

10. CONSOLIDATED FINANCIAL STATEMENTS**ASSIGNMENT SOLUTIONS****PROBLEM NO: 1**

Total dividend paid = Rs. 30,000

Out of post-acquisition profit = Rs. 20,000

Out of pre-acquisition profit = Rs. 10,000

Hence, 2/3rd of dividend received by XYZ will be credited to P & L and 1/3rd will be credited to Investment.

XYZ Ltd.'s share of dividend = Rs. 30,000 X 80% = Rs. 24,000

In the books of XYZ Ltd.

	Rs.	Rs.	Rs.
Bank A/c	Dr. 24,000		
To Profit & Loss A/c		16,000	
To Investments in ABC Ltd.		8,000	
(Dividend received from ABC Ltd. 1/3 credited to investment A/c being out of capital profits - as explained above)			
Goodwill on Consolidation:		Rs.	Rs.
Cost of shares less dividend out of capital profits			1,32,000
Less: Face value of capital i.e. 80% of capital		80,000	
Add: Share of capital profits [60,000 - 10,000 (dividend portion out of pre-acquisition profits)] x 80%		40,000	(1,20,000)
Goodwill:			12,000
Minority interest on:			
1st January, 2018: 20% of Rs. 1,60,000 [1,00,000 + 60,000]			32,000
31st December, 2018: 20% of Rs.1,50,000 [1,00,000 + 60,000 + 20,000 - 30,000]			30,000

PROBLEM NO: 2

	Minority Interest (30%) (Rs.)	Holding Interest (70%) (Rs.)
Share of net assets of B Ltd. as on 1.1.2012	3,24,000	7,56,000
Cost of acquisition	-	10,00,000
	3,24,000	2,44,000 (goodwill)
Minority's share of losses of B Ltd: year ended 31.12.2012	75,000	
Minority interest as on 31.12.2012	2,49,000	
Minority's share of losses of B Ltd.: year ended 31.12.2013	1,20,000	
Minority interest as on 31.12.2013	1,29,000	
Minority's share of losses of B Ltd. year ended 31.12.2014	1,29,000*	
Minority interest as on 31.12.2014	Nil	
Minority's share of losses for 2015	Nil	
Minority's share of profits of B Ltd. for 2016	Nil	
Minority's share of profit for 2017	Nil	
Minority's share of profit for 2018 (Rs. 45,000 - Rs. 12,000)	33,000*	
Minority interest as on 31.12.2018	33,000	

*In the year 2014, the minority's share of losses actually comes to Rs. 1,50,000. But since minority interest as on 31.12.2013 was less than the share of loss, the excess of loss of Rs. 21,000 is to be added to A Ltd.'s share of losses. Similarly, for the year 2015, the entire loss of B Ltd. is to be adjusted against A Ltd.'s profits for the purpose of consolidation. Therefore, upto 2015, the minority's share of B Ltd.'s losses of Rs. 57,000 are to be borne by A Ltd. Thereafter, the entire profits of B Ltd. will be allocated to A Ltd. unless the minority's share of losses previously absorbed (Rs. 57,000) has been recovered. Such recovery is fully made in 2018 and therefore minority interest of Rs. 33,000 is shown after adjusting fully the share of losses of minority previously absorbed by A Ltd.

PROBLEM NO: 3

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd. as at 31st March, 2018

Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholder's Funds		
a) Share Capital		6,00,000
b) Reserves and Surplus	1	3,44,600
2. Minority Interest (W.N.5)		48,150
3. Current Liabilities		
a) Trade Payables	2	2,07,000
Total		11,99,750
II. Assets		
1. Non-current assets		
a) Fixed assets		
i) Tangible assets	3	5,97,750
ii) Intangible assets	4	12,000
b) Other Non-current assets	5	5,90,000
Total		11,99,750

Notes to Accounts:

	Particulars		Rs.
1. Reserves and Surplus			
	Reserves		2,00,000
	Add: 4/5th share of S Ltd.'s post-acquisition reserves (W.N.3)		40,000
	Profit and Loss Account		1,00,000
	Add: 4/5th share of S Ltd.'s post-acquisition profits (W.N.4)		4,600
			<u>3,44,600</u>
2. Trade Payables			
	H Ltd.		1,50,000
	S Ltd.		57,000
			<u>2,07,000</u>
3. Tangible Assets			
	Machinery		
	H Ltd.		3,00,000
	S Ltd.	1,00,000	
	Add: Appreciation	50,000	
		1,50,000	
	Less: Depreciation	(15,000)	1,35,000
	Furniture		
	H Ltd.		1,50,000
	S Ltd.	20,000	
	Less: Decrease in value	(5,000)	
		15,000	
	Less: Depreciation	(2,250)	12,750
			<u>5,97,750</u>
4. Intangible assets			
	Goodwill [WN 6]		12,000
5. Other non-current assets			
	H Ltd.		4,40,000
	S Ltd.		1,50,000
			<u>5,90,000</u>

Working Notes:

1. Pre-acquisition profits and reserves of S Ltd.:	Rs.
Reserves	25,000
Profit and Loss Account	15,000
	<u>40,000</u>
H Ltd.'s = $4/5 \times 40,000$	32,000
Minority Interest = $1/5 \times 40,000$	8,000

2. Profit on revaluation of assets of S Ltd.:	
Profit on Machinery Rs. (1,50,000 - 1,00,000)	50,000
Less: Loss on Furniture Rs.(20,000 - 15,000)	5,000
Net Profit on revaluation	<u>45,000</u>
H Ltd.'s share $\frac{4}{5} \times 45,000$	36,000
Minority Interest $\frac{1}{5} \times 45,000$	9,000
3. Post-acquisition reserves of S Ltd.:	
Post-acquisition reserves (Total reserves less pre-acquisition reserves = Rs. 75,000 - 25,000)	50,000
H Ltd.'s share $\frac{4}{5} \times 50,000$	40,000
Minority interest $\frac{1}{5} \times 50,000$	<u>10,000</u>
4. Post -acquisition profits of S Ltd.	
Post-acquisition profits (Profit & loss account balance less pre-acquisition profits = Rs. 25,000 - 15,000)	10,000
Add: Excess depreciation charged on furniture @ 15% on Rs. 5,000 i.e. (20,000 - 15,000)	750
	<u>10,750</u>
Less: Under depreciation on machinery @ 10% on Rs. 50,000 i.e. (1,50,000 - 1,00,000)	(5,000)
Adjusted post-acquisition profits	<u>5,750</u>
H Ltd.'s share $\frac{4}{5} \times 5,750$	4,600
Minority Interest $\frac{1}{5} \times 5,750$	<u>1,150</u>
5. Minority Interest:	
Paid-up value of (1,000 - 800) = 200 shares held by outsiders i.e. 200 × Rs. 100	20,000
Add: 1/5th share of pre-acquisition profits and reserves	8,000
1/5th share of profit on revaluation	9,000
1/5th share of post-acquisition reserves	10,000
1/5th share of post-acquisition profit	<u>1,150</u>
	<u>48,150</u>
6. Cost of Control or Goodwill:	
Paid-up value of 800 shares held by H Ltd. i.e. 800 × Rs. 100	80,000
Add: 4/5th share of pre-acquisition profits and reserves	32,000
4/5th share of profit on the revaluation	<u>36,000</u>
Intrinsic value of shares on the date of acquisition	<u>1,48,000</u>
Price paid by H Ltd. for 800 shares	1,60,000
Less: Intrinsic value of the shares	(1,48,000)
Cost of control or Goodwill	<u>12,000</u>

PROBLEM NO: 4

Consolidated Balance Sheet of Evil Ltd. with its subsidiary Devil Ltd. as on 31st March, 2018

	Notes No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholder's Funds		
a) Share Capital	1	6,00,000
b) Reserves and Surplus	2	1,93,000
2. Minority interest (V.N. 4)		1,23,500
3. Current Liabilities		
Trade payables	3	<u>1,70,000</u>
Total		<u>10,86,500</u>
II. Assets		
1. Non-current assets		
a) Fixed assets		
i) Tangible assets	4	6,28,000
ii) Intangible assets	5	50,000
2. Current assets		
a) Inventories	6	2,13,500
b) Trade receivables	7	1,30,000
c) Cash and cash equivalents	8	65,000
Total		<u>10,86,500</u>

Notes to Accounts:

Particulars		Rs.	Rs.
1. Share Capital:	Equity shares of Rs. 10 each, fully paid up		6,00,000
2. Reserves and surplus			
	Capital reserve (W.N.3)	33,750	
	General reserve	60,000	
	Profit and loss account (W.N. 6)	<u>99,250</u>	1,93,000
3. Trade Payables			
	Evil Ltd.	1,00,000	
	Devil Ltd.	<u>80,000</u>	
		1,80,000	
	Less: Mutual indebtedness	<u>(10,000)</u>	1,70,000
4. Tangible Assets			
	Land and buildings		
	Evil Ltd.	1,00,000	
	Devil Ltd.	<u>1,00,000</u>	2,00,000
	Plant and machinery		
	Evil Ltd.	2,00,000	
	Devil Ltd.	1,80,000	
	Add: Upward revaluation	<u>50,000</u>	
		2,30,000	
	Less: Excess Depreciation on upward revaluation	<u>(2,000)</u>	<u>4,28,000</u>
			6,28,000
5. Intangible Assets			
	Evil Ltd.	10,000	
	Devil Ltd.	<u>40,000</u>	50,000
6. Inventories			
	Evil Ltd.	1,17,500	
	Devil Ltd.	<u>1,00,000</u>	
		2,17,500	
	Less: Unrealised profit	<u>(4,000)</u>	2,13,500
7. Trade receivables			
	Evil Ltd.	50,000	
	Devil Ltd.	<u>90,000</u>	
		1,40,000	
	Less: Mutual indebtedness	<u>(10,000)</u>	1,30,000
8. Cash and cash equivalents			
	Bank Balances		
	Evil Ltd.	45,000	
	Devil Ltd.	<u>20,000</u>	65,000

Working Notes:

1. Analysis of Reserves and Profits of Devil Ltd. as on 31.03.2018

		Pre-acquisition profit upto 1.10.2017 (Capital profits)	Post acquisition profits (2.10.2017 - 31.3.2018) Profit and loss account
General reserve as on 31.3.2018		50,000	
Profit and loss account as on 31.3.2018	1,00,000		
Less: Opening Balance	60,000		
Less: Dividend for 2016-17 (out of pre-acquisition profits)	<u>30,000</u>	30,000	
	(30,000)		
Profit earned during the year	70,000	35,000	35,000
Upward revaluation of plant and machinery as on 1.10.2017 (W.N.2)		50,000	
Excess depreciation (for 6 months) due to upward revaluation (W.N.2)			<u>(2,000)</u>
Total		<u>1,65,000</u>	<u>33,000</u>
Minority Interest (25%)		41,250	8,250
Share of Evil Ltd. (75%)		<u>1,23,750</u>	<u>24,750</u>

2. Revaluation of Plant & Machinery of Devil Ltd. and its book value as on 31.03.2018:

Depreciation during the year = Opening Balance less Closing Balance = 2,00,000 - 1,80,000 = Rs. 20,000

Depreciation rate = $(20,000/2,00,000) \times 100 = 10\%$

a) Computation of Revaluation Gain / Loss:

Particulars	Rs.
Revalued Amount on 01.10.2017 (date of acquisition)	2,40,000
Less: Book Value on 01.10.2017 (date of acquisition)	
Value on 01.04.2017	Rs. 2,00,000
Less: Depreciation for 6 months at 10%	(Rs. 10,000)
Revaluation Gain i.e. Capital Profit	<u>50,000</u>

b) Computation of Depreciation on Revaluation Gain / Loss:

Particulars	Rs.
Depreciation on Revalued Plant for 6 months = Rs. 2,40,000 × 6/12 × 10%	12,000
Less: Depreciation already provided on Rs. 2,00,000 × 6/12 × 10%	(10,000)
Revenue Loss	<u>2,000</u>

3. Calculation of cost of control:

Particulars	Rs.
Share capital in Devil Ltd.	2,25,000
Add: Capital profit	<u>1,23,750</u>
	3,48,750
Less: Cost of Investments	3,37,500
Less: Pre-acquisition dividend received for 2016-17	(22,500)
Capital Reserve	<u>33,750</u>

4. Calculation of Minority Interest [25%]:

Particulars	Rs.
Share capital	75,000
Capital (pre-acquisition) profits [W.N.1]	41,250
Revenue (post-acquisition) profits - Profit and loss [W.N.1]	<u>8,250</u>
	1,24,500
Less: Unrealised profit [W.N. 5]	(1,000)
	<u>1,23,500</u>

5. Stock reserve (Plant and Machinery):

$$\text{Unrealised profit} = \left[\frac{16,000 \times 1/3}{4/3} \right] = \text{Rs. 4,000}$$

To be adjusted from minority interest and consolidated profit and loss account in the ratio of 25:75.

6. Consolidated profit and loss account as on 31.03.2018:

Particulars	Rs.
Profit and loss account balance of Evil Ltd. as on 31.03.2018	1,00,000
Less: Pre-acquisition dividend wrongly credited	(22,500)
Add: Share in post-acquisition profit and loss account of Devil Ltd. (W.N.1)	24,750
Less: Unrealised profit [W.N. 5]	(3,000)
	<u>99,250</u>

Note: Unrealized profits on closing stock have been eliminated to the extent of holding company's share in Profit and Loss Account and balance adjusted in Minority Interest as it relates to upstream transaction.

6.	Inventories			
	Inventory	H Ltd.	Rs. 983	
		S Ltd.	Rs. 786	1,769
	Less: Unrealised profit (Rs. 50 x 1/5)			<u>(10)</u>
				1,759
7.	Trade receivables			
		H Ltd.	820	
		S Ltd.	<u>778</u>	1,598
8.	Cash and cash equivalents			
	Cash and Bank Balances	H Ltd.	410	
		S Ltd.	<u>102</u>	512
9.	Short term loans and advances			
	Sundry Advances	H Ltd.	260	
		S Ltd.	<u>190</u>	450

Working Notes: Share holding pattern

Particulars	Number of Shares	% of holding
a) S Ltd.		
i) Purchased on 01.04.2017	90,000	
ii) Bonus Issue (90,000/5 x 3)	<u>54,000</u>	
Total	<u>1,44,000</u>	60%
b) Minority Interest	96,000	40%

1. S Ltd. General Reserve

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

2. S Ltd.'s Profit and Loss Account

	(Rs. in 000)		(Rs. in 000)
To General Reserve	90	By Balance b/d	633
To Dividend paid on 14.7.2017 $\left(\frac{1,500 \times 20}{100}\right)$	300	By Net Profit for the year (Balancing figure)	628*
To Corporate Dividend Tax (17.304% of 353) (Refer W.N. 7)	61		
To Balance c/d	<u>810</u>		
	<u>1,261</u>		<u>1,261</u>

* Out of Rs. 6,28,000 profit for the year, Rs. 90,000 has been transferred to reserves by S Ltd.

3. Distribution of Revenue Profits

Particulars	Rs. in '000
Revenue Profit as above	<u>628.00</u>
Share of H Ltd. (60%)	376.80
Share of Minority shareholders (628 - 376.80)	251.20

4. Computation of Capital Profits

Particulars	Rs. in 000	Rs. in 000
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	Rs. 300	
Corporate tax paid	<u>Rs. 61</u>	<u>(361)</u>
		272
		<u>872</u>
Share of H Ltd. (60%)		523.20
Share of Minority shareholders		<u>348.80</u>

5. Computation of Capital Reserve

		Rs. in '000
60% of share capital of S Ltd.		1,440
Add: Share of H Ltd. in the capital profits as in working note (4)		523.20
		1,963.20
Less: Investments in S Ltd.	1,500	
Less: Dividends received out of pre- acquisition profits $\frac{\text{Rs. } 300 \times 60}{100}$	(180)	(1,320)
		643.20

6. Calculation of Minority Interest

Particulars		Rs. in '000
40% of share capital of S Ltd.		960.00
Add: Share of Revenue Profits (Note 3)		251.20
Share of Capital Profits (Note 4)		348.80
		1,560.00

7. Calculation of grossing up of dividend

Particulars		Rs. in '000s
Dividend distributed by S Ltd. $(1500 \times 20)/100$		300
Add: Increase for the purpose of grossing up of dividend $\left[\frac{15}{100-15}\right] \times 300$		52.94
		352.94 or 353.00 (approx.)
Dividend distribution tax @ 17.304% $(353 \times 17.304\%) = 61.08$ or		61 (approx.)

PROBLEM NO: 6

Consolidated Balance Sheet of X Ltd. and its subsidiary Y Ltd. as on 31st March, 2017

Particulars	Note No.	Rs. in lakhs
I. Equity and Liabilities		
1. Shareholders' Funds		
a) Share Capital	1	19,000
b) Reserves and Surplus	2	5,620
2. Minority interest	3	3,400
3. Current Liabilities		
a) Trade payables	4	2,623
Total		30,643
II. Assets:		
1. Non-Current Assets		
a) Fixed Assets		
i) Tangible Assets	5	17,435
2. Current Assets		
a) Inventories	6	6,632
b) Trade Receivables	7	4,842
c) Cash and Cash equivalents	8	1,734
Total		30,643

Notes to Accounts:

Particulars	Rs. in lakhs	Rs. in lakhs
1. Share Capital		
Issued, Subscribed and Paid up (1,500 lakh Equity Shares of Rs. 10 each fully paid up)		15,000
400 lakh Preference Shares of Rs. 10 each fully paid up		4,000
		19,000
2. Reserves and Surplus		
Credit Balance of Profit & Loss Account	2,750	
Less: Capital Receipt wrongly credited (Dividend @ 10% on Rs. 4500 Lakh Equity Shares)	450	
	2,300	

Add: Share in Y Ltd. Revenue Profit (Working Note I)	825	
	3,125	
Less: Unrealised Profit (Working Note IV)	30	3,095
Capital Reserve (Working Note III)	25	
General Reserve	2,500	2,525
		5,620
3. Minority Interest		
100 Lakh Preference Shares of Rs. 10 fully paid up	1,000	
150 Lakh Equity Shares of Rs.10 each fully paid up	1,500	2,500
Share in Revenue Profits (Working Note i)	275	
Share in Capital Profit (working Note ii)	625	900
		3,400
4. Trade payables		
X Ltd.	1,646	
Y Ltd.	1,027	
	2,673	
Less: Mutual owing	50	2,623
5. Tangible Assets		
Land & Building		
• X Ltd.	3,550	
• Y Ltd.	1,510	5,060
Plant & Machinery		
• X Ltd.	5,275	
• Y Ltd (Working note V)	4,500	9,775
Furniture & Fixtures		
• X Ltd.	1,945	
• Y Ltd.	655	2,600
		17,435
6. Inventories		
X Ltd.	4,142	
Y Ltd.	2,520	
	6,662	
Less: Unrealized Profit	(30)	6,632
7. Trade Receivables		
X Ltd.	3,010	
Y Ltd.	1,882	
	4,892	
Less: Mutual Owing	50	4,842
8. Cash & cash Equivalents		
X Ltd.	1,174	
Y Ltd.	560	1,734

Working Notes:**i) Calculation of Revenue Profits****Y's Ltd Profit & Loss Account**

Particulars	Rs. in lakh	Particulars	Rs. in lakh
To Equity Dividend		By Balance b/d	650
10 % of 6,000 lakh	600	By Net profit for the year (Bal Fig.)	1,200
To balance c/d	1,250		
	1,850		1,850

Depreciation provided on Plant & Machinery:

Balance as on 1st April, 2016	4,000
Less: Balance as 31st March 2017	3,600
	400
Hence rate of Depreciation = $400/4000 \times 100$	10%
Net Profit for the year ended 31st March 2017	1,200

Less: Additional Depreciation	100
Revenue Profit	1,100
X Ltd's share = 1100 x 450/600	825
Y Ltd's share = 1100 x 150/600	275

ii) Calculation of Capital Profits

Profit & Loss Balance as on 1st April, 2016	650
Less: Dividend Paid	600
	50
Add: General Reserve as on 1st April, 2016	1,450
Add: Profit on Revaluation of Plant & machinery	1,000
Capital Profit	2,500
X Ltd's Share in Capital Profit = 2,500 x 450/600	1,875
Y Ltd's Share in Capital Profit = 2,500 x 150/600	625

iii) Calculation of Capital Reserve

Paid up value of 450 Lakh equity shares	4,500
Add: Share in Capital Profits	1,875
	6,375
Amount Paid to acquire the 450 Lakh Equity Shares	6,800
Less: Dividend received out of Pre acquisition profits	450
	6,350
Capital Reserve = 6,375 - 6,350	25

iv) Unrealised Profit: Rs. 150 Lakh x 25/125* = 30 lakh

v) Plant & Machinery of Y Ltd.:

Balance as on 31st March, 2017		3,600
Add: Addition due to revaluation		1,000
Less: Depreciation on additional Value of Plant & Machinery @ 10 %	100	900
		4,500

* Rs. 150 lakh considered as cost to Y Ltd.

PROBLEM NO:7

Consolidated Balance Sheet of P Ltd. and its subsidiary Q Ltd. as on 31st March, 2018

Particulars	Note No.	Amount (Rs.)
I. Equity and Liabilities		
1. Shareholder's Funds		
a) Share Capital	1	45,00,000
b) Reserves and Surplus	2	99,73,500
2. Minority Interest (W.N)		11,56,500
3. Current Liabilities		
Trade payables (5,55,000 + 2,10,000)		7,65,000
Total		1,63,95,000
II. Assets		
1. Non-current assets		
a) Fixed assets		
i) Tangible assets (79,20,000 + 23,10,000)		1,02,30,000
2. Current assets (44,10,000 + 17,55,000)		61,65,000
Total		1,63,95,000

Notes to Accounts:

	(Rs. In 000's)	(Rs. in 000's)
1. Share Capital		
4,50,000 Shares of Rs. 10 each		45,00,000
2. Reserves and surplus		
Securities Premium	9,00,000	
Capital Reserve	4,38,000	

General Reserve	60,00,000	
Profit and Loss Account	26,35,500	99,73,500

Shareholding pattern:

Particulars	Number of Shares	% of holding
a) P Ltd.		
i) Purchased on 31.03.2012	1,05,000	
ii) Bonus Issue (1,05,000/2)	52,500	
Total	1,57,500	70%
b) Minority Interest	67,500	30%

a) 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.)	63,000	(11,13,000)
	Cost of control		87,000
ii)	Minority Interest		Rs.
	Share Capital		4,50,000
	Capital profits (W.N.)		27,000
	Revenue profits (W.N.)		6,79,500
			11,56,500
iii)	Consolidated profit and loss account - P Ltd.		Rs.
	Balance		15,75,000
	Add: Share in revenue profits of Q Ltd.(W.N.)		15,85,500
			31,60,500

b) Immediately after issue of bonus shares

(i)	Cost of control/capital reserve	Rs.	Rs.
	Face value of investments (Rs. 10,50,000 + Rs. 5,25,000)	15,75,000	
	Capital Profits (W.N.)	63,000	16,38,000
	Less: Investment in Q Ltd.		(12,00,000)
	Capital reserve		4,38,000
(ii)	Minority Interest		Rs.
	Share Capital (Rs. 4,50,000 + Rs. 2,25,000)		6,75,000
	Capital Profits (W.N.)		27,000
	Revenue Profits (W.N.)		4,54,500
			11,56,500
(iii)	Consolidated Profit and Loss Account - P Ltd.		Rs.
	Balance		15,75,000
	Add: Share in revenue profits of Q Ltd. (W.N.)		10,60,500
			26,35,500

Working Note:

Analysis of Profits of Q Ltd.

Particulars	Capital Profits (Before and after issue of bonus shares) (Rs.)	Before Bonus Issue (Rs.)	Revenue Profits After Bonus Issue (Rs.)
Pre-incorporation profits	30,000		
P&L account on 31st March, 2012	60,000		
	90,000		
General reserve*		19,05,000	19,05,000
Less: Bonus shares			(7,50,000)
			11,55,000
Profit for period of 1st April, 2013 to 31st March, 2018 (Rs. 4,20,000 - Rs. 60,000)		3,60,000	3,60,000
		22,65,000	15,15,000
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.

PROBLEM NO: 8Consolidated Profit and Loss Account of Alpha Ltd. and its subsidiary Beta Ltd. as on 31st March 2018

Particulars	Note No.	Amount (Rs.)
I. EQUITY AND LIABILITIES		
1. Shareholder's funds		
a) Share capital	1	1,80,000
b) Reserves and surplus	2	85,750
c) Minority interest (WN # 5)		10,050
2. Current liabilities (39,000 + 9,500)		<u>48,500</u>
Total		3,24,300
II. ASSETS		
1. Non-current assets		
a) Fixed assets		
i) Tangible assets	3	1,90,000
ii) Intangible assets [Goodwill] (20,000 + 6,000 + 18,200) (WN # 6)		44,200
b) Non-current investments [Others] (WN # 7)		44,100
2. Current assets (WN # 7)		<u>46,000</u>
Total		3,24,300

Notes to Accounts**1. Share capital**

Particulars	Amount (Rs.)
a) Authorised
b) Issued, subscribed and fully paid up 1,80,000 shares of Re. 1 each	1,80,000

2. Reserves and Surplus

Particulars	Amount (Rs.)
a) General reserve (WN # 8)	45,000
b) Surplus (WN # 8)	<u>40,750</u>
Total	85,750

Assumptions: "Fixed assets" given in the balance sheet in the question are assumed to be tangible**Working Notes:**

WN # 1: Date of acquisition: 01.04.2017

WN # 2: Shareholding pattern

Particulars	Number of shares	% of holding
i. Alpha Ltd.	54,000	90
ii. Minority interest	6,000	10

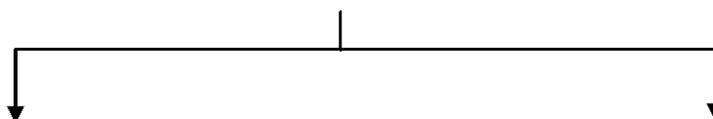
WN # 3: Analysis of profit

a) General Reserve

Closing balance - Rs.20,000

**b) Profit and loss account**

Closing balance - Rs. 20,500



Opening balance - Rs.22,000 Current year profit - Rs.12,000
 Less: Dividend for the year ended 31.03.2017 Rs.(9,000) Less: Interim dividend paid- Rs.(4,500)

Rs.13,000



Rs. 7,500



WN # 4: Apportionment of profit

Particulars	Pre-Acquisition Capital Profits (CP)	Post Acquisition	
		RR	RP
a) General reserve	20,000	-	-
b) Profit and loss A/c	13,000	-	7,500
c) Total	33,000	-	7,500
d) Alpha Ltd. (90%)	29,700	-	6,750
e) Minority interest (10%)	3,300	-	750

WN # 5: Minority interest

Particulars	Amount (Rs.)
a) Share capital	6,000
b) Capital Profit (WN # 4)	3,300
c) Revenue Profit (WN # 4)	750
d) Total	10,050

WN # 6: Cost of control

Particulars	Amount (Rs.)	Amount (Rs.)
a) Cost of investment		
i) Amount invested	1,10,000	
ii) Less: Pre acquisition dividend (Rs. 9,000 x 90%)	<u>(8,100)</u>	<u>1,01,900*</u>
b) Alpha Ltd's share of net assets of Beta Ltd. as on the date of acquisition represented by		
i) Share capital	54,000	
ii) Capital Profits (WN # 4)	<u>29,700</u>	<u>83,700</u>
c) Goodwill/ (Capital reserve) (a-b)		18,200

* The pre-acquisition dividend is reduced from initial investment just to arrive at the correct cost. The question says that Alpha Ltd. has dealt with the dividends correctly. So, there is no need to transfer pre-acquisition dividend from profit and loss A/c.

WN # 7: Inter Company Transactions

a) Stock

Particulars	Amount (Rs.)
Stock - Downstream	
i) Aggregate stock	48,000
ii) Less: Unrealised profit (6,000 x 50 / 150)	<u>(2,000)</u>
iii) Net for CBS	46,000

b) Investment in Debentures

Particulars	6% Debentures (Rs.)	Investments (Rs.)
i) Balance as per book	10,000	1,56,000
ii) Less: Cost of investment in Capital of Beta Ltd. (1,10,000 - 8,100)		1,01,900
iii) Less: Debentures held by Alpha Ltd. in Beta Ltd.	10,000	10,000
iv) Net for CBS	Nil	44,100

WN # 8: Reserves for CBS

Particulars	General Reserve (Rs.)	Profit and Loss A/c (Rs.)
a) Balance as per books	45,000	36,000
b) Share of profit from Beta Ltd.	Nil	6,750
c) Less: Unrealised profit	<u>-</u>	<u>(2,000)</u>
d) Reserve for CBS	45,000	40,750

PROBLEM NO: 9

Note: It is assumed that Preference shares given in the question are non-convertible in nature.

Consolidated Profit and Loss Account of H Ltd. and S Ltd. for the year ended 31.12.2018

Particulars	Note No.	Rs.
I. Revenue from operations	1	17,90,000
II. Total revenue		17,90,000
III. Expenses		
Cost of Material purchased/consumed	2	10,40,000
Changes of Inventories of finished goods		
Employee benefit expense (1,00,000 + 1,50,000)		2,50,000
Finance cost (12,000 + 12,000)		24,000
Depreciation and amortization expense [1,10,000 + 79,000]		1,89,000
Other expenses [80,000 + 60,000]		1,40,000
Total expenses		16,43,000
IV. Profit before Tax (II-III)		1,47,000
Profit transferred to Consolidated Balance Sheet		
Profit After Tax		1,47,000
Preference dividend	3,500	
Preference dividend payable	3,500	(7,000)
		1,40,000
Less: Minority interest (WN 3)		(7,000)
Capital reserve*		(7,000)
Investment Account - dividend for 3 months (prior to acquisition)		(1,750)
Inventory reserve $\left[\frac{60,000}{4} \times \frac{20}{120} \right]$		(2,500)
Profit to be transferred to consolidated balance sheet		1,21,750

Notes to Accounts:

	Rs.	Rs.
1. Revenue from Operations		
H Ltd.	9,00,000	
S Ltd.	9,50,000	
Total	18,50,000	
Less: Intra-group sales (H sold to S)	(60,000)	17,90,000
2. Cost of Materials Purchased/Consumed		
H Ltd.	5,00,000	
S Ltd.	6,00,000	
Total	11,00,000	
Less: Intra-group sales (H sold to S)	(60,000)	10,40,000

Working Note: Profit of Subsidiary

Revenue from Operations		9,50,000
Less: Expenses		
Cost of Material purchased/Consumed	6,00,000	
Changes of Inventories of finished goods		
Employee benefit expense	1,50,000	
Finance cost	12,000	
Depreciation and amortization expense	79,000	
Other expenses	60,000	
Total expenses		(9,01,000)
Profit Before Tax		49,000
Preference Dividend		7,000
Preference Dividend Payable		7,000
Profit available for shareholders		35,000
Minority Share (20%)		7,000

*Capital Reserve is made up of 3 month's profit upto 01.04.2018 i.e. $\frac{1}{4} \times 35,000 \times \frac{80}{100}$.

PROBLEM NO: 10

Consolidated Profit & Loss Account of Hello Ltd. and its subsidiary Sun Ltd.

For the year ended on 31st March, 2018

Particulars	Note No.	Rs. in Lacs
I. Revenue from operations	1	11,730
II. Total revenue		11,730
III. Expenses		
Cost of Material purchased/Consumed	3	2,360
Changes of Inventories of finished goods	2	(2,392)
Employee benefit expense	4	1,900
Finance cost	6	300
Depreciation and amortization expense	7	300
Other expenses	5	1,070
Total expenses		3,538
IV. Profit before Tax (II-III)		8,192
V. Tax Expenses	8	2,800
VI. Profit After Tax		5,392
Profit transferred to Consolidated Balance Sheet:		
Profit After Tax		5,392
Dividend paid		
Hello Ltd.	2,400	
Sun Ltd.	300	
	2,700	
Less: Share of Hello Ltd. in dividend of Sun Ltd.		
80% of Rs. 300 lacs	(240)	(2,460)
Profit to be transferred to consolidated balance sheet		2,932

Notes to Accounts:

	Particulars	Rs. in Lacs	Rs. in Lacs
1.	Revenue from Operations		
	Sales and other income		
	Hello Ltd.	10,000	
	Sun Ltd.	2,000	
		12,000	
	Less: Inter-company Sales	(240)	
	Consultancy fees received by Hello Ltd. from Sun Ltd.	(10)	
	Commission received by Sun Ltd. from Hello Ltd.	(20)	11,730
2.	Increase in Inventory		
	Hello Ltd.	2,000	
	Sun Ltd.	400	
		2,400	
	Less: Unrealized profits Rs. 48 lacs × 20/120	(8)	2,392
			14,122
3.	Cost of Material purchased/consumed		
	Hello Ltd.	1,600	
	Sun Ltd.	400	
		2,000	
	Less: Purchases by Sun Ltd. from Hello Ltd.	(240)	1,760
	Direct Expenses		
	Hello Ltd.	400	
	Sun Ltd.	200	600
			2,360
4.	Employee benefits and expenses		
	Wages and Salaries:		
	Hello Ltd.	1,600	
	Sun Ltd.	300	1,900

5.	Other Expenses		
	Administrative Expenses		
	Hello Ltd.	400	
	Sun Ltd.	<u>200</u>	
		600	
	Less: Consultancy fees received by Hello Ltd. from Sun Ltd.	<u>(10)</u>	590
	Selling and Distribution Expenses:		
	Hello Ltd.	400	
	Sun Ltd.	<u>100</u>	
		500	
	Less: Commission received from Sun Ltd. from Hello Ltd.	<u>(20)</u>	480
			<u>1,070</u>
6.	Finance Cost		
	Interest:		
	Hello Ltd.	200	
	Sun Ltd.	<u>100</u>	300
7.	Depreciation and Amortization		
	Depreciation:		
	Hello Ltd.	200	
	Sun Ltd.	<u>100</u>	300
8.	Provision for tax		
	Hello Ltd.	2,400	
	Sun Ltd.	<u>400</u>	2,800

Note: Since the amount of dividend received by Hello Ltd. for the year 2016-2017 is not given, it has not been deducted from 'sales and other income' in consolidated profit and loss account and not added to consolidate opening retained earnings (which is also not given).

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To **MASTER MINDS**, Guntur

THE END