

WEL COME

B. Com. III Sem. VI
Subject Advance Accounting

Guest Lecture delivered by
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Chapter: Accounts of Holding Company

Introduction about

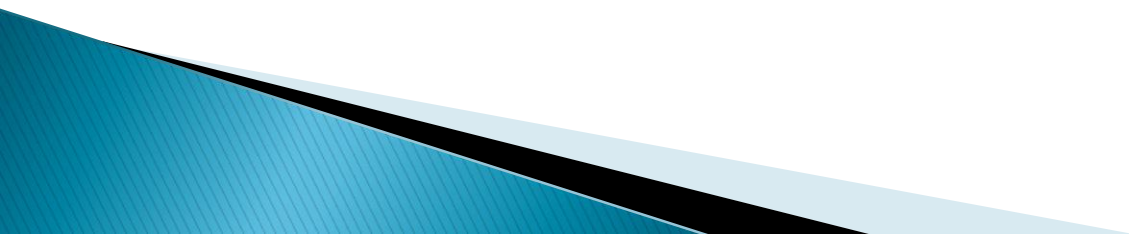
Profit prior to In-Corporation

Amalgamation of Companies

Absorption of Companies

Reconstruction and Reorganizations of Company

Introduction about Holding Company



Problem:

Balance Sheet as on 31st 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
Assets		
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 1st 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 $(4,000 \times 1/5) = \text{Rs. } 800$

4. Revenue Profits:	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
Total Revenue Profits:	5,000
Share of H Ltd. $5,000 \times 4/5$ = Rs. 4,000	
Share of Minority shareholders $(5,000 \times 1/5)$ = Rs. 1,000	

5. Minority Interest:	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
Minority Interest	11,800

6. Goodwill or Cost of Control	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
	21,800
Goodwill	

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

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

Thank you

