

# **HOLDING COMPANY**

**SUBJECT: FINANCIAL REPORTING AND  
FINANCIAL STATEMENT ANALYSIS**

**Class: B.Com. Semester- 6, Hons.**

**Prepared By:**

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# **GUIDELINE FOR PREPARATION OF CONSOLIDATED BALANCE SHEET**

- In the present study material I have discussed the steps for preparation of Consolidated Balance Sheet**

## PROBLEM:

Following are the balance sheet of Holding Ltd. And subsidiary Ltd. As at 31<sup>st</sup> December, 22017.

	H. Ltd. Rs.	S. Ltd. Rs.		H. Ltd. Rs.	S. Ltd. Rs.
Share Capital Share of Rs.100 Each	5,00,000	2,00,000	Goodwill	40,000	30,000
General Reserve on 1 <sup>st</sup> January,2017	1,00,000	60,000	Land & Building	2,00,000	1,30,000
Profit & Loss Account	1,40,000	90,000	Plant & Machinery	1,60,000	90,000
Bills Payable		40,000	Stock in Trade	1,00,000	90,000
Creditors	80,000	50,000	Debtors	20,000	75,000
			1,500 share in S. Ltd. At cost	2,40,000	
			Cash at Bank	60,000	25,000
<b>Total</b>	<b>8,20,000</b>	<b>4,40,000</b>	<b>Total</b>	<b>8,20,000</b>	<b>4,40,000</b>

The Profit & Loss Account of S. Ltd. Showed a balance of Rs. 50,000 on 1<sup>st</sup> January, 2017. A dividend of 15% was paid in October 2017 for the year 2016. this dividend was credited to Profit & Loss Account by H.Ltd. H. ltd. Acquired the shares in S.Ltd. on 1<sup>st</sup> July ,2017.The bills payable of S. Ltd. were all issued in favor of H.Ltd. which company got the bills discounted . Included in the creditors of S.Ltd. Is Rs.20,000 for goods supplied by H. Ltd. included in the stock of S. Ltd.are good to the value of Rs. 8000 which were supplied by H. Ltd. At a profit  $33\frac{1}{3}\%$  on cost. In arriving at the value of the S. Ltd. Shares the plant and machinery which then stood in the books at Rs. 1,00,000 was revalued at Rs. 1,50,000. the new valued was not incorporated in the books. No change in these assets have been made since that date.

Prepare consolidated Balance Sheet of H. Ltd. as at 31<sup>st</sup> December,2017.

# SOLUTION:

1. Date of acquisition is 31.7.17. so  $\frac{1}{2}$  the period is Pre acquisition and next half is Post acquisition.

2. Share acquired 1500 share . So  $\frac{3}{4}$  ,holding &  $\frac{1}{4}$  minority

3. Assumed dividend paid out of opening profit:-

Profit on 1.1.17 Rs. 50,000

Dividend for'16 Rs. 30,000 (15% of 2,00,000)

**Actual Opening Profit** Rs. 20,000

4. Profit on 31.12.17 Rs. 90,000

Less- Actual opening profit Rs. 20,000

Profit during the year Rs. 70,000

50%, 35000 Pre acquisition

50%, 35000 Post acquisition

5. Increase in the value of Plant & Machinery:-

$$1,50,000 - (1,00,000 - 10\% \text{ of } 1,00,000 \times \frac{1}{2} \text{ year}) = \text{Rs. } 55,000$$

Depreciation on increased value:- 1,50,000 @ 10%  $\frac{1}{2}$  year - 1,00,000 @  $\frac{1}{2}$  year

$$= \text{Rs. } 25,000$$

6. Un realised profit on unsold stock:-

$$\frac{1}{4} \times \text{Rs. } 8000 = \text{Rs. } 2000$$

❖ **Preparation of Schedules:**

**Schedule I, Capital Profit**

Reserve on 1.1.17	Rs.60,000
+ Opening Profit ( after Dividend)	Rs. 20,000
+ pre Acquisition current Profit	Rs. 35000
+ increase in the value of the assets	<u>Rs. 55000</u>
	<u>Rs. 1,70,000</u>

Share of H. ltd.  $\frac{3}{4}$  = 1,27,500

Share of Minority  $\frac{1}{4}$  = 42500

**Schedule II, Current Revenue Profit**

Current Revenue profit	Rs. 35000
Less: Depreciation on increased value of Assets	Rs. <u>2500</u>
	<u>Rs. 32500</u>

Share of H.Ltd.  $\frac{3}{4}$  Rs. 24375

Share of Minority  $\frac{1}{4}$  Rs. 8125

## SCHEDULE III MINORITY INTEREST

Share Capital	Rs. 50,000	(2,00,000-1,50,000)
Add- Share of Capital profit(sc I)	Rs. 42500	
Add- Share of Revenue profit (SC II)	<u>Rs. 8125</u>	
	<u>Rs. 100625</u>	

### Schedule IV Goodwill or Cost of Capital

Value Paid for share held		Rs. 240000
Less- cost of Share held		<u>Rs. 150000</u>
		Rs. 90,000
Less- Capital profit:		
Share of Capital Profit Sc I	Rs. 1,27,500	
Share of Pre Dividend (3/4 of 30,000)	<u>Rs. 22500</u>	<u>Rs. 150000</u>
	Capital Reserve	Rs. 60,000

## CONSOLIDATED BALANCE SHEET AS ON 31.12.17

Details	Note No	Current Year Amt. Rs.	Previous Year Amt. Rs.
<b><u>Equity and Liabilities</u></b>			
<b><u>Share Holder's Fund:</u></b>			
Share Capital		500,000	
Reserve & Surplus	(1)	299875	
Minority Interest	Sc III	100625	
<b><u>Non current Liability</u></b>			
Nil			
<b><u>Current liability</u></b>			
Trade payable		150000	
Total	(2)	<u>10,50,500</u>	
<b><u>Assets</u></b>			
Tangible Assets	(3)	632500	
Intangible Assets	(4)	70,000	
<b><u>Non Current Assets</u></b>			
Investment	(5)	45000	
<b><u>Current Assets</u></b>			
Inventories		188000	
Trade Receivable		75000	
Cash or Equivalent		<u>40,000</u>	
Total		<u>10,50,500</u>	



## Notes to A/C

### Note No I. Reserve & surplus:

General reserve		Rs. 1,00,000
Capital reserve (SC IV)		Rs. 60,000
P & L A/C	Rs. 1,40,000	
Add: share of SC II	<u>Rs. 24375</u>	
	Rs. 1,64,375	
Less- Un Realised Profit	<u>Rs. 2000</u>	
	Rs. 162375	
LESS- Pre acquisition Dividend credited	<u>Rs. 22500</u>	<u>Rs. 139875</u>
		<u>Rs. 299875</u>

### Note 2 . Trade Payable:

Creditors	80000+50000=	Rs. 130000
Bills Payable		<u>Rs. 40000</u>
		<u>Rs. 170000</u>

### Note 3. Tangible Assets:

Land & Building	Rs. 200000+130,000=	330000
Plant & Machinery	Rs. 160000+90000 =	Rs. 250000
Add- Increase in value		<u>Rs. 55000</u>
		Rs. 305000
Less: Depreciation		<u>Rs. 2500</u> 302500
		<u>Rs. 632500</u>

#### NOTE NO. 4: INTANGIBLE ASSTS (GOODWILL)

Goodwill Rs.  $40000+30000=$  Rs. 70000

Assumed Purchased Goodwill

#### Note No. 5 : Investments

Stock	$100000+ 90000 =$	Rs. 190000
Less: Unrealised profit		<u>2000</u>
		<u>Rs. 188000</u>

Dividend Paid for Current year to be Credited to P & L A/C

But if dividend Paid for Earlier Year to be Credited to Investment A/C

In this above Sum it is wrongly Credited to P&L A/C

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