

SOLUTION TO ASSIGNMENTS FOR HOME

Solution 1 (Page no. 77)

	Amount		Amount
Equity Share Capital	50	Fixed assets	120
Reserves and surplus (bal. fig.)	70	Investment	55
15% Debenture	90	L&A	70
Current Liabilities	<u>50</u>	CA	<u>15</u>
	<u>260</u>		<u>260</u>

(1) Analysis of Profits of Zed Ltd.

Particulars	Pre
Balance in Profit & Loss on Acquisition	70.0
Revaluation Profit	24.0
Revaluation Loss	<u>(5.5)</u>
	<u>88.5</u>
Minority 30%	26.55
Holding 70%	61.95

(2) Computation of Capital Reserve

Investment		70
Less: Pre Acquisition Dividend		<u>7</u>
		<u>63</u>
Less:		
Share Capital	35	
Pre profit	<u>61.95</u>	<u>96.95</u>
Capital Reserve		<u>33.95</u>

or

Net Assets = $144 + 49.5 + 70 + 15 - 90 - 50 =$	138.5
Goodwill = $63 - 70\% \times 138.5 = (33.95)$	
So Capital Reserve =	33.95

Solution 2 (Page no. 77)

Minority interest on 1.1.06 = 20% of 1,60,000 =	32,000
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Minority interest on 31.12.06 = 20% of $(1,60,000 + 20,000 - 30,000) =$	30,000
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Bank A/c	Dr.	24,000	
To Profit & Loss A/c			16,000
To Investment			8,000

Goodwill on Consolidation:

Investments less dividend out of capital profits $(1,40,000 - 8,000)$		1,32,000
Less: Face value $(1,00,000 \times 80\%)$	80,000	
Add: Share of capital profits $(50,000 \times 80\%)$	<u>40,000</u>	<u>1,20,000</u>
		<u>12,000</u>

* Capital Profit is the other name of pre-acquisition profits.

Solution 3 (Page no. 78)

(1)	Particulars	Amount (₹)
	No. of shares of Baker Ltd. Brought = $6,000 \times 75\% =$	4,500
	No. of shares issued for that = $4,500 \times 5/4 =$	5,625
	Cost of acquisition = $4,500 \times 25 =$	1,12,500

(2) Journal

Particulars		Amount	Amount
Investment	Dr.	1,12,500	
To Equity Share Capital			56,250
To Share Premium			56,250

(3)	Particulars	Amount (₹)
	Profit after Tax – Baker – 15 months = $18,000 - 6,000 =$	12,000
	Profit of 9 Months = $12,000 \times 9/15 =$	7,200
	Interim Dividend =	<u>4,000</u>
		<u>3,200</u>
	Profit of 6 Months = $12,000 \times 6/15 =$	<u>4,800</u>

(4) Analysis of Profits

	Particulars	Pre (₹)	Post (₹)
(a)	Balance in Profit & Loss A/c as on 1.4.1992	12,000	-
(b)	Profit after that	<u>3,200</u>	<u>4,800</u>
	Total	<u>15,200</u>	<u>4,800</u>
	Share of Minority (25%)	3,800	1,200
	Share of Holding (75%)	11,400	3,600

(5) Computation of Goodwill

Particulars	Amount (₹)	Amount (₹)
Investment		1,12,500
Less: Share of Capital	45,000	
Share of Pre-Acquisition Profit	<u>11,400</u>	<u>56,400</u>
		<u>56,100</u>

(6) Minority Interest

Particulars	Amount (₹)
Share of Capital	15,000
Share of Pre-Acquisition Profit	3,800
Share of Post-Acquisition Profit	<u>1,200</u>
Total	<u>20,000</u>

(4) Consolidated Profit and Loss Account

Particulars	Amount (₹)
Balance in Profit and Loss Account of Holding Company	62,000
Share of Post-Acquisition Profit from Subsidiary	<u>3,600</u>
	<u>65,600</u>

Consolidated Balance Sheet		
Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	2,06,250	
(b) Reserves and surplus (56,250 + 55,000 + 65,600)	<u>1,76,850</u>	3,83,100
(2) Minority Interest		20,000
(3) Current liabilities		
(a) Trade payables	34,000	
(b) Short-term Provisions	<u>39,000</u>	<u>73,000</u>
TOTAL		<u>4,76,100</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets (238 + 41)	2,79,000	
(ii) Intangible assets	56,100	
(b) Investments	<u>7,000</u>	3,42,100
(2) Current assets		
(a) Inventories	53,000	
(b) Trade receivables	58,000	
(c) Cash and cash equivalents	<u>23,000</u>	<u>1,34,000</u>
TOTAL		<u>4,76,100</u>

Solution 4 (Page no. 79)

(1) Analysis of Profits				
Particulars		Pre-Acq. Profits	Post-Acq. P&L	Post-Acq. GR.
Balance in General Reserve as on 1.4.2007		40	-	-
Balance in Profit & Loss A/c as on 1.4.2007	3,20			
Less: Dividend	<u>96</u>	2,24	-	-
Revaluation Profit – Plant & Machinery		2,00	-	-
Revaluation Loss – Furniture & Fixture		(1,20)	-	-
Balance in Profit & Loss A/c after that		-	4,96	-
Excess Depreciation charged of Furniture & Fixture			12	-
Depreciation to be provided on Plant & Machinery		-	(50)	-
Proposed Preference Dividend		-	(56)	-
Unrealized Loss		-	<u>5</u>	
Total		<u>3,44</u>	4,07	-
Minority (20%)		68.8	81.8	-
Holding (80%)		2,75.2	3,25.6	-

(2) Computation of Goodwill		
Particulars	(₹ in '000)	(₹ in '000)
Investment (19,20 + 3,20) =		22,40
Less:		
Share of Capital	8,00	
Pre-Acquisition Profit	2,75.2	
Pre-Acquisition Dividend	<u>76.8</u>	<u>11,52</u>
Goodwill		<u>10,88</u>

(3) Computation of Minority Interest

Particulars	Amount (₹ in '000)
Share of Capital (1,20 + 80)	2,00
Share of Pre-Acquisition Profit	68.8
Share of Post-Acquisition Profit	81.4
Share of Preference Dividend	<u>11.2</u>
Total	<u>3,61.40</u>

(4) Consolidated Profit and Loss Account

Particulars	Amount (₹ in '000)
Balance in Profit and Loss A/c of Astha	16,00
Pre-acquisition dividend	(76.80)
Preference Dividend	44.80
Share of Profit from Birat	<u>3,25.60</u>
	<u>18,93.60</u>

(5) Consolidated General Reserve

Particulars	Amount (₹ in '000)
Balance in General Reserve of Astha	19,00
Share of Post-Acquisition General Reserve from Birat	<u>-</u>
	<u>19,00</u>

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	30,00	
(b) Reserves and surplus (18,93.6 + 19,00)	<u>37,93.6</u>	67,93.6
(2) Minority Interest		3,61.4
(3) Current liabilities		
(a) Trade payables		<u>5,00</u>
TOTAL		<u>76,55</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		59,04
(i) Tangible Assets (28,10 + 10,32)	38,42	
(ii) Intangible Assets	<u>10,88</u>	49,30
(2) Current assets		
(a) Inventories	10,89	
(b) Trade receivables	7,56	
(c) Cash and cash equivalents	<u>8,80</u>	<u>27,25</u>
TOTAL		<u>76,55</u>

Solution 5 (Page no. 80)

(1) Revaluation	
Particulars	Amount
Fixed Assets = 4,40,000 + 27,000 =	4,67,000
Revalued at =	<u>5,00,000</u>
Revaluation Profit =	<u>33,000</u>

(2) Mutual set off	
Particulars	Amount
Bills payable by S =	25,000
Discount by H	<u>10,000</u>
Mutual set off	<u>15,000</u>

(3) Analysis of Profits	
	Pre-Acq. Profit
	Amount (₹)
Balance in General Reserve on 31.3.2006	80,000
Balance in Profit & Loss on 31.3.2006	90,000
Revaluation Profit	33,000
Wrongly Debited Capital Expense	30,000
Extra Depreciation to be provided	(3,000)
Preference Share Dividend	<u>(16,000)</u>
Total	<u>2,14,000</u>
Majority (25%)	53,500
Holding (75%)	1,60,500

(4) Computation of Goodwill		
Investment		3,40,000
Less:		
Share of capital (1,50,000 + 10,000)	1,60,000	
Share of Pre- acquisition Profit	<u>1,60,500</u>	<u>3,20,500</u>
Goodwill		<u>19,500</u>

(5) Computation of Minority Interest	
Particulars	Amount (₹)
Share Capital (50 + 160)	2,10,000
Pre-Acquisition Profit	53,500
Preference Share Dividend	<u>16,000</u>
Total	<u>2,79,500</u>

(6) Consolidated Balance Sheet		
	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	6,00,000	
(b) Reserves and surplus	<u>2,70,240</u>	8,70,240
(2) Minority Interest		2,79,500
(3) Non-current liabilities		
(a) Long-term borrowings		80,000
(3) Current liabilities		
(a) Trade payables (10,000 + 3,09,600)	3,19,600	
(b) Other current liabilities	<u>2,160</u>	<u>3,21,760</u>
TOTAL		<u>15,51,500</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	10,00,000	
(ii) Intangible assets	<u>19,500</u>	10,19,500
(2) Current assets		<u>5,32,000</u>
TOTAL		<u>15,51,500</u>

Solution 6 (Page no. 81)

(1) Analysis of Profit			
Particulars	Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
Balance in Reserve on 1.4.05	25,000	-	-
Balance in Reserve after that	-	-	50,000
Balance in Profit & Loss on 1.4.05	15,000	-	-
Balance in Profit & Loss after that	-	10,000	-
Revaluation Profit on Machine	50,000	-	-
Excess Depreciation on Above	-	(5,000)	-
Revaluation Loss on Furniture	(5,000)	-	-
Excess Depreciation Charged on Above	<u>-</u>	<u>750</u>	<u>-</u>
Total	<u>85,000</u>	<u>5,750</u>	<u>50,000</u>
Minority 20%	17,000	1,150	10,000
Holding 80%	68,000	4,600	40,000

(2) Computation of Goodwill		
Investment		1,60,000
Less:		
shares in Share Capital	80,000	
shares in pre-acquisition profits	<u>68,000</u>	<u>(1,48,000)</u>
Goodwill		<u>12,000</u>

(3) Computation of Minority Interest	
Share in Share Capital	20,000
Share in pre-Acquisition profit	17,000
Share in Post-Acquisition profit	1,150
Share in Post-Acquisition General Reserves	<u>10,000</u>
	<u>48,150</u>

(4) Consolidated Profit and Loss A/c

Particulars	Amount (₹)
Balance in Profit and Loss A/c of H Ltd.	1,00,000
Add: Share in Profit and Loss of S Ltd.	<u>4,600</u>
	<u>1,04,600</u>

(5) Consolidated General Reserve

Particulars	Amount (₹)
Balance in Reserve of H Ltd.	2,00,000
Share in Reserve of S Ltd.	<u>40,000</u>
	<u>2,40,000</u>

(6) Consolidated Balance Sheet

	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	6,00,000	
(b) Reserves and surplus (2,40,000 + 1,04,600)	<u>3,44,600</u>	9,44,600
(2) Minority Interest		48,150
(3) Current liabilities		
(a) Trade payables		<u>2,07,000</u>
TOTAL		<u>11,99,750</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets (4,35,000 + 1,62,750)	5,97,750	
(ii) Intangible assets	<u>12,000</u>	6,09,750
(2) Current assets		<u>5,90,000</u>
TOTAL		<u>11,99,750</u>

Solution 7 (Page no. 81)

Additional depreciation = $7,500 + 9,000 - 15,000 =$	1,500
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Revaluation	
Particulars	Amount
Fixed Assets = $1,50,000 - (1,50,000 \times 10\% \times 6/12) = 1,50,000 - 7,500 =$	1,42,500
Revalued at =	<u>1,80,000</u>
Revaluation Profit =	<u>37,500</u>

(1) Analysis of Profit			
Particulars		Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)
Balance in General Reserve on 1.7.06		1,00,000	-
Balance in Profit & Loss on 1.1.06	30,000		
Less: Pre-Acquisition Dividend	<u>20,000</u>	10,000	-
Balance in Profit & Loss after that		36,000	36,000
Revaluation Profit on Plant		37,500	-
Depreciation to be provided on above		-	<u>(1,500)</u>
Total		<u>1,83,500</u>	<u>34,500</u>
Minority		36,700	6,900
Holding		1,46,800	27,600

(2) Computation of Goodwill		
Cost of Investment		3,40,000
Less:		
Share of Capital	1,60,000	
shares of pre-acquisition profit	1,46,800	
shares of pre-acquisition Dividend	<u>16,000</u>	<u>3,22,800</u>
Goodwill		17,200

(3) Computation of Minority interest	
Share of Capital	40,000
shares of pre-acquisition profit	36,700
shares of Post-Acquisition Profit & Loss	<u>6,900</u>
	<u>83,600</u>

(4) Consolidated Profit & Loss A/c	
Balance in Profit & Loss of A Ltd.	57,200
Share of Profit & Loss of S Ltd.	27,600
Pre-Acquisition Dividend wrongly Credited.	<u>(16,000)</u>
	<u>68,800</u>

Consolidated Balance Sheet as on 31.12.2006		
I. EQUITY AND LIABILITIES	Amount	Amount
(1) Shareholders' funds		
(a) Share capital	5,00,000	
(b) Reserves and surplus (2,40,000 + 68,800)	<u>3,08,800</u>	8,08,800
(2) Minority Interest		83,600
(3) Current liabilities		
(a) Short-term borrowings	80,000	
(b) Trade payables	<u>64,500</u>	<u>1,44,500</u>
TOTAL		<u>10,36,900</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	7,41,000	
(ii) Intangible assets	<u>17,200</u>	7,58,200
(2) Current assets		
(a) Inventories	1,56,400	
(b) Trade receivables	99,800	
(c) Cash and cash equivalents	<u>22,500</u>	<u>2,78,700</u>
TOTAL		<u>10,36,900</u>

Solution 8 (Page no. 82)

Working notes:

(i) (a) Analysis of profits of S Ltd. (Pre-allocation) Capital Revenue		
	Profit (₹)	Profit (₹)
Reserves	30,000	
Profit and Loss Account 1.1.2006	8,000	
Profit for the year after		
Pref. Div. (12,000 – 6,000)	3,000	3,000
Profit on Revaluation		
(60,000 – 53,200)	6,800	
Additional Depreciation		*(200)
	<u>47,800</u>	<u>2,800</u>
* 5,600 – (2,800 + 3,000)		

(b) Analysis of Profits of H Ltd.		
	Capital Profit (₹)	Revenue Profit (₹)
Reserves	13,000	13,000
Profit and Loss Account on 1.1.2006	(22,750)	
Profit for the year after preference dividend (82,750 – 11,250 = 71,500)	<u>35,750</u>	<u>35,750</u>
	<u>26,000</u>	<u>48,750</u>

(ii) Capital profits of H Ltd. & S Ltd. (post allocation)	
Suppose capital profits of H Ltd. = a	
and capital profits of S Ltd. = b	
Total Capital profits of H Ltd. = 26,000 + 9/10 b	
Total Capital profits of S Ltd. = 47,800 + 1/9 a	
a = 26,000 + 9/10 [47,800 + 1/9 a] = 76,689	
b = 47,800 + 1/9 (76,689) = 56,321	
	₹
Minority Interest in Capital profits of S Ltd.	5,632
Share of holding Co. H Ltd.	<u>50,689</u>
	56,321

(iii) Revenue profits of H Ltd. and S Ltd. (post allocation)	
Assume revenue profits of H Ltd. = x	
and revenue profits of S Ltd. = y	
Total Revenue profits of H Ltd. = 48,750 + 9/10 y	
Total Revenue profits of S Ltd. = 2,800 + 1/9 x	
or x = 48,750 + 9/10 (2,800 + 1/9 x)	
or x = 51,270 + 1/10 x	
or x = 56,967	
y = 2,800 + 1/9 (56,967) = 9,130	

(iv) Capital Profits		
	H Ltd. (₹)	S Ltd. (₹)
As per Working Note	26,000	47,800
Adjustment as per equation	<u>(-8,521)</u>	<u>8,521</u>
	<u>17,479</u>	56,321
Minority Interest 10%		<u>5,632</u>
Share of H Ltd.		<u>50,689</u>

(v) Revenue Profits		
(60,000 – 11,250) Pref. Dividend	48,750	2,800
Adjustment 6330	<u>-6,330</u>	<u>+6,330</u>
	42,420	9,130
Minority interest		<u>913</u>
Share of H Ltd.	<u>8,217</u>	<u>8,217</u>
	50,637	
Stock reserve	<u>2,700</u>	
	47,937	

(vi) Cost of Control		
H Ltd. in S Ltd.		
Cost of Investments		1,44,000
Paid up value	1,10,000	
Capital Profits	<u>50,689</u>	<u>1,60,689</u>
Capital Reserve		<u>16,689</u>

(vii) Minority Interest:	
Preference shares	80,000
Dividends	6,000
Equity Shares	10,000
Capital Profits	5,632
Revenue Profits	913
Stock Reserve	<u>(300)</u>
	<u>1,02,245</u>

Consolidated Balance Sheet of H Ltd. and its Subsidiaries S Ltd. as on 31st December, 2006			
I. EQUITY AND LIABILITIES			Amount
(1) Shareholders' funds			
(a) Share capital (1,60,000 + 1,50,000)	3,10,000		
(b) Reserves and surplus (17,479 + 47,937 + 36,000 + 16,689)	<u>1,18,105</u>		4,28,105
(2) Minority Interest			1,02,245
(3) Current liabilities			
(a) Short-term borrowings	63,000		
(b) Short-term provisions	<u>11,250</u>		<u>74,250</u>
TOTAL			<u>6,04,600</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	1,63,600		
(ii) Intangible assets	<u>1,52,000</u>		3,15,600
(2) Current assets			
(a) Inventories	1,59,000		
(b) Trade receivables/ Debtors	1,00,000		
(c) Cash and cash equivalents	<u>30,000</u>		<u>2,89,000</u>
TOTAL			<u>6,04,600</u>

Solution 9 (Page no. 83)

Consolidated Balance Sheet of Bat Ltd. and its Subsidiaries Ball Ltd. as at 31 st March, 2000			
			Amount
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital		1,60,000	
(b) Reserves and surplus (1,640 + 61,560)		<u>63,200</u>	2,33,200
(2) Minority Interest			
(3) Current liabilities			50,800
(a) Trade payables			<u>16,000</u>
TOTAL			<u>2,90,000</u>
II. ASSETS			
(1) Current assets			
(a) Inventories		80,000	
(b) Trade receivables/ Debtors		1,20,000	
(c) Cash and cash equivalents		<u>90,000</u>	<u>2,90,000</u>
TOTAL			<u>2,90,000</u>

Working Notes:

(1) Analysis of profits of Ball Ltd.			
		Capital Profits (₹)	Revenue Profits (₹)
Profit and Loss Account on 1.4.1999 (60,000 - 24,000)		36,000	
Profit for the year	24,000		
Less: Expenses not considered	<u>6,000</u>		<u>18,000</u>
		<u>36,000</u>	<u>18,000</u>
Bat Ltd.'s share (80%*)		28,800	14,400
Adjustment for subsequent acquisition (30% of 2,800)		<u>840</u>	<u>(840)</u>
		<u>29,640</u>	<u>13,560</u>
Minority's share (20%)		<u>7,200</u>	<u>3,600</u>
Profit for the year	18,000		
Add back: Loss by fire	<u>4,800</u>		
	<u>22,800</u>		
Profit for first 4 months = 4/12 x 22,800 =	7,600		
Less: Loss by fire =	<u>4,800</u>		
	<u>2,800</u>		
Profit of last 8 months (8/12 x 22,800) =	<u>15,200</u>		
Total %age holding = $\frac{8,000 + \text{Bonus shares } \frac{8,000 \text{ (i.e. } 2,000 + 6,000)}{4}}{20,000} = 80\%$			
Subsequent acquisition = 6,000/ 20,000 = 30%			

(2) Minority interest		₹
Share capital		40,000
Capital profits		7,200
Revenue profits		<u>3,600</u>
		<u>50,800</u>

(3) Goodwill			₹
Investment in Ball Ltd.	1,96,000		
Less: Pre-acquisition dividend	<u>8,000</u>	(1,88,000)	
Face value of investments	1,60,000		
Capital profits	<u>29,640</u>	<u>1,89,640</u>	
Capital Reserve		<u>1,640</u>	

(4) Profit and Loss Account - Bat Ltd.	
	₹
Balance	50,000
Pre-acquisition dividend wrongly credited	(8,000)
Add: Expenses of Ball Ltd. written back	6,000
Add: Share in Ball Ltd.	<u>13,560</u>
	<u>61,560</u>

Solution 10 (Page no. 84)**(1) Before issue of bonus shares**

(i) Cost of control/capital reserve		
	₹	₹
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		
		₹
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.	
	₹
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 (Issue of bonus shares do not affect above computations)

(i) Cost of control/capital reserve		
	₹	₹
Investments in Q Ltd.		12,00,000
Less: Face value of investments	10,50,000	
Capital Profit	<u>63,000</u>	<u>11,13,000</u>
Cost of Control		<u>87,000</u>

(ii) Minority Interest	
	₹
Share Capital (₹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.	
	₹
Balance	15,75,000
Add: Share in revenue profits of Q Ltd. (W.N.)	10,60,500
Add: Bonus out of revenue profit	<u>5,25,000</u>
	<u>31,60,500</u>

Consolidated Balance Sheet of P Ltd. and its Subsidiaries Q Ltd. as on 31 st March, 2002			
			Amount
I. EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share capital			
		45,00,000	
(b) Reserves and surplus			
(9,00,000 + 4,38,000 + 60,00,000 + 26,35,500)			
		<u>99,73,500</u>	1,44,73,500
(2) Minority Interest			
			11,56,500
(3) Current liabilities			
(a) Trade payables			
			<u>7,65,000</u>
TOTAL			<u>1,63,95,000</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
			1,02,30,000
(2) Current assets			
(a) Current investments			
			<u>61,65,000</u>
TOTAL			<u>1,63,95,000</u>

Working Note:

Analysis of Profits of Q Ltd.			
	Cap. Profits (Before & after Issue of bonus shares) (₹)	Revenue Profits Before Bonus Issue (₹)	Revenue profits After Bonus issue (₹)
Pre-incorporation profits	30,000		
Profit and loss account on 31.3.1996	<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
Profit for period of 1st April, 1997 to 31 st March, 2002 (₹4,20,000 - ₹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.

Solution 11 (Page no. 85)

Working Notes:

(1) Analysis of Profits					
	Particulars		Pre-Acq. Profits (₹)	Post-Acq. Profits (₹)	Post-Acq. GR (₹)
(a)	Balance in General Reserve as on 1.4.2009	15,00			
	Less: Bonus issue	<u>9,00</u>	6,00		
(b)	General Reserve after that				90
(c)	Profit & Loss A/c balance as on 1.4.2009	6,33			
	Less: Dividend	3,00			
	Less: CDT	<u>33</u>	3,00		
(d)	Profit after that		—	<u>5,10</u>	—
	Total		<u>9,00</u>	<u>5,10</u>	<u>90</u>
	Minority (40%)		3,60	2,04	36
	Holding (60%)		5,40	3,06	54

(2) Computation of Goodwill/ Capital Reserve	
Particulars	(₹ in '000)
Investment	15,00
Less: Pre Acquisition Dividend	<u>1,80</u>
	13,20
Less: Share of Capital	14,40
Share of Pre-Acquisition Profit	<u>5,40</u>
Capital Reserve	<u>6,60</u>

(3) Computation of Minority Interest	
Particulars	(₹ in '000)
Share of Capital	9,60
Share of Pre-Acquisition Profit	3,60
Share of Post-Acquisition Profit	2,04
Share of Post-Acquisition General Reserve	<u>36</u>
Total	<u>15,60</u>

(4) Consolidated Profit and Loss Account	
Particulars	(₹ in '000)
Balance in Profit and Loss Account of Holding Company	13,05
Add: Share of profit	3,06
Less: Pre-acquisition dividend	1,80
Unrealized profit	<u>10</u>
	<u>14,21</u>

(5) Consolidated General Reserve A/c	
Particulars	(₹ in '000)
Balance in General Reserve Account of Holding Company	9,28
Add: Share of General Reserve from S	<u>54</u>
	<u>9,82</u>

Consolidated Balance Sheet as on 31 st March, 2010		
Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	40,00	
(b) Reserves and surplus (6,60 + 14,21 + 9,82)	<u>30,63</u>	70,63
(2) Minority Interest		15,60
(3) Current liabilities		
(a) Trade payables	11,18	
(b) Short-term Provisions	<u>4,82</u>	<u>16,00</u>
TOTAL		<u>102,23</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		59,04
(2) Current assets		
(a) Inventories	17,59	
(b) Trade receivables	2,15	
(c) Cash and cash equivalents	5,12	
(d) Other current Assets	<u>18,33</u>	<u>43,19</u>
TOTAL		<u>102,23</u>

Solution 12 (Page no. 86)**Working Notes:**

(1) Association of Profits				
Particulars		Pre-Acq. Profits	Post-Acq. Profits	Post-Acq. GR
	₹	₹	₹	₹
(a) Balance in General Reserve on 1.4.2007	60,000			
Less: Bonus	<u>40,000</u>	20,000	-	-
(b) Balance of General Reserve after that		2,000	-	10,000
(c) Balance of Profit & Loss on 1.4.2007	32,000			
Less: Pre Acquisition Dividend	<u>20,000</u>	12,000	-	-
(d) Balance in Profit & Loss after that		4,500	22,500	-
(e) Revaluation Loss		(12,000)	-	-
(f) Excess Depreciation charged on above		-	<u>3,000</u>	-
Total		<u>26,500</u>	<u>25,500</u>	<u>10,000</u>
Minority Interest (20%)		5,300	5,100	2,000
Holding (80%)		21,200	20,400	8,000

(2) Computation of Goodwill		
Particulars	Amount (₹)	Amount (₹)
Cost of Investment		1,76,000
Less:		
Pre-Acquisition Dividend	16,000	
Pre-Acquisition Profit	21,200	
Share in Share Capital	<u>1,92,000</u>	(2,29,200)
Goodwill		<u>53,200</u>

(3) Computation of Minority Interest

Particulars	Amount (₹)
Share in Share Capital	48,000
Share in Pre-Acquisition Profit	5,300
Share in Post-Acquisition Profit and Loss	5,100
Share in Post-Acquisition General Reserve	<u>2,000</u>
Total	<u>60,400</u>

(4) Consolidated Profit & Loss A/c

Particulars	Amount (₹)
Balance in Profit and Loss of Golden Ltd.	24,000
Pre-acquisition dividend	(16,000)
Share in Profit and Loss of Silver Ltd.	<u>20,400</u>
	<u>28,400</u>

(5) Consolidated General Reserve A/c

Particulars	Amount (₹)
Balance in General Reserve of Golden Ltd.	40,000
Share of Balance in General Reserve of Silver Ltd.	<u>8,000</u>
	<u>48,000</u>

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	2,40,000	
(b) Reserves and surplus (48 + 28.4 + 53.2)	<u>1,29,600</u>	3,69,600
(2) Minority Interest		60,400
(3) Current liabilities		
(a) Trade payables (10 + 19)		<u>29,000</u>
TOTAL		<u>4,59,000</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets		2,47,000
(b) Non-current investments		14,000
(2) Current assets		
(a) Inventories	1,00,000	
(b) Trade receivables	70,000	
(c) Cash and cash equivalents	<u>28,000</u>	<u>1,98,000</u>
TOTAL		<u>4,59,000</u>

Solution 13 (Page no. 87)

Current year Profit = 120 + 12 – 60 =	72
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(1) Analysis of Profits of S Ltd.		
Particulars	Pre	Post
Balance in General Reserve as on 1.4.2005	60	-
Profit & Loss after that	<u>18</u>	<u>54</u>
	<u>78</u>	<u>54</u>
Minorities Share @ 40%	31.2	21.6
Holding's Share	46.8	32.4
Adjusted for 2 nd Acquisition = 18 x 20%	3.6	(3.6)
Adjusted for 3 rd Acquisition = 24 x 20%	<u>4.8</u>	<u>(4.8)</u>
	55.2	24

(2) Computation of Goodwill		
Investment (50 + 60 + 80)		190
Less:		
Share Capital	120	
Pre profit	<u>55.2</u>	<u>175.2</u>
Goodwill		<u>14.8</u>

(3) Computation of Minority Interest	
Share Capital	80.0
Pre profit	31.2
Post Profit	<u>21.6</u>
	<u>132.8</u>

(4) Consolidated Profit & Loss A/c	
Balance of Reserve A/c of H Ltd.	410
Share in Profit & Loss A/c of S Ltd.	<u>24</u>
	<u>434</u>

(5) Consolidated Balance Sheet		
Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	500	
(b) Reserves and surplus	<u>434</u>	934.0
(2) Minority Interest		<u>132.8</u>
TOTAL		<u>1066.8</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	1,020	
(ii) Intangible assets	<u>14.8</u>	1034.8
(2) Current assets		<u>32.0</u>
TOTAL		<u>1066.8</u>

Solution 14 (Page no. 87)

(1) Analysis of Profits of S Ltd.		
Particulars	Pre	Post
Balance in General Reserve as on 1.4.2005	60	-
Reserve after that	<u>-</u>	<u>72</u>
	60	72
Minorities Share	6	7.2
Holding's Share	54	64.8
Adjusted for Subsequent Profit	<u>7.2</u>	<u>(7.2)</u>
	61.2	57.6

(2) Computation of Goodwill		
Investment		260
Less:		
Share Capital	180	
Pre profit	<u>61.2</u>	<u>241.2</u>
Goodwill		<u>18.8</u>

(3) Computation of Minority Interest		
Capital		20
Pre profit		6
Post Profit		<u>7.2</u>
		<u>33.2</u>

(4) Consolidate Profit & Loss A/c		
Balance of H Ltd.		410
Share of Profit of S Ltd.		<u>57.6</u>
		<u>467.6</u>

(5) Consolidated Balance Sheet		
Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	500	
(b) Reserves and surplus	<u>467.6</u>	967.6
(2) Minority Interest		<u>33.2</u>
TOTAL		<u>1000.8</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	820	
(ii) Intangible assets	<u>18.8</u>	838.8
(2) Current assets		<u>162.0</u>
TOTAL		<u>1000.8</u>

Solution 15 (Page no. 88)

Consolidated Balance Sheet of Football Ltd. and its Subsidiaries Hockey Ltd. as on 31 st March, 2005			
I. EQUITY AND LIABILITIES			Amount
(1) Shareholders' funds			
(a) Share capital		55,00,000	
(b) Reserves and surplus (7,15,000 + 12,27,750)		<u>19,42,750</u>	74,42,750
(1) Minority Interest			9,86,750
(2) Current liabilities			
(a) Short-term borrowings		1,90,000	
(b) Trade payables		9,25,000	
(c) Short-term Provisions		<u>70,000</u>	<u>11,85,000</u>
TOTAL			<u>96,14,500</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets (17,00,000 + 16,20,000 + 10,50,000)		43,70,000	
(ii) Intangible assets		<u>9,47,500</u>	53,17,500
(b) Non-current investments			9,90,000
(2) Current assets			
(a) Inventories		11,62,000	
(b) Trade receivables/ Debtors		17,10,000	
(c) Cash and cash equivalents		<u>4,35,000</u>	<u>33,07,000</u>
TOTAL			<u>96,14,500</u>

Note:

1. 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.

Adjustment for the subsequent adjustment cannot be made for the lack of information. As the balance of P&L A/c on 1.4.2003 is not given, we are considering it to be same as that on 1.4.2004.

Working Notes:

(1) Analysis of Profits of Hockey Ltd.					
			Capital Profits (₹)	Revenue Reserve (₹)	Revenue Profit (₹)
(a)	General Reserve as on 1.4.2004	2,00,000			
	Less: Bonus issue (1/10 of ₹20,00,000)	<u>2,00,000</u>	Nil		
(b)	Addition to General Reserve during 2004-2005 (₹4,20,000 - ₹2,00,000)			2,20,000	
(c)	Profit & Loss A/c balance as on 1.4.2004	3,00,000			
	Less: Dividend paid for the year 2003-2004	<u>2,00,000</u>	1,00,000		
(d)	Profit for the year 2004-2005 (₹6,00,000 - ₹1,00,000)				5,00,000
(e)	Over valuation of motor vehicles		(1,00,000)		
(f)	Adjustment of depreciation (20% on ₹1,00,000)				20,000
(g)	Preference dividend				(38,000)
			<u>Nil</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>

Adjustment for the subsequent adjustment cannot be made for the lack of information. As the balance of P&L A/c on 1.4.2003 is not given, we are considering it to be same as that on 1.4.2004.

(2) Cost of Control		
	₹	₹
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)] x ₹10		
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 [₹5,00,000 + ₹50,000 (Bonus)]		5,50,000
Preference share capital (₹3,80,000 - ₹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	
Unrealized profit on stock (40% of ₹20,000)	8,000	
Proposed preference dividend	<u>70,000</u>	<u>1,48,000</u>
		<u>12,27,750</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>

* The dividend on 70,000 shares only (acquired on 1.4.2004) is a pre-acquisition dividend.

Solution 16 (Page no. 89)

1.4.10 \Rightarrow 51% \Rightarrow Equity = 180
Investment = 75.8

1.4.10 \Rightarrow Goodwill = Investment – Proposed Equity
= 75.8 – 51% of 180
= 16 Capital Reserve

1.04.11 \Rightarrow Profit of Sparrow (280 – 180) = 100
Eagle will include in CFS (51% of 100) = 51

1.11.12 \Rightarrow 1.4.11 – 30.9.11
Profit of Sparrow (395 – 280) = 115
Eagle will include (51% of 115) = 58.65

Disposal Profit

Profit on Sales of Investment = Sale Invest – (P/E on the date of 1.10.11 + Proportionate Goodwill)
= 125 – (395 x 25.5% – 50% of 16)
= 125 – 92.725
= 32.275

Carrying Amount of Investment of 25.5%

1.4.10 Opening Investment	37.9
Profit in 10-11	25.5
Profit for 1.4.11 – 30.9.11	<u>29.325</u>
	92.725

In the year 10-11, Sparrow was our Subsidiary.

In the first 6 month of 11-12, it is our Subsidiary.

In the Last 6 month of 11-12, it is our Associate.

Solution 17 (Page no. 89)

Working Notes:

(1) Analysis of Profit		
	Pre	Post
	₹	₹
Balance in Profit & Loss on the date of acquisition	4,400	
Profit & Loss after that		7,600
	<u>4,400</u>	<u>7,600</u>
Minority 40%	1,760	3,040
Holding 60%	2,640	4,560

(2) Computation of Goodwill		
Investments		18,000
Less :		
Share Capital	12,000	
Pre-Acquisition Profits	<u>2,640</u>	<u>14,640</u>
Goodwill		<u>3,360</u>

(3) Computation of Minority Interest	
Share of Capital	8,000
Share of Pre-Acquisition Profits	1,760
Share of Post Profits & Loss A/c	<u>3,040</u>
	<u>12,800</u>

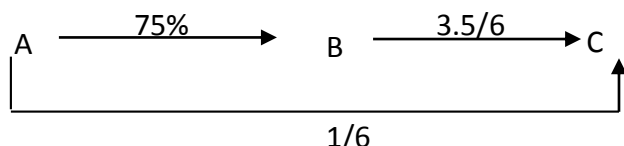
(4) Consolidated Profits & Loss A/c	
Profit and Loss A/c of A Ltd.	11,000
Share in Profit and Loss of B Ltd.	<u>4,560</u>
	<u>15,560</u>

Consolidated Balance Sheet			
I. EQUITY AND LIABILITIES			Amount
(1) Shareholders' funds			
(a) Share capital		1,00,000	
(b) Reserves and surplus		<u>15,560</u>	1,15,560
(2) Minority Interest			<u>12,800</u>
TOTAL			<u>1,28,360</u>
II. ASSETS			
(1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets		1,25,000	
(ii) Intangible assets		<u>3,360</u>	<u>1,28,360</u>
TOTAL			<u>1,28,360</u>

Solution 18 (Page no. 90)

Working Notes:

(1) Holding Pattern:



(2)	B's revised Profit & Loss Balance = 30,000 – 1,750 =	28,250
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(3) Analysis of Profits of C				
	Particulars	Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
(a)	Balance in General Reserve as on 1.1.1992	5,000	-	-
(b)	General Reserve after that	1,250	-	1,250
(c)	Balance in Profit & Loss as on 1.1.1992	3,000	-	-
(d)	Profit after that*	9,500	12,500	-
(e)	Unrealized Profit		(2,000)	
	Total	<u>18,750</u>	<u>10,500</u>	<u>1,250</u>
	Minority Interest (1.5/6)	4,688	2,625	313
	A (1/6)	3,125	1,750	208
	B (3.5/6)	10,937	6,125	729

Particulars	Amount (₹)
Closing Profit & Loss Balance	25,000
Opening Profit & Loss Balance	<u>3,000</u>
Profit during the year	22,000
+ Interim Dividend	<u>3,000</u>
	<u>25,000</u>
Profit – 1 st 6 Month	12,500
Interim Dividend	<u>3,000</u>
	<u>9,500</u>
Profit – Last 6 Month	<u>12,500</u>

(3) Analysis of Profits of B				
	Particulars	Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
(a)	Balance in General Reserve as on 1.1.1992	10,000	-	-
(b)	Balance in Profit & Loss as on 1.1.1992	(5,000)	-	-
(c)	Profit during the year **	14,125	19,125	-
(d)	Unrealized Profit – Stock	-	(1,000)	-
(e)	Post-Acquisition Profit from C		<u>6,125</u>	<u>729</u>
	Total	<u>19,125</u>	<u>24,250</u>	<u>729</u>
	Minority (25%)	4,781	6,063	182
	A (75%)	14,344	18,187	547

Particulars	Amount (₹)
Closing Profit & Loss Balance	28,250
Opening Profit & Loss Balance	<u>(5,000)</u>
Profit for the year	33,250
+ Interim Dividend	<u>5,000</u>
	<u>38,250</u>
Profit – 1 st 6 Month	19,125
Interim Dividend	<u>5,000</u>
	<u>14,125</u>
Profit – Last 6 Month	<u>19,125</u>

(4) Computation of Goodwill

Particulars		Amount (₹)
Investment (90,000 + 15,000 + 52,000)		1,57,000
Less: Pre Acquisition Dividend (500 + 1,750 + 3,750)		<u>6,000</u>
		1,51,000
Less: Share of Capital (75,000 + 10,000 + 35,000)	1,20,000	
Share of Pre-Acquisition Profit (14,344 + 3,125 + 10,937)	<u>28,406</u>	<u>1,48,406</u>
		<u>2,594</u>

(5) Minority Interest

Particulars	B Amount (₹)	C Amount (₹)
Share of Capital	25,000	15,000
Share of Pre-Acquisition Profit	4,781	4,688
Share of Post-Acquisition Profit & Loss	6,063	2,625
Share of Post-Acquisition General Reserve	<u>182</u>	<u>313</u>
	<u>36,026</u>	<u>22,626</u>
Total = 58,652		

(4) Consolidated Profit and Loss Account

Particulars	Amount (₹)
Balance in Profit and Loss Account of Holding	50,000
Post-Acquisition Profit & Loss from C	1,750
Post-Acquisition Profit & Loss from B	18,187
Pre-acquisition dividend (500 + 3,750)	<u>(4,250)</u>
	<u>65,687</u>

(5) Consolidated General Reserve A/c

Particulars	Amount (₹)
Balance in General Reserve of Holding	20,000
Post-acquisition General Reserve from B	547
Post-acquisition General Reserve from C	<u>208</u>
	<u>20,755</u>

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	1,50,000	
(b) Reserves and surplus (20,755 + 65,687)	<u>86,442</u>	2,36,442
(2) Minority Interest		58,652
(3) Current liabilities		
(a) Trade payables		<u>60,000</u>
TOTAL		<u>3,55,094</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	1,77,000	
(ii) Intangible assets – Goodwill	<u>47,594</u>	2,24,594
(2) Current assets		
(a) Current Assets	1,28,500	
(b) Cash and cash equivalents	<u>2,000</u>	<u>1,30,500</u>
TOTAL		<u>3,55,094</u>

Solution 19 (Page no. 91)

(1) Analysis of Profit of Y Ltd.		
Particulars	Pre (₹)	Post (₹)
Balance in Reserve and Surplus on Acquisition	<u>15</u>	-
Total	<u>15</u>	-
Minority – 49%	7.35	-
X Investment Ltd. – 51%	7.65	-

(2) Analysis of Profit of Z Ltd.		
Particulars	Pre (₹)	Post (₹)
Balance in Reserve and Surplus on Acquisition	<u>20</u>	-
Total	<u>20</u>	-
Minority – 24%	4.8	-
X Investment Ltd. – 76%	15.2	-

(3) Analysis of Profit of X Inv.		
Particulars	Pre (₹)	Post (₹)
Profit after Acquisition	-	<u>20</u>
Total	-	<u>20</u>
X Ltd.	-	20

(4) Computation of Goodwill		
	(₹)	(₹)
Investments (5 + 15 + 30)		50
Less :		
Share of Capital (5 + 5.1 + 11.4)	21.5	
Share of Pre-Acquisition profit (7.65 + 15.2)	<u>22.85</u>	<u>44.35</u>
		<u>5.65</u>

(5) Consolidated Reserve & Surplus	
Balance in Reserve & Surplus of X Ltd.	75
Share in Reserve & Surplus of X Investment Ltd.	<u>20</u>
	<u>95</u>

(iii) Minority Interest		
	Y (₹)	Z (₹)
Share of Capital	4.90	3.60
Share of Pre-Acquisition profit	<u>7.35</u>	<u>4.80</u>
	<u>12.25</u>	<u>8.40</u>
Total = 20.65		

Consolidated Balance Sheet as on 31st December, 1996		
Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	25	
(b) Reserves and surplus	<u>95</u>	120
(2) Minority Interest		20.65
(3) Non-Current liabilities		
(a) Long Term Borrowings (40 + 85)		125
(4) Current liabilities		<u>217</u>
TOTAL		<u>482.65</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible Assets	46	
(ii) Intangible Assets	5.65	
(b) Non-Current Investments	<u>29</u>	80.65
(2) Current assets		<u>402</u>
TOTAL		<u>482.65</u>

Solution 20 (Page no. 92)

Working Notes:

(1) Analysis of Profit of Kanpur Ltd.			
Particulars	Pre-Acq. Profits	Post-Acq. P&L	Post-Acq. GR
Balance in General Reserve on the date of Acquisition	6,00,000	-	-
General Reserve after that	-	-	4,00,000
Balance in Profit & Loss on the date of Acquisition	60,000	-	-
Profit after that		<u>2,60,000</u>	
Total	<u>6,60,000</u>	<u>2,60,000</u>	<u>4,00,000</u>
Minority (2/12)	1,10,000	43,333	66,667
Amritsar (1/12)	55,000	21,667	33,333
Delhi (3/12)	<u>1,65,000</u>	<u>65,000</u>	<u>1,00,000</u>
Mumbai (6/12)	3,30,000	1,30,000	2,00,000

(2) Analysis of Profit of Amritsar Ltd.			
Particulars	Pre-Acq. Profits	Post-Acq. P&L	Post-Acq. GR
Balance in General Reserve on the date of Acquisition	1,00,000	-	-
General Reserve after that	-	-	1,50,000
Balance in Profit & Loss on the date of Acquisition	50,000	-	-
General Reserve after that	-	<u>2,00,000</u>	-
	1,50,000	2,00,000	1,50,000
Profit from Kanpur	-	<u>21,667</u>	<u>33,333</u>
Total	<u>1,50,000</u>	<u>2,21,667</u>	<u>1,83,333</u>
Minority (25%)	37,500	55,416	45,833
Delhi (25%)	<u>37,500</u>	<u>55,417</u>	<u>45,833</u>
Mumbai (50%)	75,000	1,10,834	91,667

(2) Analysis of Profit of Delhi Ltd.			
Particulars	Pre-Acq. Profits	Post-Acq. P&L	Post-Acq. GR
Balance in General Reserve on the date of Acquisition	2,00,000	-	-
General Reserve after that	-	-	2,00,000
Balance in Profit & Loss on the date of Acquisition	2,00,000	-	-
Profit & Loss after that	-	2,00,000	-
Profit from Kanpur	-	65,000	1,00,000
Profit from Amritsar	-	<u>55,417</u>	<u>45,833</u>
Total	<u>4,00,000</u>	<u>3,20,417</u>	<u>3,45,833</u>
Minority (25%)	1,00,000	80,104	86,458
Mumbai (75%)	3,00,000	2,40,313	2,59,375

(4) Computation of Goodwill	
Particulars	Amount
Investment (82,00,000 + 23,00,000 + 6,00,000)	111,00,000
Less:	
Share of Capital (70,00,000 + 20,00,000 + 5,00,000)	95,00,000
Pre-Acquisition Profit (5,50,000 + 1,12,500 + 3,00,000)	<u>9,62,500</u>
Goodwill	<u>6,37,500</u>

(5) Computation of Minority Interest				
Particulars	Kanpur	Amritsar	Delhi	Total
Share of Capital	10,00,000	5,00,000	10,00,000	25,00,000
Share of Pre-Acquisition Profit	1,10,000	37,500	1,00,000	2,47,500
Share of Post-Acquisition Profit & Loss	43,333	55,416	80,104	1,78,853
Share of Post-Acquisition General Reserve	<u>66,667</u>	<u>45,833</u>	<u>86,458</u>	<u>1,98,958</u>
	<u>12,20,000</u>	<u>6,38,749</u>	<u>12,66,562</u>	<u>31,25,311</u>

(6) Consolidated Profit and Loss Account

Particulars	Amount
Balance in Profit and Loss of Mumbai	10,00,000
Share in Profit and Loss of Kanpur	1,30,000
Share in Profit and Loss of Amritsar	1,10,834
Share in Profit and Loss of Delhi	<u>2,40,313</u>
	<u>14,81,147</u>

(7) Consolidated General Reserve A/c

Particulars	Amount
Balance in General Reserve of Mumbai	20,00,000
Share in General Reserve of Kanpur	2,00,000
Share in General Reserve of Amritsar	91,667
Share in General Reserve of Delhi	<u>2,59,375</u>
	<u>25,51,042</u>

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	50,00,000	
(b) Reserves and surplus	<u>40,32,189</u>	90,32,189
(2) Minority Interest		31,25,311
(3) Current liabilities		
(a) Trade payables		<u>5,30,000</u>
TOTAL		<u>126,87,500</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible Assets	105,00,000	
(ii) Intangible Assets	<u>6,37,500</u>	111,37,500
(2) Current assets		<u>15,50,000</u>
TOTAL		<u>126,87,500</u>

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Working Notes:

Unrealized profit in Equipment	
Profit = 24,000 x 1/3 =	8,000
Less: Depreciation – 3 Months	<u>200</u>
	<u>7,800</u>

(1) Analysis of Profit of Light				
	Particulars	Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
(a)	Balance in General Reserve on Acquisition	15,000	-	-
(b)	General Reserve after that	-	-	15,000
(c)	Balance in Profit & Loss on Acquisition	25,000	-	-
(d)	Profit & Loss after that	-	15,000	-
(e)	Unrealized Profit on Equipment	-	<u>(7,800)</u>	-
	Total	<u>40,000</u>	<u>7,200</u>	<u>15,000</u>
	Minority 1/10	400	720	1,500
	Sun 3/10	1,200	2,160	4,500
	Moon 6/10	24,000	4,320	9,000

(2) Analysis of Profit of Moon				
	Particulars	Pre-Acq. Profits (₹)	Post-Acq. Profits (₹)	Post-Acq. GR (₹)
(a)	Balance in General Reserve on Acquisition	25,000	-	-
(b)	General Reserve after that	-	-	15,000
(c)	Balance in Profit & Loss on Acquisition	20,000	-	-
(d)	Profit & Loss after that	-	30,000	-
(e)	Unrealized Profit in Stock	-	<u>(1,000)</u>	-
	Total	<u>45,000</u>	<u>29,000</u>	<u>15,000</u>
	Share of profit from Light	-	<u>4,320</u>	<u>9,000</u>
	Total	<u>45,000</u>	<u>33,320</u>	<u>24,000</u>
	Minority (20%)	9,000	6,664	4,800
	Sun (80%)	36,000	26,656	19,200

(3) Computation of Goodwill			
Particulars	Moon	Light	Total
Investment	90,000	90,000	1,80,000
Share of Capital	(80,000)	(54,000)	(1,34,000)
Pre-Acquisition Profit	(36,000)	(36,000)	<u>(72,000)</u>
			<u>26,000</u>

(4) Consolidated Profit and Loss Account	
Particulars	Amount (₹)
Balance in Profit and Loss of Sun	60,000
Shares in of Profit and Loss of Moon	2,160
Shares in of Profit and Loss of Light	<u>26,656</u>
	<u>88,816</u>

(5) Consolidated General Reserve A/c

Particulars	Amount (₹)
Balance in General Reserve of Sun	50,000
Share in General Reserve of Moon	4,500
Share in General Reserve of Light	<u>19,200</u>
	<u>73,700</u>

(6) Computation of Minority Interest

Particulars	Light	Moon	Total
Share of Capital	6,000	20,000	26,000
Share of Pre-Acquisition Profit	4,000	9,000	13,000
Share of Post-Acquisition Profit	720	6,664	7,384
Share of Post-Acquisition General Reserve	<u>1,500</u>	<u>4,800</u>	<u>6,300</u>
	12,220	40,464	52,684

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	1,50,000	
(b) Reserves and surplus (26,000 + 88,816 + 73,700)	<u>1,88,516</u>	3,38,516
(2) Minority Interest		52,684
(3) Current liabilities		
(a) Trade payables	90,000	<u>90,000</u>
TOTAL		<u>4,81,200</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible Assets		2,85,200
(2) Current assets		
(i) Inventories	89,000	
(ii) Trade Receivables	75,000	
(iii) Cash & Cash Equivalent	<u>32,000</u>	<u>1,96,000</u>
TOTAL		<u>4,81,200</u>

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Workings Notes:

(1) Analysis of Profits of C			
	Pre Acquisition Profit (₹)	Post Profit & Loss (₹)	Post General Res. (₹)
Balance in General Reserve on 1.1.2006	6,000	-	-
General Reserve after that	600		600
Balance in Profit and Loss A/c on 1.1.2006	1,000	-	-
Profit and Loss after that	<u>2,000</u>	<u>2,000</u>	<u>-</u>
	<u>9,600</u>	<u>2,000</u>	<u>600</u>
Minority 1/3	3,200	667	200
Holding (i.e. B Ltd.) 2/3	6,400	1,333	400

(2) Analysis of Profits of B Ltd.			
	Pre Acquisition Profit (₹)	Post Profit & Loss (₹)	Post General Reserve (₹)
Balance in General Reserve on 1.1.2006	8,000	-	-
General Reserve after that	1,000	-	1,000
Balance in Profit and Loss A/c on 1.1.2006	1,000	-	-
Profit and Loss after that	1,500	1,500	-
Share of Profit from C	<u>6,400</u>	<u>1,333</u>	<u>400</u>
	<u>17,900</u>	<u>2,833</u>	<u>1,400</u>
Minority ¼	4,475	708	350
Holding (i.e. A Ltd.) 3/4	13,425	2,125	1,050

(3) Computation of Goodwill		
Investment (85,000 + 53,000)		1,38,000
Less:		
Share of capital (75,000 + 40,000)	1,15,000	
Pre-Acquisition Profit	<u>13,425</u>	<u>1,28,425</u>
		<u>9,575</u>

(2) Computation of Minority Interest			
	B Ltd.	C Ltd.	Total
	₹	₹	
Share of Capital	25,000	20,000	45,000
Share of Pre-Acquisition Profit	4,475	3,200	7,675
Share of Post Profit & Loss A/c	708	667	1,375
Share of Post General Reserve	<u>350</u>	<u>200</u>	<u>550</u>
	<u>30,533</u>	<u>24,067</u>	<u>54,600</u>

(3) Consolidated Profit & Loss A/c	
Balance in Profit & Loss of A	16,000
Share in Profit & Loss of B	2,125
Unrealized Profit in Stock	<u>(600)</u>
	<u>17,525</u>

(4) Consolidated General Reserve	
Balance in General Reserve of A	18,000
Share in General Reserve of B	<u>1,050</u>
	<u>19,050</u>

Consolidated Balance Sheet		
	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	1,25,000	
(b) Reserves and surplus (19,050 + 17,525)	<u>36,575</u>	1,61,575
(2) Minority interest		54,600
(3) Current liabilities		
(a) Trade payables		<u>10,000</u>
TOTAL		<u>2,26,175</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	1,20,400	
(ii) Intangible assets	<u>9,575</u>	1,29,975
(2) Current assets		
(a) Inventories	27,400	
(b) Trade receivables	67,800	
(c) Cash and cash equivalents	<u>1,000</u>	<u>96,200</u>
TOTAL		<u>2,26,175</u>

Solution 23 (Page no. 95)

(1) Bank A/c			
	Amount		Amount
To Equity Share Capital	3,00,000	By Share in A Ltd.	35,000
To Dividend Received from A Ltd.	1,500	By Share in B Ltd.	72,000
To Dividend Received from C Ltd.	3,200	By Share in C Ltd.	92,000
To Interim Dividends from A Ltd.	2,400	By B Ltd. (indebtedness)	6,000
To Interim Dividends from C Ltd.	8,000	By Balance c/d	1,13,600
To A Ltd.	<u>3,500</u>		
	<u>3,18,600</u>		<u>3,18,600</u>

(2) Balance Sheet			
	Amount		Amount
Equity Share Capital	3,00,000	Investment in A	33,500
Reserve & Surplus	10,400	Investment in B	72,000
A Ltd.	3,500	Investment in C	88,800
		Debtors	6,000
		Cash & Cash Equivalent	<u>1,13,600</u>
	<u>3,13,900</u>		<u>3,13,900</u>

(3) Analysis of Profits of A Ltd.			
Balance in Reserve		3,000	-
Balance in Profit & Loss on 1.1.2006	2,000	-	-
less Dividend	<u>2,000</u>	-	-
Profit & Loss after that		-	6,000
Undervaluation of Stock			<u>2,000</u>
		<u>3,000</u>	<u>8,000</u>
Minority 25%		750	2,000
Investment 75%		2,250	6,000

(4) Analysis of Profits of B Ltd.			
Balance in Profit & Loss on 1.1.2006		(12,000)	-
Profit & Loss after that		-	(6,000)
Additional Depreciation to be charged		-	<u>(3,000)</u>
		<u>(12,000)</u>	<u>(9,000)</u>
Minority		(2,000)	(1,500)
Investment		(10,000)	(7,500)

(5) Analysis of Profits of C Ltd.			
Balance in General Reserve 1.1.2006		7,500	-
Balance in Profit & Loss on 1.1.2006	4,000	-	-
less Dividend	<u>4,000</u>	-	-
Profit & Loss after that		-	15,000
Revaluation of Free Hold Property		<u>15,000</u>	-
		<u>22,500</u>	<u>15,000</u>
Minority 20%		4,500	3,000
Investment 80%		18,000	12,000

(6) Computation of Goodwill/ Capital Reserve			
Investment			1,94,300
Less:			
Share Capital	2,10,000		
Pre profit	<u>10,250</u>		<u>(2,20,250)</u>
Capital Reserve			<u>(25,950)</u>

(7) Computation of Minority Interest

Share Capital	50,000
Share of Pre profit	3,250
Share of Post Profit	<u>3,500</u>
	<u>56,750</u>

Consolidated Balance Sheet

	Amount	
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	3,00,000	
(b) Reserves and surplus (25,950 + 20,900)	<u>46,850</u>	3,46,850
(2) Minority Interest		56,750
(3) Current liabilities		
(a) Trade payables		<u>11,000</u>
TOTAL		<u>4,14,600</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	1,79,000	
(ii) Intangible assets	<u>19,000</u>	1,98,000
(2) Current assets		
(a) Inventories	66,000	
(b) Trade receivables	22,500	
(c) Cash and cash equivalents	<u>1,28,100</u>	<u>2,16,600</u>
TOTAL		<u>4,14,600</u>

Consolidated Profit	
*Revenue Profit of C Ltd.	12,000
Revenue Profit of B Ltd.	(7,500)
Revenue Profit of A Ltd.	6,000
Balance in Investment Ltd.	<u>10,400</u>
	<u>20,900</u>

(vii) Sundry Assets

		Freehold Property (₹)	Plant (₹)	Stock (₹)	Debtors (₹)	Cash at Bank (₹)
(a)	Investments Ltd.	-	-	-	6,000	1,13,600
(b)	A Ltd.	18,000	16,000	13,000	4,000	1,000
(c)	B Ltd	41,000	27,000	32,000	8,000	2,000
(d)	C Ltd.	<u>65,000</u>	<u>12,000</u>	<u>21,000</u>	<u>17,000</u>	<u>11,500</u>
		1,24,000	55,000	66,000	35,000	1,28,100
	Less : Inter Co. debts				<u>12,500</u>	
					<u>22,500</u>	

Solution 24 (Page no. 96)

(i) Analysis of profit of C Ltd.		
	Capital Profit (₹)	Revenue Profit (₹)
Balance brought forward	1,920	
Profit/Loss for the year pre-post 8 : 4	<u>(320)</u>	<u>(160)</u>
	1,600	(160)
Shares of Minority Interest (10%)	<u>160</u>	<u>(16)</u>
Balance	1,440	(144)
Share of A Ltd.	<u>160</u>	<u>(16*)</u>
Share of B Ltd.	<u>1,280</u>	<u>(128)</u>

(ii) Analysis of profit of B Ltd.		
	Capital Profit (₹)	Revenue Profit (₹)
Balance brought forward divided in the ratio of 7:5 i.e., Capital upto 31 st July and Revenue from August	<u>(467)</u>	<u>(333)</u>
Revenue loss from C Ltd.		(128)
		(461)
Profit for the year	<u>—</u>	<u>1,800</u>
	(467)	1,339
Minority Interest (1/4)	<u>(117)</u>	<u>335</u>
Share of A Ltd.	<u>(350)</u>	<u>+1004</u>

(iii) Capital Profits for Consolidation		
B Ltd. in C Ltd.	1,280	
A Ltd. in C Ltd. (160 – 12)	<u>148</u>	1,428
A Ltd. in B Ltd.		<u>(350)</u>
		<u>1,078</u>

(iv) Minority Interest C Ltd.	
in Capital Profit	160
in Revenue Profit	(16)
in B Ltd.: Capital Profit	(117)
Revenue Profit	<u>335</u>
	<u>362</u>

(v) Revenue Profit	
Balance in A's Profit & Loss	2,300
A Ltd. in B Ltd.	1,004
Less: A Ltd. in C Ltd. (Loss of Dec.)	<u>4</u>
	<u>3,300</u>

* For A Ltd. this represents loss for Sept., Oct., Nov. & Dec. Loss up to 1st Dec. is capital loss for A Ltd.

Hence only ₹4 is Revenue loss; net capital profit for A Ltd. is ₹148.

Solution 25 (Page no. 97)

Consolidated Balance Sheet of X Ltd. and its Subsidiaries Y Ltd. and Z Ltd. as on 31 st March, 1998		
		Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	300	
(b) Reserves and surplus (13.4 + 81.6 + 87.836)	<u>182.836</u>	482.836
(2) Minority Interest		78.364
(4) Current liabilities		
(a) Short-term borrowings	25	
(b) Trade payables	<u>58</u>	<u>83</u>
TOTAL		<u>644.2</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets		372.2
(2) Current assets		
(a) Inventories	89	
(b) Trade receivables/ Debtors	123	
(c) Cash and cash equivalents	<u>60</u>	<u>272</u>
TOTAL		<u>644.2</u>

Working Notes:

(1) Analysis of Profits of Z Ltd.			
	(₹ in lakhs)		
	Cap. Profit	Rev. Reserve	Rev. profit
Reserves on 1.7.1997	10		
Profit and Loss A/c on 1,7.1997	16		
Increase in Reserves		20	
Increase in Profit			24
Un-realized Profit on Equipment			<u>(7.8)</u>
	26	20	16.2
Less: Minority Interest (10%)	<u>2.6</u>	<u>2</u>	<u>1.62</u>
	<u>23.4</u>	<u>18</u>	<u>14.58</u>
Share of X Ltd.	7.8	6	4.86
Share of Y Ltd.	15.6	12	9.72

(2) Analysis of Profits of Y Ltd.			
	(₹ in lakhs)		
	Cap. Profit	Rev. Reserve	Rev. profit
Reserves on 1.7.1997	20		
Profit and Loss A/con 1.7.1997	30		
Increase in Reserves		20	
Increase in Profit			<u>20</u>
	50	20	20
Share in Z Ltd.		12	9.72
Un-realized Profit on Stock			<u>(1)</u>
	<u>50</u>	<u>32</u>	<u>28.72</u>
Less: Minority Interest (20%)	10	6.4	5.744
Share of X Ltd.	40	25.6	22.976

(3) Cost of Control

Investments in Y Ltd.			180
Investments in Z Ltd.			<u>120</u>
			300
Less: Paid up value of investments			
in Y Ltd.	160		
in Z Ltd.	<u>90</u>	250	
Capital Profit			
in Y Ltd.	40		
in Z Ltd.	<u>23.4</u>	<u>63.4</u>	<u>313.4</u>
Capital Reserve			<u>13.4</u>

(4) Minority Interest

	Y Ltd.	Z Ltd.
Share Capital	40	10
Capital Profit	10	2.6
Revenue Reserves	6.4	2
Revenue Profits	<u>5.744</u>	<u>1.62</u>
	62.144	16.22
Total = 62.144 + 16.22 = 78.364		

(5) Unrealized Profit on equipment sale

Cost	24
Profit	<u>8</u>
Selling Price	<u>32</u>
Unrealized profit = $8 - [8 \times (10/100) \times (3/12)] = 8 - 0.2 =$	7.8

(6) Profit and Loss Account - X Ltd.

Balance	60
Share in Y Ltd.	22.976
Share in Z Ltd.	<u>4.86</u>
	87.836

(7) Reserves-X Ltd.

X Ltd.	50
Share in Y Ltd.	25.6
Share in Z Ltd.	<u>6</u>
	<u>81.60</u>

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(1)



(2) Analysis of Profit of Crown				
Particulars		Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
Balance in Profit & Loss on 1.1.05		12,000	-	-
Profit for the year $\left(\frac{88,000+24,000}{2}\right) =$	56,000			
Interest Dividend	<u>24,000</u>	32,000	56,000	-
Balance in General Reserve on 1.1.05		20,000	-	-
General Reserve during the year		5,000	-	5,000
Unrealized Profit		<u>-</u>	<u>(8,000)</u>	<u>-</u>
Total		<u>69,000</u>	<u>48,000</u>	<u>5,000</u>
Share of Brown $\left(\frac{3.5}{6}\right)$		40,250	28,000	2,917
Share of Arun $\left(\frac{1}{6}\right)$		11,500	8,000	833
Share of Brown $\left(\frac{1.5}{6}\right)$		17,250	12,000	1,250

(3) Analysis of Profit of Brown				
Particulars		Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
Balance in Profit & Loss on 1.1.05		(20,000)	-	-
Profit during the year $\left(\frac{120 - 14 + 20 + 40}{2}\right) =$ Where, 14 = interim dividend received, 40 = interim dividend paid	83,000			
Interest Dividend	<u>40,000</u>	43,000	-	-
Balance in General Reserve on 1.1.05		40,000	-	-
Profit from the Crown		-	28,000	2,917
Unrealized Profit in Equipment		<u>-</u>	<u>(4,000)</u>	<u>-</u>
Total		<u>63,000</u>	<u>107,000</u>	<u>2,917</u>
Share of Arun (75%)		47,250	80,250	2,188
Share of Minority (25%)		15,750	26,750	729

(4) Computation of Goodwill		
Investment (360 + 60 + 208)		6,28,000
Less: Pre-acquisition Dividend (14 + 4 + 30)		<u>48,000</u>
		5,80,000
Less: Share of Capital = (140 + 40 + 300) =	4,80,000	
Shares of Pre-acquisition profit = (40.25 + 11.5 + 47.25) =	<u>99,000</u>	<u>5,79,000</u>
Goodwill		1,000

(5) Computation of Minority Interest		
	Brown	Crown
Share of Capital	1,00,000	60,000
Share of pre-Acquisition profit	15,750	17,250
Share of Post-Acquisition profit & Loss	26,750	12,000
Share of Post-Acquisition General Reserves	<u>729</u>	<u>1,250</u>
	<u>1,43,229</u>	<u>90,500</u>
Total = 2,33,729		

(6) Consolidated Profit and Loss A/c

Particulars	Amount (₹)
Balance in Profit and Loss in Holding Co.	2,00,000
Share of Post-Acquisition Profit from Crown =	8,000
Share of Post-Acquisition Profit from Brown =	80,250
pre-Acquisition Dividend (4 + 30)	<u>(34,000)</u>
	<u>2,54,250</u>

(7) Consolidated General Reserve

Particulars	Amount (₹)
Balance in General Reserve of Holding =	80,000
Share of Post-Acquisition General Reserve from Crown =	833
Share of Post-Acquisition General Reserve from Brown =	<u>2,188</u>
	<u>83,021</u>

(8) Consolidated Balance Sheet

	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	6,00,000	
(b) Reserves and surplus (83,021 + 2,54,250)	<u>3,37,271</u>	9,37,271
(2) Minority Interest		2,33,729
(3) Current liabilities		
(a) Trade payables		<u>2,40,000</u>
TOTAL		<u>14,11,000</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	7,08,000	
(ii) Intangible assets	<u>1,81,000</u>	8,89,000
(2) Current assets		
(a) Cash & Cash Equivalents	8,000	
(a) Other Current Assets	<u>5,14,000</u>	<u>5,22,000</u>
TOTAL		<u>14,11,000</u>

Solution 27 (Page no. 99)**Working Notes:****(1) Analysis of Profit of Z**

	Particulars	Pre-Acq. (₹)	Post-Acq. (₹)
(a)	Balance in Profit & Loss A/c on 31.12.2008	68,000	
(b)	Profit after that		<u>60,000</u>
	Total	<u>68,000</u>	<u>60,000</u>
	Minority (1/4)	17,000	15,000
	Holding (3/4) (i.e. Y)	51,000	45,000

(2) Analysis of Profit of Y

	Particulars	Pre-Acq. (₹)	Post-Acq. (₹)
(a)	Balance in Profit & Loss A/c on 31.12.2007	78,000	
(b)	Profit after that (12 + 100)		1,12,000
(c)	Share of Profit from Z Ltd.		<u>45,000</u>
	Total	<u>78,000</u>	<u>1,57,000</u>
	Minority (1/6)	13,000	26,167
	Holding (5/6)	65,000	1,30,833

(3) Computation of Goodwill

Particulars		Amount (₹)
Investment (6,30,000 + 4,00,000)		10,30,000
Less: Pre-Acquisition Dividend		<u>96,000</u>
		9,34,000
Less:		
Share of Capital	8,00,000	
Share of Pre-Acquisition Profit	<u>1,16,000</u>	<u>9,16,000</u>
Goodwill		<u>18,000</u>

(4) Computation of Minority Interest

Particulars	Y	Z	Total
Share of Capital	1,00,000	1,00,000	2,00,000
Pre-Acquisition Profit	13,000	17,000	30,000
Post-Acquisition Profit	<u>26,167</u>	<u>15,000</u>	<u>41,167</u>
Total	<u>1,39,167</u>	<u>1,32,000</u>	<u>2,71,167</u>

(6) Consolidated Profit and Loss Account

Particulars	Amount (₹)
Balance in Profit and Loss A/c of X Ltd.	2,10,000
Dividend received	60,000
Share of Post profit	<u>1,30,833</u>
	<u>4,00,833</u>

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	8,00,000	
(b) Reserves and surplus	<u>4,00,833</u>	12,00,833
(2) Minority Interest		2,71,167
(3) Current liabilities		
(a) Trade payables		<u>84,000</u>
TOTAL		<u>15,56,000</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible Assets	13,18,000	
(ii) Intangible Assets	<u>18,000</u>	13,36,000
(2) Current assets		<u>2,20,000</u>
TOTAL		<u>15,56,000</u>

Solution 28 (Page no. 100)

(1) Analysis of Profits of Star		
Particulars	Pre	Post
Balance in Profit & Loss on Acquisition	-	-
Profit & Loss after that	-	(60)
Balance in General Reserve on Acquisition	-	-
General Reserve after that	<u>-</u>	<u>30</u>
	-	(30)
Minority 40%	-	(12)
Sun 20%	<u>-</u>	<u>(6)</u>
Moon	-	(12)
Adjusted for Subsequent Acquisition	<u>3</u>	<u>(3)</u>
	3	(15)

(2) Analysis of Profits of Moon		
Particulars	Pre	Post
Balance in General Reserve on Acquisition	-	-
Balance in General Reserve after that	-	45
Balance in Profit & Loss after that	-	(1,08)
Share in Profit & Loss of Star	<u>-</u>	<u>(15)</u>
	-	(78)
Minority 69/144	-	(37.37)
Holding 75/144	<u>-</u>	<u>(40.63)</u>

(3) Computation of Goodwill		
Investment (75 + 24 + 60 + 30)		1,89
Less:		
Share Capital	1,77	
Pre profit	<u>3</u>	<u>(1,80)</u>
Goodwill		<u>9</u>

(4) Computation of Minority Interest		
Share Capital (69 + 48 + 66)		183
Pre profit [(12) + (37.37)]		<u>(49.37)</u>
		<u>1,33.63</u>

(5) Consolidated Profit & Loss A/c		
Balance in Profit & Loss of Sun		(2,88)
Balance in Profit & Loss of Star		(6)
Balance in Profit & Loss of Moon		(40.63)
Balance in Reserve of Sun		<u>75</u>
		<u>(2,59.63)</u>

(6) Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital (1,80 + 15)	195	
(b) Reserves and surplus (3,60 – 2,59.63)	<u>1,00.37</u>	2,95.37
(2) Minority Interest		1,33.63
(3) Non-Current Liabilities		
(a) Long Term Borrowing		30
(4) Current Liabilities		
(a) Short Term Borrowing	9,27	
(b) Other	<u>15,33</u>	<u>24,60</u>
TOTAL		<u>29,19</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	12,54	
(ii) Intangible assets	<u>9</u>	12,63
(2) Current assets (10,59 + 3,69 + 3,36 – 81 – 30 + 3)		<u>16,56</u>
TOTAL		<u>29,19</u>

Solution 29 (Page no. 101)

Loss by Fire A/c	Dr.	20,000	
To Stock A/c			20,000
Bank	Dr.	15,000	
Profit & Loss A/c	Dr.	5,000	
To Loss by Fire A/c			20,000
Stock A/c	Dr.	1,80,000	
To A Ltd A/c			1,80,000
A Ltd A/c	Dr.	1,20,000	
To Stock			90,000
To Profit & Loss A/c			30,000

Net D in B's of B Ltd.	
Stock = 3,50,000 + 1,80,00 – 90,000 – 20,000	4,20,000
Debtors =	2,65,000
Cash = 1,05,000 + 15,000 =	1,20,000
Profit & Loss A/c = 2,05,000 – 5,000 + 30,000 =	2,30,000
Creditors = 80,000 + 1,80,000 – 1,20,000 =	1,40,000

(1) Analysis of Profits

Particulars	Pre	Post
Balance in Profit & Loss on date of Acquisition	75,000	-
Profit & Loss after that	<u>-</u>	<u>1,55,000</u>
	<u>75,000</u>	<u>1,55,000</u>
Minority 20%	15,000	31,000
Holding 80%	60,000	1,24,000

(2) Computation of Goodwill

Investment (8,00,000 + 1,50,000)		9,50,000
Less:		
Share Capital + FV of Debentures	5,00,000	
Pre-Acquisition profit	<u>60,000</u>	<u>5,60,000</u>
		<u>3,90,000</u>

(4) Computation of Minority Interest

Share of Capital	1,00,000
Share of Pre-Acquisition Profit	15,000
Share of Post-Acquisition Profit	<u>31,000</u>
	<u>1,46,000</u>

(5) Consolidated Profit & Loss A/c

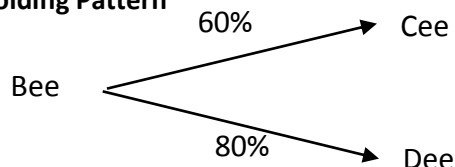
Balance in Profit & Loss of A	4,50,000
Less: Unrealized profit on stock (1/6 x ₹90,000)	(15,000)
Add : Share in Profit & Loss of B (80% of ₹1,55,000)	<u>1,24,000</u>
	<u>5,59,000</u>

Consolidated Balance Sheet

	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	10,00,000	
(b) Reserves and surplus	<u>5,59,000</u>	15,59,000
(2) Minority Interest		1,46,000
(3) Non-current liabilities		
(a) Long-term borrowings		2,00,000
(4) Current liabilities		
(a) Trade payables	4,60,000	
(b) Other current liabilities	<u>2,40,000</u>	<u>7,00,000</u>
TOTAL		<u>26,05,000</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	10,55,000	
(ii) Intangible assets	<u>3,90,000</u>	14,45,000
(2) Current assets		
(a) Inventories	6,05,000	
(b) Trade receivables	3,55,000	
(c) Cash and cash equivalents	<u>2,00,000</u>	<u>11,60,000</u>
TOTAL		<u>26,05,000</u>

Solution 30 (Page no. 102)

(1) Holding Pattern



Working Notes:

(2) Analysis of Profits of Cee Ltd.

	Particulars		Pre-Acq. Profits (₹)	Post-Acq. P&L (₹)	Post-Acq. GR (₹)
(a)	Balance in General Reserve – 31.3.2004		2,550	-	-
(b)	General Reserve after that	-	-	-	600
(c)	Balance in Profit & Loss on 31.3.2004	900			
	Less: Dividend for earlier	(750)	150	-	-
(d)	Profit after that		-	1,050	-
	Total		2,700	1,050	600
	Minority Share		1,080	420	240
	Holding Share (i.e. Bee Ltd.)		1,620	630	360

(3) Analysis of Profits of Dee Ltd.

	Particulars	Pre-Acq. Profits	Post-Acq. Profits
		₹	₹
(a)	Balance in Profit & Loss on 31.3.2004	(360)	
(b)	Profit after that	-	1,110
(c)	Balance in Preliminary Expenses on 31.3.2004	(30)	
(d)	Preliminary Expenses written off		15
	Total	(390)	1,125
	Minority Share	(78)	225
	Holding Share (i.e. Bee Ltd.)	(312)	900

(4) Computation of Goodwill

Particulars	Amount	Amount
Investment (6,750 + 2,160 + 294)		9,204
Less:		
Pre-Acquisition Dividend	450	
Share of Capital (4,500 + 2,400 + 300)	7,200	
Pre-Acquisition Profit (1,620 – 312)	1,308	8,958
		246

(5) Minority Interest

Particulars	Cee	Dee	Total
Share of Capital	3,000	600	3,600
Pre-Acquisition Profit	1,080	(78)	1,002
Post-Acquisition Profit	420	225	645
Post-Acquisition General Reserve	240		240
	4,740	747	5,487

(6) Consolidated Profit and Loss Account

Particulars	Amount
Balance in Profit & Loss A/c of Bee	9,000
Share of in Profit & Loss A/c of Dee	900
Share in Profit & Loss A/c of Cee	630
	10,530
Less:	

Pre-acquisition Dividend wrongly Credited	450	
Unrealized Profit in Stock	<u>40</u>	<u>(490)</u>
		<u>10,040</u>

(7) Consolidated General reserve

Particulars	Amount
Balance in General Reserve of Bee	33,000
Share in General Reserve of Cee	<u>360</u>
	<u>33,360</u>

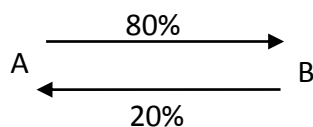
(8) Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	27,000	
(b) Reserves and surplus (10,040 + 33,360)	<u>43,400</u>	70,400
(2) Minority Interest		5,487
(3) Non-Current liabilities		
(a) Long term Borrowings		1,200
(4) Current liabilities		
(a) Trade payables (45 + 17,730)		<u>17,775</u>
TOTAL		<u>94,862</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible Assets (48,600 + 8,100)	56,700	
(i) Intangible Assets	<u>246</u>	56,946
(2) Current assets		
(a) Inventories	20,960	
(b) Trade receivables (11,640 + 150)	11,790	
(c) Cash and cash equivalents (5,151 + 15)	<u>5,166</u>	<u>37,916</u>
TOTAL		<u>94,862</u>

Solution 31 (Page no. 103)

Working Notes:

(1) Holding Pattern



(2)	B's Post Profit (29,000 – 5,000)	24,000
	A's Pre Profit (80,000 + 20,000)	1,00,000
	A's Post Profit (3,20,000 – 20,000)	3,00,000
	B's Pre Profit	85,000

(3) Pre Profit

A = 1,00,000 + 80% of B
B = 85,000 + 20% of A
= 85,000 + 20% (1,00,000 + 80% of B)
= 85,000 + 20,000 + 16% of B
84% of B = 1,05,000
B = 1,25,000

A's Share = $1,25,000 \times 80\% = 1,00,000 \rightarrow$ Goodwill

Minority Share = $1,25,000 \times 20\% = 25,000 \rightarrow$ Minority Interest

Balance Original of A = $1,00,000 - 40,000$ (i.e. $1,25,000 - 85,000$) = $60,000 \rightarrow$ Reserve & Surplus

(4) Post Profit

A = $3,00,000 + 80\%$ of B

B = $24,000 + 20\%$ of A

= $24,000 + 20\% (3,00,000 + 80\%$ of B)

= $24,000 + 60,000 + 16\%$ of B

84% of B = $84,000$

B = $1,00,000$

A's Share = $1,00,000 \times 80\% = 80,000 \rightarrow$ Reserve & Surplus

Minority Share = $1,00,000 \times 20\% = 20,000 \rightarrow$ Minority Interest

Balance Original of A = $3,00,000 - 76,000$ (i.e. $1,00,000 - 24,000$) = $2,24,000 \rightarrow$ Reserve & Surplus

(5) Computation of Goodwill

Investment (3 + 2)		5,00,000
Less:		
Share of Capital (2.40 + 1.20) =	3,60,000	
Pre Profit =	<u>1,00,000</u>	<u>4,60,000</u>
		<u>40,000</u>

(3) Minority Interest

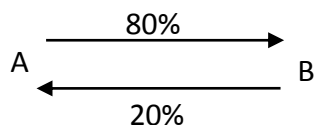
Share of Capital	60,000
Pre Profit	25,000
Post Profit	<u>20,000</u>
Total	<u>1,05,000</u>

(4) Consolidated Profit and Loss A/c

Balance Profit & Loss of Holding	2,24,000
From subsidiary	<u>80,000</u>
	<u>3,04,000</u>

Consolidated Balance Sheet

Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	4,80,000	
(b) Reserves and surplus = $(60,000 + 3,04,000) =$	<u>3,64,000</u>	8,44,000
(2) Minority Interest		1,05,000
(3) Current liabilities		
(a) Trade payables		<u>1,81,000</u>
TOTAL		<u>11,30,000</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	7,00,000	
(ii) Intangible assets	<u>40,000</u>	7,40,000
(2) Current assets		
(a) Inventories	65,000	
(b) Trade receivables	2,30,000	
(c) Cash and cash equivalents	<u>95,000</u>	<u>3,90,000</u>
TOTAL		<u>11,30,000</u>

Solution 32 (Page no. 103)**Working Notes:****(1) Holding Pattern**

(2) Pre Profit	
A = 1,00,000 + 80% of B	
B = 80,000 + 20% of A	
= 80,000 + 20% (1,00,000 + 80% of B)	
= 80,000 + 20,000 + 16% of B	
84% of B = 1,00,000	
B = 1,19,048	
A's Share = 1,19,048 x 80% = 95,238 → Goodwill	
Minority Share = 1,19,047 x 20% = 23,810 → Minority Interest	
Balance Original of A = 1,00,000 – 39,047 (i.e. 1,19,047 – 80,000) = 60,953 → Consolidated P&L A/c	

(3) Post Profit	
A = 3,00,000 + 80% of B	
B = 50,000 + 20% of A	
= 50,000 + 20% (3,00,000 + 80% of B)	
= 50,000 + 60,000 + 16% of B	
84% of B = 1,10,000	
B = 1,30,952	
A's Share = 1,30,952 x 80% = 1,04,762 → Reserve & Surplus	
Minority Share = 1,30,952 x 20% = 26,190 → Minority Interest	
Balance Original of A = 3,00,000 – 80,952 (i.e. 1,30,952 – 50,000) = 2,19,048 → Reserve & Surplus	

(4) Computation of Goodwill		
Investment		3,70,000
Less:		
Share of Capital	2,60,000	
Pre-Acquisition Profit =	<u>95,238</u>	<u>(3,55,238)</u>
		<u>14,762</u>

(5) Minority Interest	
Share of Capital	40,000
Share of Pre-Acquisition Profit	23,810
Share of Post-Acquisition Profit	<u>26,190</u>
	<u>90,000</u>

(6) Consolidated Profit and Loss A/c	
A's Balance (Pre)	60,953
A's Balance (Post)	2,19,048
From B (Post)	<u>1,04,762</u>
	<u>3,84,763</u>

(7) Consolidated Balance Sheet		
Particulars	Amount	Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	4,00,000	
(b) Reserves and surplus =	<u>3,84,763</u>	7,84,763
(2) Minority Interest		89,999
(3) Current liabilities		
(a) Trade payables		<u>2,10,000</u>
TOTAL		<u>10,84,762</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	NIL	
(ii) Intangible assets	<u>14,762</u>	14,762
(2) Current assets		<u>10,70,000</u>
TOTAL		<u>10,84,762</u>

Solution 33 (Page no. 104)

(1) Calculation of Goodwill		
Investment		3,00,000
Less: Share of Capital	1,25,000	
Share of Reserve	75,000	
Pre-Acquisition Dividend	<u>50,000</u>	<u>2,50,000</u>
Goodwill		50,000
(2) Value of Investment		
Opening Investment		3,00,000
Less: Pre-Acquisition Dividend		<u>50,000</u>
		2,50,000
Add: Post Profit		<u>1,75,000</u>
		<u>4,25,000</u>

3.	Dividend received from B Ltd. During the year 2006 from the Pre-Acquisition Profit will be reduced from the value of Investment.
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Solution 34 (Page no. 105)

Consolidated Profit and Loss A/c as at 31.03.2006			
(₹ '000)			
Particulars	Subsidiary	Associate	Joint Venture
Sales	3,000	2,000	2,500
Expenses	(1,400)	(900)	(1,150)
Dividend	—	—	—
PBT	1,600	1,100	1,350
Tax	<u>(800)</u>	<u>(600)</u>	<u>(700)</u>
PAT	800	500	650
Share of profits from Associate	-	150	-
Opening Balance B/d	3,150	3,150	3,150
Dividend Paid	(300)	(300)	(300)
Share of Minority Interest	<u>(150)</u>	—	—
Balance carried forward to Balance Sheet	<u>3,500</u>	<u>3,500</u>	<u>3,500</u>

Consolidated Balance Sheet as at 31.03.2006				
(₹ '000)				
	If Subsidiary	If Investment	If Associate	If Joint Venture
Liabilities				
Share Capital	2,000	2,000	2,000	2,000
Reserves	3,500	3,450	3,500	3,500
Minority Interest	1,500	-	-	-
Debentures	3,500	2,000	2,000	2,750
Current Liabilities	<u>7,050</u>	<u>4,550</u>	<u>4,550</u>	<u>5,800</u>
Total	<u>17,550</u>	<u>12,000</u>	<u>12,050</u>	<u>14,050</u>
Assets				
Goodwill	550	-	-	550
Fixed Assets	10,500	6,500	6,500	8,500
Investments (Goodwill – ₹550 thousands)	-	2,000	2,050	-
Current Assets	<u>6,500</u>	<u>3,500</u>	<u>3,500</u>	<u>5,000</u>
Total	<u>17,550</u>	<u>12,000</u>	<u>12,050</u>	<u>14,050</u>

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Adjusted revenue reserves of B Ltd.:		
	₹	₹
Revenue reserves as given		7,14,000
Add: Depreciation over charged (₹16,000 × 2)	32,000	-
Provision for doubtful debts	<u>9,000</u>	<u>41,000</u>
		7,55,000
Less: Reduction in stock-in-trade	34,000	
Advertising expenditure to be written off	<u>30,000</u>	<u>64,000</u>
Adjusted revenue reserve		<u>6,91,000</u>

Restated Balance Sheet of B Ltd. as on 31 st December 2005		
		Amount
I. EQUITY AND LIABILITIES		
(1) Shareholders' funds		
(a) Share capital	5,00,000	
(b) Reserves and surplus	<u>6,91,000</u>	11,91,000
(4) Current liabilities		
(a) Short-term borrowings	1,70,000	
(b) Trade payables	4,94,000	
(c) Short-term provisions	<u>4,30,000</u>	<u>10,94,000</u>
TOTAL		<u>22,85,000</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets	2,56,000	
(b) Non-current investments	<u>4,00,000</u>	6,56,000
(2) Current assets		
(a) Inventories	7,08,000	
(b) Trade receivables	9,00,000	
(c) Cash and cash equivalents	3,000	
(d) Other current assets	<u>18,000</u>	<u>16,29,000</u>
TOTAL		<u>22,85,000</u>

Note 1: Reduction in stock for 2004 of ₹12,000 will not affect the closing Balance Sheet as on 31.12.2005. It relates to last year. Same is for Provision for Bad Debts of last year.

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Consolidated Balance Sheet of Greatest Ltd, with its subsidiaries Big Ltd, and Small Ltd. as on 1st April, 2014			
	Particulars	Note	₹
I.	EQUITY AND LIABILITIES		
1.	Shareholders' funds		
	a. Share capital	1	5,00,000
	b. Reserves and surplus	2	3,90,000
	c. Minority interest (W.N.3)		1,48,000
2.	Current Liabilities		
	Trade payables	3	6,00,000
	Total		<u>16,38,200</u>
II.	ASSETS		
1.	Non-current assets		
	(i) Fixed assets		
	Tangible assets	4	14,20,000
	(ii) Other non-current assets	5	40,000
2.	Current assets	6	<u>1,78,200</u>
			<u>16,38,200</u>

Notes to the financial statements

	Particulars		₹
1	Share Capital		
	Authorized Issued, subscribed and fully paid up 50,000 shares of ₹10 each		5,00,000
2	Reserves and surplus		
	General Reserve (WN 5)	1,33,600	
	Capital Reserve (WN 4)	12,000	
	Profit & loss A/c (WN 5)	<u>2,44,600</u>	3,90,000
3	Trade payables		
	Greatest Ltd.	3,00,000	
	Big Ltd.	2,00,000	
	Small Ltd.	<u>1,00,000</u>	6,00,000
4	Tangible assets		
	Greatest Ltd.	7,75,000	
	Big Ltd.	4,10,000	
	Small Ltd.	<u>2,35,000</u>	14,20,000
5	Other non-current assets		
	Greatest Ltd.	25,000	
	Small Ltd.	<u>15,000</u>	40,000
6	Current assets		
	Greatest Ltd.	1,00,000	
	Big Ltd.	50,000	
	Small Ltd.	30,000	
	Less: Unrealized profit on downstream transaction $\left(10,800 \times \frac{20}{120}\right)$	<u>(1,800)</u>	1,78,200

Working Notes:

1. AOP of Small Ltd.			
		09-14	09-14
	Pre-	Post P&L	Post G.R.
	₹	₹	₹
Balance in Profit and loss A/c – 1.4.09	20,000	-	-
Profit after that	-	30,000	-
Balance in General Reserve	10,000	-	-
General Reserve after that	-	-	<u>20,000</u>
Total	<u>30,000</u>	<u>30,000</u>	<u>20,000</u>
Share of Minority (40%)	12,000	12,000	8,000
Share of Big Ltd. (60%)	18,000	18,000	12,000

2. AOP of Big Ltd.			
		09-14	09-14
	Pre-	Post P&L	Post G.R.
	₹	₹	₹
Balance in Profit and loss A/c – 1.4.07	60,000	-	-
Profit after that	-	40,000	-
Balance in General Reserve 1.4.07	20,000	-	-
General Reserve after that	-	-	30,000
Profit from Small Ltd.	-	<u>18,000</u>	<u>12,000</u>
Total	<u>80,000</u>	<u>58,000</u>	<u>42,000</u>
Minority interest (20%)	16,000	11,600	8,400
Greatest Ltd. (80%)	64,000	46,400	33,600

3. Goodwill		
Investment		2,90,000
Less: Share of capital (1,60,000 + 60,000)	2,20,000	
Less: Share of Pre-incorporation profit (64,000 + 18,000)	<u>82,000</u>	<u>3,02,000</u>
Capital reserve		12,000

3. Calculation of Minority interest		
Particulars	Big Ltd	Small Ltd.
	₹	₹
Share of capital	40,000	40,000
Pre-incorporation profit	16,000	12,000
Post-incorporation profit	11,600	12,000
Post-incorporation General Reserve	<u>8,400</u>	<u>8,000</u>
Total	<u>76,000</u>	<u>72,000</u>
Total minority interest		<u>1,48,000</u>

5. Consolidated Profit & Loss	
	₹
Balances in Profit & Loss - Greatest Ltd.	2,00,000
From balance Sheet	46,400
Unrealized profit on stock (10,800 x 20/120)	<u>(1,800)</u>
Reserves for consolidated balance sheet	<u>2,44,600</u>

5. Consolidated General Reserve	
	₹
Balances in General Reserve - Greatest Ltd.	1,00,000
From Big Ltd.	<u>33,600</u>
	<u>1,33,600</u>

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As proposed dividend is already included by holding companies in their debtor, it is also included in their profits. So the proposed dividend of subsidiary need not be added back to profit. At last they will be mutually set off.

Consolidated Balance Sheet		
I. EQUITY AND LIABILITIES		Amount
(1) Shareholders' funds		
(a) Share capital	2,00,000	
(b) Reserves and surplus (50,000 + 5,440 + 1,99,540 + 16,064)	<u>2,71,044</u>	4,71,044
(2) Minority Interest		83,918
(3) Current liabilities		
(a) Trade Payables	2,63,380	
(b) Short-term provisions	<u>52,000</u>	<u>3,15,380</u>
TOTAL		<u>8,70,342</u>
II. ASSETS		
(1) Non-current assets		
(a) Fixed assets		
(i) Tangible assets	2,65,000	
(ii) Intangible assets	49,592	
(iii) Non-Current Investments	<u>10,400</u>	3,24,992
(2) Current assets		
(a) Inventories	1,53,840	
(b) Trade receivables/ Debtors	1,91,070	
(c) Cash and cash equivalents	<u>2,00,440</u>	<u>5,45,350</u>
TOTAL		<u>8,70,342</u>

Working Notes:**Analysis of profit**

(i) C			
	Capital Profit (₹)	Capital Reserve (₹)	Revenue Reserve (₹)
Capital Reserve in 2003	15,000		
Increase in Capital Reserve		8,000	
Revenue Reserve in 2003	30,500		
Increase in Revenue Reserve			<u>14,560</u>
	45,500	8,000	14,560
Minority Interest 15%	<u>6,825</u>	<u>1,200</u>	<u>2,184</u>
Share of B	<u>38,675</u>	<u>6,800</u>	<u>12,376</u>

(ii) B			
Revenue Reserve in 2003	40,000		
Increase in Revenue Reserve			9,370
Share in C		<u>6,800</u>	<u>12,376</u>
	40,000	6,800	21,746
Minority interest (20%)	<u>8,000</u>	<u>1,360</u>	<u>4,349</u>
	32,000	<u>5,440</u>	17,397
Less: (5,000 × 4/15) for second acquisition treated as capital	<u>+1,333</u>		<u>-1,333</u>
	<u>33,333</u>		<u>16,064</u>

(iii) Cost of Control / Goodwill		
Cost of Investment in C (6,800 × 22)		1,49,600
Cost of Investment in B		<u>1,60,000</u>
		3,09,600
Paid up value of shares		

in C	68,000	
in B	1,20,000	
Capital profits in		
C	38,675	
B	<u>33,333</u>	<u>2,60,008</u>
Goodwill		<u>49,592</u>

(iv) Minority Interest

	(20%)	(15%)
	B	C
Capital	30,000	12,000
Capital Reserve	1,360	1,200
Revenue Reserve	4,349	2,184
Capital Profit	8,000	6,825
Proposed Dividend	<u>12,000</u>	<u>6,000</u>
	<u>55,709</u>	<u>28,209</u>
Minority Interest = 55,709 + 28,209 = 83,918		

(v) Investment & Others

King Limited	1,50,000	
Less: Cost of Chair Limited (6,800 × ₹22)	<u>1,49,600</u>	400
Chair Limited		<u>10,000</u>
		<u>10,400</u>

(vi) Debtors

Rock Limited	1,10,070	
Less: Dividend from King Limited	<u>48,000</u>	62,070
King Limited	69,120	
Less: Dividend from Chair Limited	<u>34,000</u>	35,120
Chair Limited		<u>93,880</u>
		<u>1,91,070</u>

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Consolidated Balance Sheet		
	₹	₹
I. Equity and liabilities		
(1) Shareholder's Funds		
(a) Share Capital	6,00,000	
(b) Reserves and Surplus (99,250,+ 60,00 + 33,750)	<u>1,93,000</u>	7,93,000
(2) Minority interest		1,23,500
(3) Current liabilities		
Trade payables		<u>1,70,000</u>
Total		10,86,500
II. Assets		
(1) Non-current assets		
Fixed assets		
Tangible assets	6,28,000	
Intangible assets	<u>50,000</u>	6,78,000
(2) Current assets		
(a) Inventories	2,13,500	
(b) Trade receivables	1,30,000	
(c) Cash and cash equivalents	<u>65,000</u>	<u>4,08,500</u>
Total		10,86,500

Notes to Accounts

			₹	₹
1. Share Capital				
Equity shares of ₹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>2,28,000</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: Unrealized 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. AOP of Devil Ltd.				
		Pre	Post- P&L	Post GR
Balance in General reserve – 1.4.12		50,000	-	-
GR after that		-	-	-
Balance in Profit and loss 1.4.12	60,000			
Dividend	<u>30,000</u>	30,000	-	-
Profit after that		35,000	35,000	-
Profit earned during the year				
Revaluation Profit		50,000		
depreciation on revaluation		-	(2,000)	-
Unrealized Profit		-	<u>(4,000)</u>	-
Total		<u>1,65,000</u>	<u>29,000</u>	
Minority Interest (25%)		41,250	7,250	-
Holding (75%)		1,23,750	<u>21,750</u>	-

2. Goodwill		
		₹
Investments		3,37,500
Dividend out of Pre-acquisition profits		<u>(22,500)</u>
		<u>3,15,000</u>
Less: Share of capital	2,25,000	
Share of capital Pre-acquisition profits	<u>1,23,750</u>	<u>3,48,750</u>
Capital Reserve		33,750

3. Calculation of minority interest	
	₹
Capital	75,000
pre-acquisition profit	41,250
post-acquisition profit	<u>7,250</u>
	1,23,500

4. Consolidated profit and loss account	
	₹
balance in Profit and loss account of Holding	1,00,000
From Subsidiary	21,750
Pre-acquisition dividend	<u>(22,500)</u>
	99,250