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Subject:- Specialized Accounting
Topic
 Holding & Subsidiary Company



**"Nothing is more
important than
Education"**

	<u>2,80,000</u>
Less: Unrealised Profit	62,000
Trade Receivables:	18,000
Sundry Debtors A Ltd.	80,000
B Ltd.	<u>6,000</u>
	<u>79,400</u>
Less: Mutual Debts	35,000
	<u>14,000</u>
Cash and Cash Equivalents:	49,000
Cash at Bank A Ltd.	<u>5,000</u>
B Ltd.	<u>44,000</u>
	63,000
	<u>11,000</u>
	<u>74,000</u>

There is no minority interest since it is a case of wholly owned subsidiary company.
 Problem 17
 The following Balance Sheets are presented to you on 31st March, 2020 :

Particulars	H Ltd.	S Ltd.
EQUITY & LIABILITIES		
Shareholders' Funds :	₹	₹
Share Capital (Shares of ₹ 100 each)		
General Reserve	5,00,000	2,00,000
Statement of Profit & Loss	1,00,000	—
Non-current Liabilities :	80,000	(1,00,000)
6% Debentures		
Current Liabilities :	—	1,00,000
Trade Payables		
	75,000	45,000
Total	<u>7,55,000</u>	<u>2,45,000</u>
ASSETS		
Non-current Assets :		
Fixed Assets		
1,500 Shares at ₹ 80	3,50,000	1,50,000
Current Assets :	1,20,000	—
Inventories		
Trade Receivables	90,000	40,000
Debentures in S Ltd. at Cost	60,000	30,000
Cash at Bank	60,000	—
	75,000	25,000
Total	<u>7,55,000</u>	<u>2,45,000</u>

H Ltd. acquired the shares on 1st September, 2019. The Statement of Profit and Loss of S Ltd. showed a debit balance of ₹ 1,50,000 on 1st April, 2019. During June 2019, goods costing ₹ 6,000 were destroyed by fire against which an insurance company paid only ₹ 2,000. Trade Payables of S Ltd. include

₹ 20,000 for goods supplied by H Ltd. on which H Ltd. made a profit of ₹ 2,000. Half of the goods were still in stock on 31st March, 2020.

Prepare a Consolidated Balance Sheet and show the complete working.

Solution

Consolidated Balance Sheet of H Ltd. and its Subsidiary S Ltd.
(as at 31.3.2020)

Particulars	Note No.	Amount
I. EQUITY & LIABILITIES		
1. Shareholders' Funds :		
Share Capital		₹ 80,000
General Reserve		21,875
Statement of P. & L. (₹ 80,000 + 21,875 - 1,000)		1,000
Minority Interest		20,000
2. Non-current Liabilities :		
6% Debentures		45,000
3. Current Liabilities :		
Trade Payables (₹ 75,000 + 45,000 - 20,000)		1,000
Total		₹ 1,80,000
II. ASSETS		
1. Non-current Assets :		
Cost of Control		₹ 3,50,000
Fixed Assets (₹ 3,50,000 + 1,50,000)		1,50,000
2. Current Assets :		
Inventory (₹ 90,000 + 40,000 - 6,000 - 1,000)		₹ 1,20,000
Trade Receivable (₹ 60,000 + 30,000 - 20,000)		70,000
Cash at Bank (₹ 75,000 + 25,000 + 2,000)		1,00,000
Total		₹ 1,80,000

Working Notes :

(i) **Analysis of Profits of S Ltd :**

	Capital Profits ₹	Revenue Profits
Statement of Profit and Loss as on 1.4.2019	- 1,50,000	
Profit during the year (₹ 50,000) (5 : 7)	20,833	
Loss by Fire	- 4,000	
	- 1,33,167	
Minority Interest 25%	- 33,292	
Less : H Ltd's Share	- 99,875	

* Question is solved on the assumption that S Ltd. had not considered the loss by fire in his accounts as on 31.3.2020.

(ii) **Cost of Control :**

Cost of Shares acquired		₹ 1,50,000
Less : Paid-up Value		1,50,000
Capital Profit		- 99,875

(iii) **Minority Interest :**

Paid-up Value		₹ 20,000
Capital Profits		- 33,292
Revenue Profits		7,292