,480**	**10,41,600**	**3,37,07,400**
Opening stock	8,93,700	18,05,040	-	26,98,740
Purchases	89,63,820	86,86,440	(9,37,500)	1,67,12,760
TOTAL	**98,57,520**	**26,73,480**	**(9,37,500)**	**1,94,11,500**
Gross profit	**79,20,000**	**64,80,000**	**1,04,100**	**1,42,95,900**

P&L

	Ram	Bharat	Adjustments	Consolidation
Gross profit	**79,20,000**	**64,80,000**	**1,04,100**	**1,42,95,900**
Dividend receivable		-		
Preference		-		
Equity		-		
Overhead expenses	20,70,000	9,45,000	-	30,15,000
Selling expenses	8,10,000	12,15,000	-	20,25,000
Provision for tax	27,00,000	19,44,000	-	46,44,000
Total	**55,80,000**	**41,04,000**	**-**	**96,84,000**
Net profit		23,76,000		

1. Date of acquisition: 1.2.2004
2. Share holding pattern
   – Equity: 75%
   – Preference 50%
3. Equity dividend paid
   – @30%=10,80,000
   – 75% of Ram Ltd.= 8,10,000
   – Capital dividend= 8,10,000*7/12=4,72,500
4. Equity dividend
   – @4.5%=81,000
   – 50% of Ram Ltd.= 40,500
   – Capital dividend= 40,500*1/6=6,750

P&L

	Ram	Bharat	Adjustments	Consolidation
Gross profit	**79,20,000**	**64,80,000**	**(1,04,100)**	**1,42,95,900**
Dividend receivable		-		
Preference	33,750	-	-	3,3750
Equity	3,37,500	-	-	3,37,500
Total	**82,91,250**	**64,80,000**	**(1,04,100)**	**1,46,67,150**
Overhead expenses	20,70,000	9,45,000	-	30,15,000
Selling expenses	8,10,000	12,15,000	-	20,25,000
Provision for tax	27,00,000	19,44,000	-	46,44,000
Total	**55,80,000**	**41,04,000**	**-**	**96,84,000**
Net profit	27,11,250	23,76,000	(1,04,100)	49,83,150

P&L account

	Ram	Bharat	Adjustments	Consolidation
Opening	4,81,500	5,76,000	-	10,57,500
Profits brought forward	27,11,250	23,76,000	(1,04,100)	49,83,150
Interim dividend paid				
Equity	(13,50,000)	7,20,000	-	20,70,000
Preference	-	81,000	-	81,000
Proposed dividend				
Equity	13,50,000	10,80,000	-	24,30,000
Preference	-	81,000	-	81,000
TOTAL	**4,92,750**	**9,90,000**	**-**	**14,82,750**
Minority Interest				
Cost of control				

- P&L= Rs.9,90,000
  - Opening Rs.5,76,000
  - Current Rs.4,14,000
  - July to Jan 414000*7/12 Rs.2,41,500
  - Feb to June Rs.1,72,500
- Minority interest=25% of990000=2,47,500
- Cost of control= (5,76,000+2,41,500)*75%

  = 6,13,125

P&L account

	Ram	Bharat	Adjustments	Consolidation
Opening	4,81,500	5,76,000	-	10,57,500
Profits brought forward	27,11,250	23,76,000	(1,04,100)	49,83,150
Interim dividend paid				
Equity	(13,50,000)	7,20,000	-	20,70,000
Preference	-	81,000	-	81,000
Proposed dividend				
Equity	13,50,000	10,80,000	-	24,30,000
Preference	-	81,000	-	81,000
TOTAL	**4,92,750**	**9,90,000**	**(1,04,100)**	**13,78,650**
Minority Interest	-	(2,47,500)	26,025	(2,21,475)
Cost of control	-	6,13,125	-	(6,13,125)
Consolidated Profit	**4,92,750**	**1,29,375**	**(78,075)**	**5,44,050**

Chain holding

Q18

- Z Ltd. Purchased 70% shares of M Ltd. On 1st October for Rs.6lakhs. P&L and Reserves were 40000 and 100000 respectively on 1st April

Liability	Amount	Asset	Amount
Share Capital	10,00,000	P&M	450,000
Reserves	3,00,000	Other Assets	5,00,000
P&L	1,00,000	Investment	6,25,000
CL	1,75,000		

Working notes

1. Date of acquisition:

N Ltd.: 1/4/2003

M Ltd. 1/10/2003

2. Share holding pattern

   1. N Ltd.
      - M Ltd. 800 shares 80%
      - Minority Interest 200 shares 20%
   2. M Ltd.
      - Z Ltd. 4200shares 70%
      - MI 1200shares 30%

3. Analysis of profits of N Ltd.

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance:Rs.50,000
- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		10000
TOTAL	**40000**	**50000**	**10000**
M Ltd. Share(80%)	32000	40000	8000
MI(20%)	8000	10000	2000

5. Minority Interest

- 20000+8000+10000+2000=Rs.40000
- Alternate way is 20% of

  Rs. 2,00,000(100000+75000+25000)

3. Analysis of profits of M Ltd.

- Reserves Rs.2,40,000
  - Opening: Rs.1,00,000
  - Balance:Rs.1,40,000
    - April to Sept 140000*6/12 70,000
    - Oct. to March 140000*6/12 70,000
- Profit and loss account Rs.1,08,000
  - Opening: Rs.40,000
  - Balance: Rs.68,000
    - April to Sept 68000*6/12 34,000
    - Oct. to March 68000*6/12 34,000

4. Apportionment of profits of M Ltd.

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	170000	70000	
P&L	74000		34000
TOTAL	**244000**	**70000**	**34000**
Z Ltd. Share(70%)	170800	49000	23800
MI(30%)	73200	21000	10200

5. Minority Interest

- 180000+73200+21000+10200=Rs.2,84,400
- Alternate way is 30% of

  Rs. 9,48,000(600000+200000+100000+48000)

6. Cost of control

Particulars	N Ltd.	M Ltd.
Cost of Investment		
Amount Invested	160000	600000
Less: Pre acquisition dividend	-	-
TOTAL	**160000**	**600000**
Less: Share Capital	(80000)	(420000)
Capital Profit	(32000)	(170800)
Goodwill/ (Capital Reserve)	**48000**	**9200**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.3,00,000
  - From M Rs. 49,000

  TOTAL Rs.3,49,000

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 23,800

  TOTAL Rs.1,23,800

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	10,00,000		Goodwill	57,200
Reserves:			Machinery	8,40,000
Revenue Reserve	3,49,000		Furniture	1,67,000
P&L	1,23,800		Current Assets	10.90.000
Minority Interest	3,24,400		Investments	25,000
(284400+40000)				
Creditors	3,82,000			
TOTAL	**21,79,200**		**TOTAL**	**21,79,200**

Q18

- Z Ltd. Purchased 50% shares of M Ltd. On 1^{st} April for Rs.4lakhs and 30% shares on 1^{st} October for Rs.2lakhs. P&L and Reserves were 40000 and 100000 respectively on 1^{st} April

Liability	Amount	Asset	Amount
Share Capital	10,00,000	P&M	450,000
Reserves	3,00,000	Other Assets	5,00,000
P&L	1,00,000	Investment	6,25,000
CL	1,75,000		

Working notes

1. Date of acquisition:

   N Ltd.: 1/4/2003

   M Ltd. 1/4/2003 & 1/10/2003

2. Share holding pattern

   1. N Ltd.

– M Ltd.	800 shares	80%
– Minority Interest	200 shares	20%

   2. M Ltd.

– Z Ltd.	3000shares	50%
– Z Ltd.	1200shares	30%
– MI	1200shares	30%

3. Analysis of profits of N Ltd.

- Reserves Rs.75,000
  - Opening: Rs.25,000
  - Balance:Rs.50,000
- Profit and loss account Rs.25,000
  - Opening: Rs.15,000
  - Balance: Rs.10,000

4. Apportionment of profits

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	25000	50000	
P&L	15000		10000
TOTAL	**40000**	**50000**	**10000**
M Ltd. Share(80%)	32000	40000	8000
MI(20%)	8000	10000	2000

5. Minority Interest

- 20000+8000+10000+2000=Rs.40000
- Alternate way is 20% of
  Rs. 2,00,000(100000+75000+25000)

3. Analysis of profits of M Ltd.

- Reserves Rs.2,40,000
  - Opening: Rs.1,00,000
  - Balance:Rs.1,40,000
    - April to Sept 140000*6/12 70,000
    - Oct. to March 140000*6/12 70,000
- Profit and loss account Rs.1,08,000
  - Opening: Rs.40,000
  - Balance: Rs.68,000
    - April to Sept 68000*6/12 34,000
    - Oct. to March 68000*6/12 34,000

4. Apportionment of profits of M Ltd.

	Pre acquisition	Post acquisition	
		RR	RP
Reserves	100000	140000	
P&L	40000		68000
TOTAL	**140000**	**140000**	**68000**
Z Ltd. Share(70%)	98000	98000	47600
Transfer with ref. to II acquisition(only M share)			
Reserve: 70,000*30%	21000	(21000)	
P&L: 34,000*30%	10200		(10200)
M Ltd. Net share	129200	77000	37400
MI(30%)	73200	21000	10200

5. Minority Interest
   - 180000+73200+21000+10200=Rs.2,84,400
   - Alternate way is 30% of Rs. 9,48,000(600000+200000+100000+48000)

6. Cost of control

Particulars	N Ltd.	M Ltd.
Cost of Investment		
Amount Invested	160000	600000
Less: Pre acquisition dividend	-	-
TOTAL	**160000**	**600000**
Less: Share Capital	(80000)	(420000)
Capital Profit	(32000)	(129200)
Goodwill/ (Capital Reserve)	**48000**	**50800**

7. Inter company owning- NIL

8. Reserves in consolidated Balance sheet

- Revenue reserves
  - M Ltd. Balance Rs.3,00,000
  - From M Rs. 77,000

  TOTAL Rs.3,77,000

- P&L
  - M. Ltd. Balance Rs.1,00,000
  - From N Rs. 37,400

  TOTAL Rs.1,37,400

Consolidated Balance Sheet

Liabilities	Amount		Assets	Amount
Share Capital			F.A.	
Shares of Rs.100 each	10,00,000		Goodwill	98,800
Reserves:			Machinery	8,40,000
Revenue Reserve	3,77,000		Furniture	1,67,000
P&L	1,37,400		Current Assets	10.90.000
Minority Interest	3,24,400		Investments	25,000
(284400+40000)				
Creditors	3,82,000			
TOTAL	**22,20,800**		**TOTAL**	**22,20,800**