

# WEL COME

B. Com. III Sem. VI  
Subject Advance Accounting

Guest Lecture delivered by  
Prof. V. S. Bodhale

Chapter: Accounts of Holding Company

# Introduction about

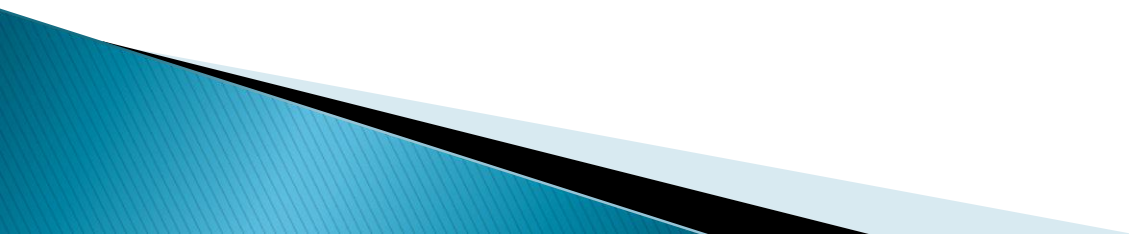
Profit prior to In-Corporation

Amalgamation of Companies

Absorption of Companies

Reconstruction and Reorganizations of Company

Introduction about Holding Company



## Problem:

### Balance Sheet as on 31<sup>st</sup> Dec. , 2016

Liabilities	H. Ltd Rs.	S. Ltd Rs.
Share Capital	1,00,000	50,000
Reserve	10,000	5,000
Profit & Loss A/c	10,000	4,000
Sundry Liabilities	5,000	4,000
	1,25,000	63,000
<b>Assets</b>		
Sundry Assets	60,000	63,000
Investment (4,000 shares in S. Ltd)	65,000	
	1,25,000	63,000

H. Ltd. Acquired the Shares of S. Ltd. On 1<sup>st</sup> Jan., 2016. On that date the Profit & Loss A/c of S. Ltd. Had a credit balance of Rs. 1,000 and in reserve Rs. 3,000.

Prepare a Consolidated Balance Sheet.

## Solution:

1. Time Ratio : Nil

2. Share Holding Ration

H. Ltd	S. Ltd.(no of Share 5,000)
4,000 Share	1,000 Share
	4 : 1

3. Capital Profit:

	Rs.
Profit on date of acquisition of shares	1,000
Add: Reserve on the date of acquisition of Shares	3,000
Total Capital Profits:	4,000

Share of H. Ltd  $(4,000 \times 4/5) = \text{Rs. } 3,200$

Share of Minority Shareholders  $(4,000 \times 1/5) = \text{Rs. } 800$

<b>4. Revenue Profits:</b>	Rs.
Profit after the date of acquisition (5,000–3,000) =	2,000
Add: Reserve after the date of acquisition (4,000–1,000) =	3,000
<b>Total Revenue Profits:</b>	<b>5,000</b>
Share of H Ltd. $5,000 \times 4/5$ = Rs. 4,000	
Share of Minority shareholders $(5,000 \times 1/5)$ = Rs. 1,000	

<b>5. Minority Interest:</b>	Rs.
$1/5^{\text{th}}$ of share capital of Minority Shareholders $(50,000 \times 1/5)$	10,000
Add: $1/5^{\text{th}}$ of Revenue Profits ( as above )	1,000
Add: $1/5^{\text{th}}$ of Capital Profits (as above )	800
<b>Minority Interest</b>	<b>11,800</b>

<b>6. Goodwill or Cost of Control</b>	Rs.
Cost of 4,000 shares held by H Ltd.	65,000
Less: Face Value of 4,000 Shares of Rs.10 each	40,000
	25,000
Less: Capital of profit H. Ltd.,	3,200
	<b>Goodwill</b>
	<b>21,800</b>

## Consolidated Balance sheet of H. Ltd. & S. Ltd.

Liabilities	Amount	Assets	Amount
<b>Share Capital</b>		<b>Sundry Assets:</b>	
10,000 shares of Rs.10 each	1,00,000	H Ltd. 60,000	
<b>Reserves &amp; Surplus:</b>		S Ltd. 63,000	1,23,000
Reserve:	4,000	Goodwill	21,800
H Ltd. 10,000			
S Ltd. (2,000 x 4/5) 1,600	11,600		
<b>Profit &amp; Loss A/c:</b>			
H Ltd. 10,000			
S Ltd. (4,000-1,600) 2,400	12,400		
<b>Minority Interest</b>	11,800		
<b>Sundry Liabilities</b>			
H Ltd. 5,000			
S Ltd. 4,000	9,000		
	<b>1,44,800</b>		<b>1,44,800</b>

Thank you