

**DEPARTMENT OF COMMERCE**

**(SERAMPORE COLLEGE)**

**B.COM (HONS) 6<sup>TH</sup> SEMESTER**

**FINANCIAL REPORTING AND FINANCIAL STATEMENT ANALYSIS:**

**UNIT 1: HOLDING COMPANY(WITH BONUS ISSUE)**

**PROBLEM:**

**H. Ltd. acquired 4800 equity shares of S. Ltd. of Rs 100 each on 31<sup>st</sup> December, 2019.  
The summarised balance sheets of H. Ltd. as on the date were as under.**

<b>PARTICULARS</b>	<b>NOTE NO</b>	<b>H Ltd (RS)</b>	<b>S. Ltd(RS)</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Share Holder's Fund</b>			
Share Capital (shares of RS 100 each)		15,00,000	6,00,000
Surplus	1	9,91,600	4,68,000
<b>Current Liabilities</b>			
Short Term Borrowing (Bank Overdraft)		2,40,000	
Trade payables	2	1,41,300	62,200
<b>TOTAL</b>		<b>28,72,900</b>	<b>11,30,200</b>
<b>ASSETS</b>			
<b>Non Current Assets</b>			
<b>PROPERTY PLANT EQUIPMENT:</b>			
Tangible assets	3	11,70,000	8,68,200
Non Current investment (Inv in S ltd at cost)		10,20,000	
<b>Current Assets</b>			
inventories (stock)		3,60,000	1,08,000
Trade Receivables	4	2,79,400	1,20,000
Cash and cash equivalent		43,500	34,000
<b>TOTAL</b>		<b>28,72,900</b>	<b>11,30,200</b>

## NOTES TO ACCOUNTS:

PARTICULARS	H.Ltd (RS)	S.Ltd (RS)
<b>SURPLUS</b>		
Capital Reserve		3,60,000
General Reserve	7,20,000	
balance in statement of p/l	2,71,600	1,08,000
	<u>9,91,600</u>	<u>4,68,000</u>
<b>TRADE PAYABLES</b>		
Sundry Creditors	1,41,300	37,000
Bills Payable (including Rs 12000 due to H Ltd )		25,200
	<u>1,41,300</u>	<u>62,200</u>
<b>PROPERTY PLANT AND EQUIPMENT</b>		
Land and Building	4,50,000	5,40,000
Plant and Machinery	7,20,000	3,28,200
	<u>11,70,000</u>	<u>8,68,200</u>
<b>TRADE RECEIVABLES</b>		
Debtors	2,32,000	1,20,000
Bills Receivables (including Rs 9000 due from S ltd)	47,400	
	<u>2,79,400</u>	<u>1,20,000</u>

You are supplied with the following information:

- S. Ltd. has made a bonus issue on 31<sup>st</sup> December, 2019 of one equity shares for every two shares held by its shareholder. Effect has yet to be given in the accounts for this issue.
- Land & Building of S. Ltd. are undervalued by Rs 60,000 and Plant & Machinery of S.Ltd are overvalued by Rs 30,000. These assets have to be adjusted accordingly.
- Sundry creditors of S. Ltd. included Rs 36,000 due to H. Ltd.
- Stock of S. Ltd. included Rs 72000 being goods purchased from H. Ltd. which sells good at cost plus 20%.

Prepare the Consolidated Balance Sheet as at 31<sup>st</sup> December, 2019. Showing detailed workings.

**SOLUTION:**

**Ratio of holding and minority's share = 4:1**

**SCHEDULE I (Capital Profit):**

	<b>Rs</b>	<b>Rs</b>
Capital Reserve	360000	
Less: Bonus Issue	<u>(300000)</u>	60000
Add: Pre acquisition profit		108000
Add: Increase in Assets		60000
Less: Decrease in Assets		<u>(30000)</u>
<b>CAPITAL PROFIT</b>		<u>198000</u>

**Share of holding = Rs 158400**

**Share of minority = Rs 39600**

**SCHEDULE II (Current Revenue Profit):**

	<b>Rs</b>	<b>Rs</b>
Nil		

**SCHEDULE III (Minority Interest):**

	<b>Rs</b>	<b>Rs</b>
Share Capital	120000	
Bonus Share	<u>60000</u>	180000
Add: Share of Capital Profit (Sc I)		<u>39600</u>
<b>MINORITY INTEREST</b>		<u>219600</u>

**SCHEDULE IV (Cost of control):**

	<b>Rs</b>	<b>Rs</b>
Value paid for share held		1020000
Less: Cost of share held with bonus share	480000	
	<u>240000</u>	(720000)
Less: Share of Capital Profit (Sc I)		<u>(158400)</u>
<b>GOODWILL</b>		<u>141600</u>

**CONSOLIDATED BALANCE SHEET AS ON 31.12.2019**

<b>PARTICULARS</b>	<b>NOTE NO</b>	<b>AMT CURRENT YEAR</b>	<b>AMT PREV YEAR</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Share Holder's Fund</b>			
Share Capital		15,00,000	
Reserve & Surplus	1	9,79,600	
Minority Interest	Sc III	2,19,600	
<b>Current Liabilities</b>			
Short term borrowing (bank overdraft)		2,40,000	
Trade payables:			
Sundry Creditors	2	1,42,300	
Bills Payable	3	16,200	
<b>TOTAL</b>		<b>30,97,700</b>	
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Tangible assets	4	20,68,200	
Intangible Assets (goodwill)	Sc IV	1,41,600	
<b>Current Assets</b>			
inventories (stock)	5	4,56,000	
Trade Receivables:			
Sundry Debtor	6	3,16,000	
Bills Receivable	7	38,400	
Cash and cash equivalent		77,500	
<b>TOTAL</b>		<b>30,97,700</b>	

## **NOTES TO ACCOUNT:**

### **1. RESERVE AND SURPLUS:**

General Reserve		Rs 720000
Profit and loss	Rs 271600	
Add: Schedule II	Nil	
Less: unrealised profit	<u>(Rs 12000)</u>	
		<u>Rs 259,600</u>
RESERVE AND SURPLUS		<u>Rs 979,600</u>

### **2. SUNDRY CREDITORS:**

Creditors (Rs 141,300 + Rs 37,000) = Rs 178,300	
Less: set off	<u>(Rs 36,000)</u>
SUNDRY CREDITORS	<u>Rs 142,300</u>

### **3. BILLS PAYABLE:**

Bills Payable	Rs 25200
Less: Set off	<u>(Rs 9000)</u>
BILLS PAYABLE	<u>Rs 16200</u>

### **4. TANGIBLE ASSETS:**

Land and Building (450000 + 540000)	Rs 990000	
Add: Increase in value	<u>Rs 60000</u>	
		Rs 1050000
Plant and Machinery (720000 + 328200)	Rs 1048200	
Less: Decrease in value	<u>(Rs 30000)</u>	
		<u>Rs 1018200</u>
TANGIBLE ASSETS		<u>Rs 2068200</u>

### **5. INVENTORY:**

Total inventory (360000 + 108000)	Rs 468000
Less: unrealised profit (72000/6)	<u>(Rs 12000)</u>
INVENTORY	<u>Rs 456000</u>

**6. SUNDRY DEBTORS:**

Debtors (Rs 232000 + Rs 120000)	Rs 352000
Less: set off	<u>(Rs 36000)</u>
SUNDRY DEBTOR	<u>Rs 316000</u>

**7. BILLS RECEIVABLE:**

Bills Receivable	Rs 47400
Less: Set off	<u>(Rs 9000)</u>
BILLS RECEIVABLE	<u>Rs 38,400</u>

**For any query call NB 9830953576**