# FINANCIAL ACCOUNTING

# 6TH SEM

# UNIT I

# Accounts of Holding Company

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lgk¸;d daiuhoj fu;a=.k feGo.;kps ekxZ %

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lgk¸;d daifuP;k loZ laifRr vkf.k ns;rkaoj QDr lq=/kkfj daifupkp vf/kdkj ulrs ijarq ,df=r rkGscan r;kj djrkauk lgk¸;ddaifuph loZ laifRr vkf.k loZ ns;rk lq=/kkjh daifuP;k rkGscankr lekfo’V dj.;kr ;srkr- Eg.kwu vYila[; Hkkx/kkjdkaps ghr osxGs vkaxfur d:u rs ,df=r RkGscankr ns;rk cktqoj nk[ko.;kr ;srs-

vYila[; Hkkx/kkjdkaP;k ghrkaps vkxed iq<hyizek.ks djkos-

Calculation of MinorityShare/Interest xxx

Proportionate share in general Reserle xxx

Proportionate share in P & L A/c xxx

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Minority Interest xxx

1. HkkaMoyh Lo:ikpk uQk vkf.k vkxe Lo:ikpk uQk %

lq=/kkjh daiuh T;k rkj[ksyk lgk¸;d daifups Hkkx [kjsnh djrs] R;k rkj[ksi;Zar lgk¸;d daiuhe/;s vlysyh lekU; lapsrh vkf.k uQk&rksVk [kkrs ;kaP;k ,df=dj.kkyk HkkaMoyh Lo:ikpk uQk leuy;k tkrs- ;k HkkaMofy u¶;kfry lq=/kkfj daiuhpk R;kfry fgLlk HkkaMoy fu/kh [kkR;kr tek dsyk tkrks vkf.k Hkkx [kjsnhP;k rkj[ks uarj lgk¸;d daiuhus deoysyk uQk gk vkxe Lo:ikpk lq=/kkfj daifupk fgLlk uQk&rksVk [kkR;kr tek dj.;kr ;srks-

1. [;krh fdaok fu;a=.kkpk ifjO;; %& (Goodwill or cost of Control)

Hkkx [kjsnh djrsosGsl lgk¸;d daiuh toG rksi;Zar tek vlysyk uQk fdaok rksVk vlq “kdrks R;keqGs Hkkxkaps ewY; ok<rs fdaok ?kVrs-

laiRrhP;k eqY;kr ok< fdaok ?kV % (Appreciation or Depreciation in the Value of Assets)

dks.kR;kgh daiuhps Hkkx [kjsnh djrkauk lgk¸;daiuhP;k laiRrhps iqujeqY;kadu dj.;kr ;sÅ “kdrs- v”kk osGsl laiRrhP;k eqY;kr ok< vkY;kl rh HkkaMoyh u¶;kr vf/kd dj.;kr ;srs rj ?kV >kY;kl rh HkkaMoyh u¶;krwu otk dj.;kr ;srs-

1. Hkkx [kjsnhiwoZ rksVk % (Loss prior to Acquisition)

Hkkx [kjsnhP;k osGsl lgk¸;d daiuhP;k rkGscankr lkBysyk uQk vlsy rj Hkkxkaps eqY; ok<rs rlsp lkBysyk rksVk vlsy rj Hkkxkaps eqY; deh gksrs- ;ko:u [;krhps eqY; fdaok fu;a=.kpk ifjO;; dk<rk ;srks-

Calculation of Goodwill or capital Reserve

Value of Share xxx

(-) i) Face value of share xxx

ii) Proportionate share xxx

in Reserve & P & L A/c xxx

-----

Goodwill or capital Reserve xxx

fu?kkysY;k [;kfrpk mYys[k laiRrh cktqyk djkok rj Capital Reserve fu?kkyk rj R;kpk mYys[k ns;rk cktqoj djkok-

1. vkarj daiuh ns.ks % (Inter company debts)

Lq=/kkfj daiuh lgk¸;d daiuhykdkgh ns.ks ykxr vlsy fdaok lgk¸;d daiuh lq=/kkjh daiuhyk dkgh ns.ks ykxr vlsy rj R;kph uksan nksugh daiU;k rkGscankr djrkr-

1. vjksdhd`r uqQk % (unrealized profits)

lq=/kkjh daiuhps lgk¸;d daiuhyk dkgh oLrw dhcY;kl fdaok lgk¸;d daiuhus lq=/kkjh daiuhyk dkgh oLrs ohdY;k R;k nksUgh daiU;k ,desdkauk uQk vkdk:u oLrwph ohdzh djrkr- tj [kjsnh djrkuk daiuhus loZp oLrw ohdY;k rj ekykP;k lkB;krwu uQsph jDde otk dj.;kph xjt jkgkr ukgh ijarw rks eky vohdzhr vlsy rj ekylkB;krwu u¶;kph jDe otk dj.;kr ;srs- R;k ekylkB;krwu vYila[; Hkkx/kkjdkaP;k ghL;kph u¶;kph jdde otk d: u;s- QDr cgwla[; Hkkx/kkjdkaP;k jDdep otk dj.;kr ;kO;k-

**1) The following are the Balance sheets of Holding Company and Subsidiary Company as on 31stDecember, 2005 On which date Holding Company acquires all the shares in Subsidiary Company:**

**Balance sheets of Holding Co. and subsidiary Co.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Liabilities :**  Share Capital  Profit & Loss A/c  Reserve  Creditors  **Assets :**  Land & Building  Plant & Machinery  Shares in ‘s’ Ltd. (at cost)  Stock & Debtors  Bank Balance | 25,00,000  3,75,000  6,25,000  11,00,000  **46,00,000**  10,00,000  15,00,000  12,50,000  7,50,000  1,00,000  **46,00,000** | 10,00,000  62,500  2,50,000  5,00,000  **18,12,500**  5,00,000  5,00,000  ------  6,87,500  1,25,000  **18,12,500** |

Holding Company acquired all the shares in Subsidiary company at a price of

Rs. 12,50,000

Prepare Consolidated Balance Sheet .

**(N.U. March 2007, Old)**

**Consolidated Balance Sheet of H Co. & S Co.**

**As on date 31st Dec. 2005**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  profit & loss A/c  Reserve  (6,25,000 + 62,500)  Creditor | 25,00,000  3,75,000  6,87,500  16,00,000  **51,62,500** | Land & building  Plant & machinery  Stock and Debtors  Bank Balance | 15,00,000  20,00,000  14,37,500  2,25,000  **51,62,500** |

**2) The following are the Balance Sheets of Holding Co. Ltd. And its subsidiary as on**

**31st march 2008. On which date Holding (H) Co. Ltd. Acquired all the shares in**

**subsidiary (S) Ltd.**

**Balance Sheet**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each fully paid)  Reserve  Profit & Loss A/c  Sundry Creditors  **Assets :**  Land & Building  Plant & Machinery  Furniture & Fixtures  Investment in Shares of ‘s’ Ltd. (at cost)  Stock  Debtors  Bank | 8,75,000  2,18,750  1,31,250  3,85,000  **16,10,000**  3,50,000  5,25,000  87,500  3,50,000  87,500  1,75,000  35,000  **16,10,000** | 3,50,000  -  -  1,75,000  **5,25,000**  1,75,000  1,75,000  43,750  -  52,500  35,000  43,500  **5,25,000** |

Prepare Consolidated Balance Sheet.

(N.U.march 2009)

**Consolidated Balance Sheet of H Ltd. & S Ltd.**

**As on date 31st Mar. 2008**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  Reserve  profit & loss A/c  Sundry Creditor  H Ltd. – 3,85,000  S Ltd. \_ 1,75,000 | 8,75,000  2,18,750  1,31,250  5,60,000  17,85,000 | Land & building  H Ltd. – 3,50,000  S Ltd. \_ 1,75,000  Plant & machinery  H Ltd. – 5,25,000  S Ltd. \_ 1,75,000  Furniture & Fixtures  H Ltd. – 87,500  S Ltd. \_ 43,750  Stock  H Ltd. – 87,500  S Ltd. \_ 52,500  Debtor  H Ltd. – 1,75,000  S Ltd. \_ 3,50,000  Bank  H Ltd. – 3,50,000  S Ltd. \_ 43,750 | 5,25,000  7,00,000  1,31,000  1,40,000  2,10,000  78,750  17,85,000 |

**3) The following are the Balance sheets of pratibha Ltd. And Yogita Ltd. As on**

**31st Dec. 2006 on which date pratibha Ltd. Acquired all the shares in Yogita Ltd.**

**For rs 2,00,000**

**Balance Sheet of Pratibha and Yogita Ltd.**

**As on 31st Dec. 2006**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each)  Profit & Loss A/c  Reserve fund  Creditors  Outstanding Expenses  **Assets :**  Land & Building  Plant & Machinery  Investment in Shares of Yogita Ltd. (at cost)  Debtors  Bank Balance | 4,00,000  60,000  1,00,000  1,70,000  6,000  **7,36,000**  1,60,000  2,40,000  2,00,000  1,20,000  16,000  **7,36,000** | 1,60,000  10,000  30,000  75,000  5,000  **2,80,000**  80,000  80,000  -  1,00,000  20,000  **2,80,000** |

Prepare Consolidated Balance Sheet.

(N.U.Oct 2007)

**Consolidated Balance sheet of Pratibha and Yogita Ltd.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  profit & loss A/c  Reserve fund  Creditor  Pratibha. – 1,70,000  Yogita \_ 75,000  Outstanding Exp.  Pratibha- 6,000  Yogita- 5,000 | 4,00,000  60,000  1,00,000  2,45,000  11,000  **8,16,000** | Land & building  Pratibha. – 1,60,000  Yogita \_ 80,000  Plant & machinery  Pratibha. – 2,40,000  Yogita \_ 80,000  Debtor  Pratibha. – 1,20,000  Yogita\_ 1,00,000  Bank Balance  Pratibha. – 16,000  Yogita \_ 20,000 | 2,40,000  3,20,000  3,20,000  36,000  **8,16,000** |

**4) The following are the Balance Sheet of Raksha Ltd. And Ashirwad Ltd. On 31 st**

**December 2006 on which date Raksha Ltd. Acquires all the shares in Ashirwad Ltd.**

**Balance Sheet**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **Raksha Ltd. Rs** | **Ashirwad Ltd. Rs** | **Assets** | **Raksha Ltd. Rs** | **Ashirwad Ltd. Rs** |
| Share capital (each share Rs 100 )  Profit & Loss A/c  Reserves  Creditors | 17,00,000  2,55,000  4,25,000  7,84,000  **31,64,000** | 7,00,000  50,000  59,500  3,40,000  **11,49,500** | Land &building  Plant & machinery  shares in Ashirwad Ltd.(at cost)  Stock & Debtors  Bank | 6,80,000  10,20,000  8,50,000  5,10,000  1,04,000  **31,64,000** | 3,40,000  3,40,000  -  3,77,000  92,500  **11,49,500** |

Prepare Consolidated Balance Sheet.

(N.U.march 2007)

**Consolidated Balance sheet of Raksha Ltd. and Ashirwad Ltd.**

**As on 31 Dec. 2006**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  profit & loss A/c  Reserve  Creditor  Raksha Ltd. – 7,84,000  Ashirwad\_ Ltd. 3,40,000 | 17,00,000  2,55,000  4,25,000  11,25,000  **35,04,000** | Land & building  Raksha Ltd. – 6,80,000  Ashirwad\_ Ltd. 3,40,000  Plant & machinery  Raksha Ltd. – 10,20,000  Ashirwad\_ Ltd. 3,40,000  Stock &Debtor  Raksha Ltd. – 5,10,000  Ashirwad\_ Ltd. 3,77,000  Bank Balance  Raksha Ltd. – 10,40,000  Ashirwad\_ Ltd. 92,500  Good will | 10,20,000  13,60,000  8,87,000  1,96,500  40,500  **35,04,000** |

**5) The following are the Balance sheets of Aruna Ltd. And Karuna Ltd. As on 31st Dec.**

**2010 on which date Aruna Ltd. Acquired all the shares in Karuna Ltd. For**

**Rs. 4,00,000**

**Balance sheets of Aruna and Karuna Ltd.**

**As on 31st Dec. 2010**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Aaruna Ltd.**  **Rs.** | **Karuna Ltd.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each)  Profit & Loss A/c  Reserve fund  Creditors  Outstanding Expenses  **Assets :**  Land & Building  Plant & Machinery  Investment in Shares of Karuna Ltd.  (at cost)  Debtors  Bank Balance | 8,00,000  1,20,000  2,00,000  3,40,000  12,000  **14,72,000**  3,20,000  4,80,000  4,00,000    2,40,000  32,000  **14,72,000** | 3,20,000  20,000  60,000  1,50,000  10,000  **5,60,000**  1,60,000  1,60,000  -  2,00,000  40,000  **5,60,000** |

Prepare Consolidated Balance Sheet. (10)

**Consolidated Balance sheet of Aruna and Karuna Ltd.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  profit & loss A/c  Reserve fund  Creditor  Aruna. Ltd.– 3,40,000  KarunaLtd- 1,50,000  Outstanding Exp.  Aruna. Ltd.– 12,000  Karuna Ltd- 10,000 | 8,00,000  1,20,000  2,00,000  4,90,000  20,000  **16,32,000** | Land & building  Aruna. Ltd.– 3,20,000  Karuna Ltd- 1,60,000  Plant & machinery  Aruna. Ltd.– 4,80,000  Karuna Ltd- 1,60,000  Debtor  Aruna. Ltd.– 3,20,000  Karuna Ltd- 40,000  Bank Balance  Aruna. Ltd.– 32,000  Karuna Ltd- 40,000 | 4,80,000  6,40,000  4,40,000  72,000  **16,32,000** |

**6) The following are the Balance Sheets of Holding Co. Ltd. And Subsidiary Ltd.**

**On 31st Dec 2006 on which date H Ltd. Acquires all the shares in S Ltd.**

**Balance Sheets**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each)  Profit & Loss A/c  Reserve  Creditors  **Assets :**  Land & Building  Plant & Machinery  Investment in Shares of S Ltd. (at cost)  Stock & Debtors  Bank Balance | 17,00,000  2,55,000  4,25,000  7,48,000  **31,28,000**  6,80,000  10,20,000  8,50,000  5,10,000  68,000  **31,28,000** | 6,80,000  42,500  59,500  3,40,000  **11,22,000**  3,40,000  3,40,000  -  3,57,000  85,000  **11,22,000** |

Prepare Consolidated Balance Sheet. (N.U.March 2008 old)

Calculation of Goodwill or capital Reserve

Value of share in S Ltd. 8,50,000

(-) Face Value 6,80,000

P & L A/c 42,500

Reserve 59,500

7,82,000

Goodwill - **68,000**

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

**As on date 31 Dec 2006**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  Reserve  P & L A/c  Creditor  H Ltd.- 7,48,000  S Ltd – 3,40,000 | 17,00,000  4,25,000  2,55,000  10,88,000  **3468000** | Land & Building  H Ltd.- 6,80,000  S Ltd – 3,40,000  Plant & machinery  H Ltd.- 10,20,000  S Ltd – 3,40,000  Stock & Debtor  H Ltd.- 5,10,000  S Ltd – 3,57,000  Bank Balance  H Ltd.- 68,000  S Ltd – 85,000  Good Will | 10,20,000  13,60,000  8,67,000  1,53,000  68,000  **3468000** |

**7) H Ltd. Acquired 4,000 shares of S Ltd. On 31st December, 2003 on that date their**

**Balance Sheets were as follows:**

**Balance Sheet**

**As on 31st Dec. 2003**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Liabilities :**  Share Capital of Rs. 10 each  Profit & Loss A/c  Sundry Liabilities  **Assets :**  Sundry Assets  Investment (4000 shares in S Ltd.) | 1,00,000  10,000  10,000  **1,20,000**  80,000  40,000  **1,20,000** | 50,000  5,000  5,000  **60,000**  60,000  -  **60,000** |

Prepare Consolidated Balance Sheet.

(N.U.Oct- 2007)

Share holding Ratio

Share in S Ltd. 5000

Share hold by hold by

H Ltd. 4000 minority 1000

**4:1**

**1) calculation of minority Interest**

Share in share capital (50,000X 1/5) 10,000

(+) share in Reserve Nil

(+) share in P & L A/c 1000

(5000 X 1/5) 1000

Minority interest  **11,000**

**2) calculation of capital reserve**

Value of share in S Ltd. 40,000

(-) Face value 40,000

Capital profit 4,000

(5000 X 4/5) 44,000

Capital reserve  **4000**

**Consolidated Balance of H Ltd. And S Ltd.**

**As on 31st Dec. 2003**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  Capital reserve  Profit & Loss A/c  Sundry liability  H Ltd. – 10,000  S Ltd. - 5,000 | 1,00,000  4,000  10,000  15,000  **1,40,000** | Sundry Assets  H Ltd. – 80,000  S Ltd. - 60,000 | 1,40,000  **1,40,000** |

**8) H Ltd. Acquires ¾ of the share capital of ‘S’ Ltd. On 31st December. 2008 when the Balance Sheets of the two companies are as under:-**

**Balance sheet**

**As on 31st Dec. 2008**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **H Co. Rs.** | **S Co.Rs.** |
| Shares capital (Rs 10 per share)  General reserve  Profit & Loss A/c  10% Debentures  Sundry Creditors | 20,000  5,000  3,000  10,000  5,000  **43,000** | 10,000  3,000  2,000  5,000  2,000  **22,000** |
| **Assets** | **H Co. Rs.** | **S Co.Rs.** |
| Fixed Assets  Current Assets  Shares in ‘S’ Ltd | 20,000  13,000  10,000  **43,000** | 10,000  12,000  -  **22,000** |

You are required to prepare the consolidated Balance sheet as on 31st Dec. 2008

(summer - 10)

**1) Calculation of capital Reserve or Goodwill**

Value of share in S Ltd. 10,000

(1,000 X 10)

(-) i- paid up value (10,000 X 3/4) 7500

ii) share in General reserve (3000 X 3/4) 2250

iii) share in P & L A/c (2000 X 2/3) 1500

(-) 11,250

Capital reserve  **1,250**

**2) Calculation of minority interest**

¼ share in share capital 2,500

(10,000 X 1/4)

(+) share in General Reserve 750

(3,000 X 1/4)

(+) share in P & L A/c 500

(2000 X 1/4) 1250

Minority interest **3750**

**Consolidated Balance Sheet**

**Of ‘H’ Ltd and ‘S’ Ltd.**

**As on 31 Dec. 2008**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  General Reserve  Profit & Loss A/c  10% Debenture  H Ltd. – 10,000  S Ltd – 5,000  Sundry Creditor  H Ltd. – 5,000  S Ltd. – 2000  Capital Reserve  Minority interest | 20,000  5,000  3000  15,000  7,000  1250  3750  **55,000** | Fixde Assets  H Ltd. – 20,000  S Ltd – 10,000  Current Assets  H Ltd. – 13,000  S Ltd – 12,000 | 3,00,000  25,000  **55,000** |

**9) Harsha Ltd. Acquired 12,000 shares of Rs. 10 each in Sunita Ltd. On 31st march 2009 The Summarised Balance Sheet of Harsha Ltd. And Sunita Ltd. Were as follows:-**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Harsha Ltd. Rs.** | **Sunita Ltd. Rs.** |
| Shares capital (Rs 10 per each)  Reserve  Profit & Loss A/c  Bank Loan  Creditors  Bills Payable | 3,00,000  15,000  7,500  --  60,000  3,000  **3,85,500** | 1,50,000  22,500  6,700  18,000  30,000  1,500  **2,28,750** |
| **Assets** | **Harsha Ltd. Rs.** | **Sunita Ltd. Rs.** |
| Machinery  Furniture  Investment (Shares in Sunita Ltd.)  Stock  Debtors  Bills Receivable  Cash | 90,000  3,000  1,47,000  63,000  27,000  1,500  54,000  **3,85,500** | 67,500  6,000  -  97,500  40,500  2,250  15,000  **2,28,750** |

On the date of acquisition of shares by Harsha Ltd.The Sunita Ltd. Had undistributed profits Rs. 2,250 and reserves amounted to Rs. 7,500.

**Calculate :**  Capital Profits, Revenue Profits, Minority Interest and Goodwill.

Summer – 10 (10)

Shareholding Ratio

Share in Sunita Ltd. = 15,000

Share held by Harsha ltd Share held by Minority

12,000 : 3000

Ratio : 4:1

1. **Capital profit :**

Profit on date of acquisition 2250

(+) Reserve on date of acquisition 7500

Total capital profit 9,750

Share of Harshaltd ( 9,750 X)= Rs. 7,800

Share of Minority ( 9,750X ) = Rs. 1950

**2) Revenue Profits**

Profit After acquisition (6,750-2250)= 4500

(+) Reserve After acquisition (22500-7500) = 15000

Total Revenue profits 19,500

Share of Harsha Ltd. (19500 X ) = Rs 15,600

Share of minority (19500 X ) Rs 3900

**3) Minority interest**

share in share capital (15,000 X ) 30000

(+) share in Revenue profit 3900

(+) share in capital profit 1950 5850

Minority interest **35850**

**4) Calculation of Goodwill**

Value of share in sunita Ltd. 147000

(-) Face value of share

(12000 X 10) 120000

Share in capital profit 7800

127800

Goodwill **19200**

**10) Following are the Balance Sheets of H Ltd. And S Ltd.**

**Balance Sheets**

**As on 31st march 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **H Ltd. Rs.** | **S Ltd. Rs.** |
| Shares capital (Rs 10 each fully paid)  Reserve  Profit & Loss A/c  Creditors  Bills Payable  **Assets**  Land & Building  Debtors  Stock  Investment in S Ltd(5,000 shares at cost) | 1,20,000  50,000  20,000  70,000  5,000  2,65,000  1,00,000  50,000  50,000  65,000  2,65,000 | 50,000  10,000  10,000  5,000  5,000  80,000  20,000  30,000  30,000  -  80,000 |

Shares were acquired by H Ltd. On 30th Sept. 2009 S Ltd. Transferred Rs. 5.000 from profits to reserve on 31st March 2010

Prepare the consolidated Balance sheet. (10)

**Note :**In this problem all the share held by H Ltd. So there is no to calculate the revenue profit capital profit and minority share

**1) Calculation of Goodwill OR Capital Reserve**

Value of share in S Ltd. 65,000

(-) i) Face value of share 50,000

ii) Reserve (10,000 - 5000) 5000

iii) P & L A/c (15,000 X ) 7500

62,500

Goodwill **2,500**

**2) Consolidated P & L = 20,000 + 7500 = 27500**

**Consolidated Balance sheet Of H Ltd. And S Ltd.**

**As on 31 march 2010**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  Reserve  Profit & Loss  (20,000 + 7500)  Creditor  H Ltd. – 70,000  S Ltd. – 5000  Bills payable  H Ltd. – 5,000  S Ltd. – 5,000 | 1,20,000  50,000  27,500  75,000  10,000  **2,82,000** | Good will  Land & Building  (1,00,000 + 20,000)  Debtor  (50,000 + 30,000)  Stock  (50,000 + 30,000) | 2,500  1,20,000  80,000  80,000  **2,82,000** |

**11) on 31st march 2009 the Balance sheets of R.D. Ltd. And V.R. Ltd. Stood as follows:**

**Balance Sheets**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **R.D Ltd. Rs.** | **V.R. Ltd. Rs.** |
| Shares capital (share of Rs 10 each fully paid)  Reserve  Creditors  Bills Payable  **Assets**  Sundry Assets  60% shares in V.R. Ltd.  Preliminary Exp. | 7,50,000  1,50,000  90,000  30,000  **10,20,000**  7,76,400  2,43,000  **-**  **10,20,000** | 3,00,000  75,000  60,000  30,000  **4,65,000**  4,56,000  **-**  9,000  **4,65,000** |

R.D. Ltd. Acquired 60% shares in V.R. Ltd. On 31.3.2009 you are required to calculate :- Capitals profit, cost of control, minority interest

**1) Calculate of capital profit**

Reserve on the date of 75,000

Acquisition

(-) preliminary expenses 9,000

Capital profit **66,000**

i) share of R.D. Ltd. (66,000 X 60%) = 39,600

ii) share of minority (66,000 X 40% ) = 26,400

**2) calculation of minority interest**

40% of share capital (3,00,000 X 40%) 1,20,000

(+) capital profit 26,400

Minority interest **1,46,400**

**3) Goodwill**

Value of share in V.R. Ltd. 2,43,000

(-) Face value of share (3,00,000 X 60%) 1,80,000

Share in capital profit 39,600

2,19,600

Good will **23,400**

**12) From the following Balance sheets and Additional information given below prepare a consolidated Balance sheet as on 31st December 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **R.Ltd. Rs.** | **S.Ltd. Rs.** |
| Shares capital  share of Rs 10 each fully paid  profit & Loss A/c  Reserve  Creditors  Bills Payable  **Assets**  Sundry Assets  Stock  Debtors  Shares in ‘s’ Ltd 4,500 share  Bills Receivable | 3,00,000  1,20,000  30,000  60,000  -  **5,10,000**  **R.Ltd.**  2,40,000  1,83,000  39,000  45,000  3,000  **5,10,000** | 60,000  36,000  18,000  36,000  9,000  **1,59,000**  **S. Ltd.**  36,000  72,000  51,000  -  -  **1,59,000** |

**Additional Information :-**

i) profits of S Ltd. Have been earned since the shares were acquired by R. Ltd. But the reserve of Rs. 18,000 was already there at that time.

ii) Bills accepted by S Ltd. Are all in favour of R Ltd. Which Rs. 6,000 of them were discounted.

iii) Sundry Assets of S Ltd. Are undervalued @ Rs.6000

iv) The stock of R.Ltd. at the profit to lateral Co, @25% on cost. The value of stock is Rs. 15,000

**Share holding ratio**

**Share in S Ltd.**

60,000

10

= 6000

Share held by share held by

R. Ltd. Minority

4500 1500

**3:1**

**1) calculation of capital profits:**

Reserve of the date of 18000

Acquisition

(+) profit at the date of Nil

(Because all the profit have been

Earned since acquisition )

(+) Increase value of sundry 6000

Assets

Total capital profit **24,000**

Share of R. Ltd. (24,000 X) = 18,000

Those of minority (24,000 X ) = 6,000

**2) calculation of Revenue profit:**

Reserve after acquisition = Nil

(+) profit After acquisition = 36,000

Total Revenue profit **36,000**

Share of R. Ltd. (36,000 X) = 27,000

Those of minority (24,000 X ) = 9,000

**3) calculation of minority interest**

share in capital (60,000 X ) = 15,000

(+) share in capital profit = 6,000

(+) share in Revenue profit = 9,000

Minority interest **30,000**

**4) calculation of Good will or capital Reserve**

Value of share in S Ltd. 45000

(-) face value 45000

Capital profit 18000

63,000

Capital Reserve 18,000

**5) calculation of unrealized profit**

Unrealized profit 25% on cost

15000 X 25

100 + 25 3000

Share of R. Ltd. = 3000 X = 2,250

**Consolidated Balance sheet**

**Of R. Ltd.And S. Ltd.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  Profit & Loss A/c  1,20,000  (+) Revenue profit  27,000  1,47,000  (-) unrealized profit  2250  Reserve  Minority interest  Creditor  R.Ltd.- 60,000  S.Ltd.- 36,000  Bills payable  9,000  (-) inter co 3000  Capital Reserve | 3,00,000  1,44,750  30,000  30,000  96,000  6000  18,000  **6,24,750** | Sundry Assets  R.Ltd.- 2,40,000  S.Ltd.- 36,000  2,76,000  (+) under valuation  6000  Stock  R.Ltd.- 1,83,000  S.Ltd.- 72,000  2,55,000  (-) unrealisal 2250  Profit  Debtors  R.Ltd.- 39,000  S.Ltd- 51,000  Bill Recaivable  R.Ltd.- 3000  (-) inter-co 3000  0wing | 2,82,000  2,52,750  90,000  Nil  **6,24,750** |

**13) Harish Ltd. Acquires ¾ th of the share capital of Satish Ltd. On 31st Dec. 2012 when the balance sheets of the two companies are as under:**

**Balance sheets as on 31st Dec 2012**

|  |  |  |
| --- | --- | --- |
|  | **Harish.Ltd. Rs.** | **Satish.Ltd. Rs.** |
| **Liabilities:**  Shares capital (Rs 10 each )  General Reserve  profit & Loss A/c  10% Debentures  Sundry Creditors  **Assets**  Fixed Assets  Current Assets  Shares in Satish Ltd | 40,000  10,000  6,000  20,000  10,000  **86,000**  40,000  26,000  20,000  **86,000** | 20,000  6,000  4,000  10,000  4,000  **44,000**  20,000  24,000  -  **44,000** |

You are required to prepare Consolidated Balance sheet as on 31st Dec. 2012

**1) calculation of Goodwill or capital Reserve**

Value of share in satish Ltd. 20,000

(-) face value of share (20,000 X )

15,000

Share in general Reserve (6,000 X )

4500

Share in P & L A/c (4,000 X )

3000 22,500

Capital Reserve 2500

**2) Minority Interest**

share in capital (20,000 X ) = 5000

(+) share in General Resever = 1500

(6,000 X )

Share in P &L A/c

(4,000 X ) = 1000

Minority interest 7500

**Consolidated Balance sheet of Harish Ltd.And Satish Ltd.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  General Reserve  10,000  Profit & Loss A/c  6000  10% Debenture  Harish Ltd.- 20,000  Satish Ltd. – 10,000  Sundry Creditor  Harish Ltd.- 10,000  Satish Ltd. – 4,000  Capital Reserve  Minority share | 40,000  10,000  6000  30,000  14,000  2500  7500  **1,10,000** | Fixed Assets  Harish Ltd.- 40,000  Satish Ltd. – 20,000  Current Assets  Harish Ltd.- 26,000  Satish Ltd. – 24,000 | 60,000  50,000  **1,10,000** |

**14) on 31st March 2012 the Balance Sheets of Hansa Ltd. And its subsidiary Seema Ltd. Stood as follows:**

**Balance Sheets**

|  |  |  |
| --- | --- | --- |
|  | **Hansa. Ltd. Rs.** | **Seema.Ltd. Rs.** |
| **Liabilities:**  EquityShares capital  General Reserve  profit & Loss A/c  Creditors  **Assets**  Fixed Assets  75% shares in  Shares in Seema Ltd. (at cost)  Stock  Current Assets | 8,00,000  1,50,000  90,000  1,20,000  **11,60,000**  5,50,000  2,80,000  1,05,000  2,25,000  **11,60,000** | 2,00,000  70,000  75,000  80,000  **4,25,000**  1,00,000  -  1,77,000  **1**,48,000  **4,25,000** |

i) Hansa Ltd. Acquired the shares on 31st July. 2011

ii) Seema Ltd. Eamed a profit of Rs. 45,000 for the year ended 31st march 2012

**Calculate:**

a) Capital Profit

b) Good will

c) Minority interest.

**A) Capital Profit**

General Reserve at the 70,000

Date of acquisition

(+) profit at the date of

Acquisition (75,000 + 45,000) 30,000

(+) current year profit (45000 X ) 15000

Total capital profit  **1,15,000**

Share of Hansa Ltd. (1,15,000 X 75%) = 86250

Share of minority (1,15,000 X 25%) = 28750

**B) calculation of Goodwill**

Value of share in Seema 2,80,000

(-) face value (2,00,000 X 75%)

1,50,000

Share in capital profit 86250

2,36,250

Good will  **43,750**

**C) Minority interest**

25% share in capital (2,00,000 X 25%) 50,000

(+) capital profit 28,750

Current year profit (45,000 X )

(30,000 X 25%) 7500

Minority Interest  **86,250**

**15) The Balance sheets of Hanny Ltd. And Sunny Ltd. As on 31st March 2010 and additional information are given below**

**Balance Sheet**

**As on 31st March. 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Hanny. Ltd. Rs.** | **Sunny Ltd. Rs.** |
| Shares capital (Rs 10 each)  profit & Loss A/c  Reserve  Bill payable  Creditors  **Assets**  Fixed Assets  Stock  Debtors  Bills Receivable  15,000 shares in Sunny Ltd. At cost | 10,00,000  4,00,000  1,20,000  -----  2,20,000  **17,40,000**  **Hanny. Ltd. Rs.**  8,00,000  6,00,000  1,50,000  40,000  1,50,000  **17,40,000** | 2,00,000  1,20,000  60,000  30,000  1,20,000  **5,30,000**  **Sunny Ltd. Rs.**  1,20,000  2,40,000  1,70,000  ---  ----  **5,30,000** |

**Additional information**

i) The bills accepted by sunny Ltd. Are all in favour of Hanny Ltd.

ii) the stock of Hanny Ltd. Includes Rs. 50,000 bought from sunny Ltd. At a profit to the latter of 20%^ of sales

iii) all the profits of sunny Ltd. Has been earned since the shares were acquired by Hanny Ltd. But there was already the reserve of Rs. 60,000 at that time;

Calculate:

i) Minority

ii) Cost of control or capital Reserve

iii) profit& loss Account of Holding Company.

Shareholding ratio

Share in sunny Ltd.

2,00,000

10

20,000

Share held by Hanny share hold by

Ltd. 15,000 minority 5000

15,000 : 5000

3:1

**1) Capital profit**

Reserve on the date of 60,000

Acquisition

(+) profit at date of Nil

Acquisition

Total capital profit 60,000

Share of Hanny Ltd. 60,000 X = 45000

Share of minority . 60,000 X = 15000

**2) Revenue Profit**

Reserve after acquisition Nil

(+) profit after aquidition 1,20,000

Total Revenue profit ------ 1,20,000

Share of Hanny Ltd. 1,20,000 X = 90,000

Share of minority . 1,20,000 X = 30,000

**3) Minority interest**

share in capital 50,000

(2,00,000 X )

(+) capital profit 15000

(+) Revenue profit 30,000

Minority interest --------- 95,000

**4) cost of control or capital reserve**

Value of share in sunny Ltd. 1,50,000

(- ) face value 1,50,000

Capital profit 45,000 1,95,000

Capital Reserve 45,000

**5) profit& Loss A/c of holding company**

Profit &Loss A/c 4,00,000

(+) Revenue profit 90,000

4,90,000

(-) unrealized profit 10,000

50,000 X 20

100 **4,80,000**

**16) From the following Balance sheet of Harish Ltd. And its subsidiary Suresh Ltd. Drawn up 31st Dec. 2009 prepare consolidated Balance sheet at the data having regard to the following:**

1) Reserve and profit and Loss A/c Cr. Balance of Suresh Ltd. Stood at Rs. 50,000 and Rs. 30,000 respectively on the date of acquisition of its 80% of shares held by Haresh Ltd. On 1st Jan. 2009

2) Machinery Book value Rs. 2,00,000 and furniture Book value Rs. 40,000 of Suresh Ltd. Were valued at Rs. 3,00,000 and Rs. 30,000 respectively for the purpose of fixing the price of its share There was no purchase or sale of these assets since the date of acquisition.

**Balance sheet of Harish & Suresh Ltd.**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Harish. Ltd. Rs.** | **Suresh .Ltd. Rs.** |
| Shares capital  (share of Rs 100each)  Reserve  profit & Loss A/c  Creditors  **Assets**  Machinery  Fuuniture  Other Assets  shares in Suresh Ltd. (1,600 share of Rs. 200 each) | 10,00,000  4,00,000  2,00,000  3,00,000  **19,00,000**  **Harish. Ltd. Rs.**  6,00,000  1,00,000  8,80,000  3,20,000  **19,00,000** | 2,00,000 1,50,000  50,000  1,00,000  **5,00,000**  **Suresh.Ltd.Rs.**  1,80,000  34,000  2,86,000  ---  **5,00,000** |

Share holding ratio

Share in suresh Ltd.

2,00,000

100

20,000

Share heldby Harish Ltd. Suresh heldby Minority

(20,000 X 80%) (20,000 X 20%)

4 : 1

**1) calculation of capital profit**

Reserve on the date of acquisition 50,000

(+) profit on the date of acquisition 30,000

(+) increase value of machinery 1,00,000

1,80,000

(-) Decrease value of furniture 10,000

Total capital profit - 1,70,000

i) share of Harish Ltd. (170000 X ) = 1,36,000

ii) share of minority (170000 X ) = 34,000

**working Note for depreciation**

Depreciation

Rate of Dep = X 100

Book value at

Beginning of the year

Dep. On machinery = (2,00,000 – 1,80,000 ) = 20,000

Dep. On furniture = (40,000 – 34,000) = 6000

Rate of dep. On machinery = 20,000

X 100

2,00,000

= 10%

6000

Rate of Dep. On furniture = X 100

40000

= 15%

**3) calculation of revenue profit**

Reserve after the date (15,0000 – 50,000) = 1,00,000

Of acquisition

(+) profit after the date (50,000 – 30,000) = 20,000

Of acquisition 1,20,000

(-) Depreciation on increased value 10,000

11,0000

(+) Depreciation on decresed value

Of furnituse (10000 X 15%) 1500

1,11,5000

i) share of Harish Ltd. (111500 X ) = 89,200

ii) share of minority (111500 X ) = 22,300

**4) calculation of minority interest**

Share in capital 40,000

(2,00,000 X )

(+) share in capital profit 34,000

(+) share in revenue profit 22,300

Minority interest 96,300

**5) calculation of Goodwill**

Value of share in suresh Ltd. 3,20,000

(-) face value of share

(1600 X 100) = 1,60,000

Share in capital prifit 1,36,000

2,96,000

Good will 24,000

**Consolidate Balance sheet of Harish Ltd. & Suresh as on 31 Dec. 2009**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  Reserve & surplus  Reserve  P & L A/c 2,00,000  (+)ravenuept 89200  Minority Interest  Creditor  Harish Ltd. 3,00,000  Suresh Ltd. 1,00,000 | 10,00,000  4,00,000  2,89,200  96,300  4,00,000  **21,85,500** | Machinery  Harish Ltd. 6,00,000  Suresh Ltd. 2,80,000  8,80,000  (-) Dep. 10000  Furniture  Harish Ltd. 1,00,000  Suresh Ltd. 24,000  1,24,000  (-) Dep. 1500  Other Assets  Harish Ltd. 8,80,000  Suresh Ltd. 2,86,000 | 8,70,000  1,25,500  11,66,000  24,000  **21,85,500** |

**17) On 31st March 2010 the balance sheet of ‘A’ Co. Ltd. And ‘B’ Co. Ltd. Were as given below:**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **A. Ltd. Rs.** | **B.Ltd. Rs.** |
| Shares capital(share of Rs 10 each)  General Reserve  profit & Loss A/c  Trade Creditors  **Assets**  Land & Building  Machinery  Fuuniture  1,20,000shares in B.Co. Ltd.  Stock in hand  Debtors  Cash in Bank | 75,00,000  10,80,000  7,20,000  10,50,000  **1,03,50,000**  **A. Ltd. Rs.**  19,20,000  37,80,000  4,20,000  15,00,000  12,30,000  11,40,000  3,60,000  **1,03,50,000** | 18,00,000 3,60,000  5,40,000  3,00,000  **30,00,000**  **B .Ltd. Rs.**  6,00,000  10,20,000  2,86,000  ---  7,50,000  3,00,000  1,50,000  **30,00,000** |

On the date of acquisition of shares in ‘B’ Co. the had undistributed profits and reserves amounting to Rs. 3,00,000 none of these has been distributed since then.

Prepare a consolidated Balance sheet of ‘A’ Co. Ltd. And ‘B’ Co. Ltd. And also show the calculation of:

a) capital profit

b) Revenue profit

c) Good will (cost of control) and

d) Minority interest

**shareholding Ratio**

share in B Ltd.

18,00,000

10

1,80,000

Share held by A Ltd. Share held by Minority

1,20,000 60,000

2 :1

**a) capital profit**

Reserve on the date of

Acquisition 3,00,000

(+) profit on the date of 3,00,000

Acquisition

Total capital profit 6,00,000

Share of A Ltd. (6,00,000 X ) = 4,00,000

Share of minority(6,00,000 X ) = 2,00,000

**b) Revenue Profit**

Reserve after acquisition 60,000

(+) profit after acquisition 2,40,000

Total revenue profit **3,00,000**

Share of A Ltd. (3,00,000 X ) = 2,00,000

Share of minority (3,00,000 X ) = 1,00,000

**c) Goodwill (cost of control)**

value of share in B Ltd. 15,00,000

(-) face value of share

(1,20,000 X 10) = 12,00,000

Capital profit 4,00,000

16,00,000

Capital Reserve **1,00,000**

**d) Minority interest**

share in capital (18,00,000 X ) = 6,00,000

(+) capital profit 2,00,000

Share in revenue profit 1,00,000

Minority interest **9,00,000**

**Consolidated Profit of A Ltd. & B Ltd. As on 31 March 2010**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  General Reserve  P & L A/c 7,20,000  (+) ravenuept  2,00,000  Trade Creditor  A Ltd. – 10,50,000  B Ltd – 3,00,000  Capital Reserve  Minority Interest | 75,00,000  10,80,000  9,20,000  13,50,000  1,00,000  9,00,000  **11,85,0000** | Land &Buliding  A Ltd.-19,20,000  B Ltd. – 6,00,000  Machcinery  A Ltd.-37,80,000  B Ltd. – 10,20,000  Furniture  A Ltd.- 4,20,000  B Ltd. – 1,80,000  Stock & hand  A Ltd.-12,30,000  B Ltd. – 7,50,000  Debtor  A Ltd.-11,40,000  B Ltd. – 3,00,000  Cash in Bank  A Ltd.-3,60,000  B Ltd. – 1,50,000 | 25,20,000  48,00,000  6,00,000  19,80,000  14,40,000  5,10,000  **11,85,0000** |

**18) following are the Balance sheets of ‘A’ Ltd. And its subsidiary ‘B’ Ltd. As on 31 st march 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **A. Ltd. Rs.** | **B. Ltd. Rs.** |
| Shares capital (share of Rs 100 each)  General Reserve  profit & Loss A/c 1,000,12%  Debentures  Creditors  Bills payable  **Assets**  Fixed Assets  Debtors  Stock  Bills receivable  Investment in shares of B Ltd. (1500 share of Rs. 120 each) 400,12%  Debentures  Cash | 5,00,000  60,000  30,000  80,000  12,000  **6,82,000**  **A. Ltd. Rs.**  3,42,000  60,000  35,000  10,000  1,80,000  44,000  11,000  **6,82,000** | 2,00,000  40,000  10,000  1,00,000  45,000  8,000  **4,03,000**  **B .Ltd. Rs.**  3,20,000  30,000  15,000  8,000  -  **-**  30,000  **4,03,000** |

**Sharholding Ratio**

**Share in B Ltd.**

2,00,000

100

2000

Share held by share held by minority

1500 500

1500 : 500

3 : 1

**1) Capital Profit**

General Reserve on 1 st April 2009 30,000

(+) profit & Loss A/c on 1st April 2009 4,000

(+) Genral Reserve on the date

Of acquisition (40,000 – 30,000) = 5000

(10,000 X )

(+) profit & Loss A/C on the date

Of acquisition (10,000 - 4000) 3000

(6,000 X )

Total capital profit **42000**

Share of A Ltd. (42,000 X ) = 31,500

Share of minority (42,000 X ) 10,500

**2) Revenue Profit**

General Reserve after acquisition = 5000

(10,000 X )

(+) profit & Loss after acquisition 3000

(6,000 X )

Total Revenue profit **8000**

Share of A Ltd. 8,000 X = 6000

Share of minority 8,000 X = 2000

**3) calculation of Good will or vapital reserve**

Value of share in B Ltd. 1,80,000

(-) face value (1500 x 100) 1,50,000

Capital profit 31,500

1,81,500

Capitl reserve **1500**

**4) calculation of minority interest**

share in capital (2,00,000 X ) 50,000

(+) capital profit 10,500

(+) revenue profit 2000

Minority interest **62,500**

**5) calculation of unrealized profit**

10,000 X = 5000 X 20

100

= 1000

1,000 X = 750

**Consolidated Balance sheet of A & B Ltd.**

**As on date 31march 2010**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  General Reserve  P & L A/c 30,000  (+) ravenuept  6,000  36,000  (-) unrealisalpt 750  12% Desenture  1,00,000  (-) inter 44,000  Co-owing  Creditor  A Ltd. – 80,000  B Ltd – 45,000  1,25,000  (-) inter 10,000  Co-owing  Bill payable  A Ltd. – 12,000  B Ltd – 8,000  20,000  (-) inter-co 8000  Minority Interest  Capital Res. | 5,00,000  60,000  35,250  56,000  1,15,000  12,000  62,500  1500  **8,42,250** | Fixed assets  A Ltd.-3,42,000  B Ltd. – 3,20,000  Investment 12% Debenture 44,000  (-) inter co- 44,000  Debtor  A Ltd.- 60,000  B Ltd. – 30,000  90,000  (-) inter co- 10,000  Stock  A Ltd.- 35,000  B Ltd. – 15,000  50,000  (-)unrealisalpt 750  Bill Receivable  A Ltd.-10,000  B Ltd. – 8,000  18,000  Cash  A Ltd.-11,000  B Ltd. – 30,000 | 6,62,000  80,000  49250  10,000  41,000  **8,42,250** |

**19) from the following balance sheet of Holding Co. Mahindra Tech. Ltd. And its Subsidiary Satyam Ltd. Prepare a consolidated balance sheet as at 31st march. 2010**

**Balance sheets 31-3-2012**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Mahindra Ltd. Rs.** | **Satyam. Ltd. Rs.** |
| Issued and paid up capital (shares of Rs. 10 each)  7% Debentures  Trade Creditors  General Reserve  Profit & Loss A/c | 2,70,000  60,000  30,000  60,000  70,000 | 2,00,000  -  69,000  -  50,000 |
| **Assets** | **Mahindra Ltd. Rs** | **Satyam Ltd. Rs.** |
| Land and Buildings  Plant and machinery  Fixtures  Investment in ‘s’ Ltd (7500 shares at cost)  Stock in Trade  Sundry Debtors  Cash at Bank | 50,000  1,00,000  10,000  1,80,000  60,000  60,000  30,000  **4,90,000** | 36,000  26.000  1.000  -  91,000  1,10,000  55,000  **3,19,000** |

Shares of satyam Ltd. Acquired on 1st April. 2011 at a premium of Rs. 2 per share by the Mahindra Tech. Ltd. On this date the credit balance of profits and Loss A/c stood in the books of satyam Ltd. At Rs. 20,000 Transactions between the Holding Company and the Subsidiary Company include:-

i) purchase of goods by satyam Ltd. Of Rs. 30,016 at cost plus 33 1/3% profit.

ii) Sundry debtors of Mahaindra Tech. Ltd. Include Rs. 20,000 of satyam Ltd.

iii) Trade Creditors of Satyam Ltd. Include Rs. 20,000 of Mahindra Tech Ltd.

**1) Capital profital**

Reserve at the date of acquisition Nil

(+) profit & Loss at the date of acquisition 20,000

Total capital profit **20,000**

Share of Mahindra Ltd 20,000 X = 4500

Share of minority 20,000 X = 12,500

**2) Revenue Profit**

Reserve after acquisition Nil

(+) profit & Loss after

Acquisition (50,000 – 20,000) 30,000

Total revenue profit **30,000**

Share of Mahindra Ltd. 30,000 X = 11250

Share of minority Ltd. 30,000 X = 18750

**3) Good Will or Capital Reserve**

Share in Satyam ltd 1,80,000

(-) Face value 75000

Capital profit 7500 82500

Good will **97500**

**4) minority Interest**

= share in capital

2,00,000 X = 1,25,000

(+) share in capital profit 12,500

(+) share in revenue profit 18750

Minority Interest **1,56,250**

**5) Unrealised profit**

33 1/3

30,016 X = 10,004

100

Mahindra companies share

10,004 X = 3752

**Consolidated balance sheet of Mahindra ltd.And Satyam Ltd.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  7% Debenture  Trade creditor  Mahindra Ltd. 30,000  Satyam Ltd. 69,000  99,000  (-) Inter 20,000  Co-owing  General Reserve  P& L A/c 70,000  (+) Revenue Pt 11250  8250  (-) unrealisal Profit  3752  Minority interest | 27,000  60,000  79,000  60,000  77498  1,56,250  **702748** | Land & Building  Mahindra Ltd. 50,000  Satyam Ltd. 36,000  Plant & machinery  Mahindra Ltd. 1,00,000  Satyam Ltd. 26,000  Fixtures  Mahindra Ltd. 10,000  Satyam Ltd. 1,000  Stock In Trade  Mahindra Ltd. 60,000  Satyam Ltd. 19,000  1,51,000  (-)uneralised Profit  3752  Sundry Debtor  Mahindra Ltd. 60,000  Satyam Ltd. 1,10,000  1,70,000  (-) inter 20,000  Co-owing  Cash at Bank  Mahindra Ltd. 30,000  Satyam Ltd. 55,000 | 86,000  1,26,000  11,000  147448  1,50,000  85000  97500  **702748** |

**20) H Ltd. Acquired 40,000 Equity share of Rs. 10 each in ‘S’ Ltd. On 1st January, 2014 The following are the balance sheets of two companies as on 31st December, 2014**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **H Ltd. Rs** | **S Ltd. Rs.** | **Assets** | **H Ltd. Rs** | **S Ltd. Rs.** |
| Share capital of Equity shares of Rs. 10 each  General Reserve 1-1-2014  Profit & loss A/c  1-1-2014  Profit for the year  Sundry Creditor  Bills payable | 10,00,000  1,00,000  50,000  60,000  70,000  10,000  **12,90,000** | 5,00,000  1,00,000  30,000  40,000  50,000  5,000  **7,25,000** | Land & building  Plant &machinery  Stock  Sundry Debtors  Investments in shares in ‘s’ Ltd.  Bills Receivable  Cash & Bank | 2,00,000  3,00,000  75,000  50,000  5,00,000  10,000  1,55,000  **12,90,000** | 1,50,000  3,00,000  50,000  60,000  -  5,000  1,60,000  **7,25,000** |

**Additional Information:**

i) Bills receivable of H Ltd. InculedRs. 3,000 accepted by S Ltd.

ii) sundry Debtors of H Ltd. Include Rs. 10,000 due from S Ltd.

iii) stock of S Ltd. Includes goods purchased from H Ltd. For Rs. 30,000 which invoiced by H Ltd. At a profit of 25% on cost price.

Prepare a consolidated Balance sheet of both the companies.

Share holding Ratio

Share in S Ltd.

5,00,000

= 50,000

10

Share held by H Ltd. Share held by minority

40,000 10,000

4 : 1

**1) Capital profit**

Reserve at the date of acquisition 1,00,000

(+) profit at the date of acquisition 30,000

Total capital profit 1,30,000

Share of H Ltd. (1,30,000 X )= 10,4000

Share of minority share helder(1,30,000 X )= 26,000

**2) Reserve profit**

Reserve after acquisition Nil

(+) profit after acquisition 40,000

Total revenue profit 40,000

Share of H Ltd. (40,000 X )= 32,000

Share of minority (40,000 X )= 8000

**3) Calculation of goodwill or capital reserve**

value of share in S Ltd 5,00,000

(-) face value (40,000 X 10) 4,00,000

Capital profit 1,04,000 5,04,000

Capital reserve 4,000

**4) minority interest**

Share in capital (10,000 X 10) 1,00,000

(+) capital profit 26,000

Revenue profit 8,000

Minority interest 1,34,000

**5) calculation of unrealized profit**

Unrealized profit 25% on cost price

30,000 x 25

100 + 25

= 6000

Share of H Ltd. = 6,000 X = 4,800

**Consolidated balance sheet of H & S Ltd.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Liability** | **Rs.** | **Assets** | **Rs.** |
| Share capital  General Res  Profit & loss A/c  1,10,000  (+) Revenue profit  32,000  1,42,000  (-) unralised profit  4,800  Sundry credites  H Ltd.- 70,000  S Ltd.- 50,000  1,20,000  (-) inter 10,000  Co-owing  Bills payable  H Ltd.- 10,000  S Ltd.- 5,000  15,000  (-) inter 3,000  Co-owing  Minority interest  Capital reserve | 10,00,000  1,00,000  1,37,200  1,10,000  12,000  1,34,000  4,000  **14,97,200** | Land & building  H Ltd.- 2,00,000  S Ltd.- 1,50,000  Plant & machinery  H Ltd.- 3,00,000  S Ltd.- 3,00,000  Stock  H Ltd.- 75,000  S Ltd.- 50,000  1,25,000  (-)usealised profit  4800  Sundry Debtor  H Ltd.- 50,000  S Ltd.- 60,000  1,10,000  (-) inter 10,000  Co-owing  Bill receivable  H Ltd.- 10,000  S Ltd.- 5,000  15000  (-) inter 3000  Co-owing  Cash & Bank  H Ltd.- 1,55,000  S Ltd.- 1,60,000 | 3,50,000  6,00,000  1,20,200  1,00,000  12,000  3,15,000  **14,97,200** |

**Exercise Problem**

**1) The following are the Balance sheets of Holding Company and Subsidiary Company as on 31stDecember, 2005 On which date Holding Company acquires all the shares in Subsidiary Company:**

**Balance sheets of Holding Co. and subsidiary Co.**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Liabilities :**  Share Capital  Profit & Loss A/c  Reserve  Creditors  **Assets :**  Land & Building  Plant & Machinery  Shares in ‘s’ Ltd. (at cost)  Stock & Debtors  Bank Balance | 12,50,000  1,87,500  3,12,500  5,50,000  **23,00,000**  5,00,000  7,50,000  6,25,000  3,75,000  50,000  **23,00,000** | 5,00,000  31,250  1,25,000  2,50,000  **9,06,250**  2,50,000  2,50,000  ------  3,43,750  62,500  **9,06,250** |

Holding Company acquired all the shares in Subsidiary company at a price of

Rs. 6,25,000

Prepare Consolidated Balance Sheet .

**(Ans :- Balance sheet total - 25,81,250 )**

**2) The following are the Balance Sheets of Holding Co. Ltd. And its subsidiary as on**

**31st march 2008. On which date Holding (H) Co. Ltd. Acquired all the shares in**

**subsidiary (S) Ltd.**

**Balance Sheet**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each fully paid)  Reserve  Profit & Loss A/c  Sundry Creditors  **Assets :**  Land & Building  Plant & Machinery  Furniture & Fixtures  Investment in Shares of ‘s’ Ltd. (at cost)  Stock  Debtors  Bank | 17,50,000  4,37,500  2,62,500  7,70,000  **32,20,000**  7,00,000  10,50,000  1,75000  7,00,000  1,75000  3,50,000  70,000  **32,20,000** | 7,00,000  -  -  3,50,000  **10,50,000**  3,50,000  3,50,000  87,500  -  1,05000  70,000  87,500  **10,50,000** |

Prepare Consolidated Balance Sheet.

**(Ans :- Balance sheet total - 35,70,000 )**

**3) The following are the Balance sheets of pratibha Ltd. And Yogita Ltd.As on**

**31st Dec. 2006 on which date pratibha Ltd. Acquired all the shares in Yogita Ltd.**

**For rs 1,00,000**

**Balance Sheet of Pratibha and Yogita Ltd.**

**As on 31st Dec. 2006**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each)  Profit & Loss A/c  Reserve fund  Creditors  Outstanding Expenses  **Assets :**  Land & Building  Plant & Machinery  Investment in Shares of Yogita Ltd. (at cost)  Debtors  Bank Balance | 2,00,000  30,000  50,000  85,000  3,000  **3,68,000**  80,000  1,20,000  1,00,000  60,000  8,000  **3,68,000** | 80,000  5,000  15,000  37,500  2,500  **1,40,000**  40,000  40,000  -  50,000  10,000  **1,40,000** |

Prepare Consolidated Balance Sheet.

**(Ans :- Balance sheet total - 04,8,000 )**

**4) The following are the Balance Sheet of Raksha Ltd. And Ashirwad Ltd. On 31 st**

**December 2006 on which date Raksha Ltd. Acquires all the shares in Ashirwad Ltd.**

**Balance Sheet**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **Raksha Ltd. Rs** | **Ashirwad Ltd. Rs** | **Assets** | **Raksha Ltd. Rs** | **Ashirwad Ltd. Rs** |
| Share capital (each share Rs 100 )  Profit & Loss A/c  Reserves  Creditors | 34,00,000  5,10,000  8,50,000  15,68,000  **63,28,000** | 14,00,000  1,00,000  1,19,000  6,80,000  **22,99,000** | Land &building  Plant & machinery  shares in Ashirwad Ltd.(at cost)  Stock & Debtors  Bank | 13,60,000  20,40,000  17,00,000  1,20,000  2,08,000  **63,28,000** | 6,80,000  6,80,000  -  7,54,000  1,85,000  **22,99,000** |

Prepare Consolidated Balance Sheet.

**(Ans :- Balance sheet total - 70,08,000 )**

**5) The following are the Balance sheets of Aruna Ltd. And Karuna Ltd.As on 31st Dec.**

**2010 on which date Aruna Ltd. Acquired all the shares in Karuna Ltd. For**

**Rs. 2,00,000**

**Balance sheets of Aruna and Karuna Ltd.**

**As on 31st Dec. 2010**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Aaruna Ltd.**  **Rs.** | **Karuna Ltd.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each)  Profit & Loss A/c  Reserve fund  Creditors  Outstanding Expenses  **Assets :**  Land & Building  Plant & Machinery  Investment in Shares of Karuna Ltd. (at cost)  Debtors  Bank Balance | 4,00,000  60,000  1,00,000  1,70,000  6,000  **7,36,000**  1,60,000  2,40,000  2,00,000  1,20,000  16,000  **7,36,000** | 1,60,000  10,000  30,000  75,000  5,000  **2,80,000**  80,000  80,000  -  1,00,000  20,000  **2,80,000** |

Prepare Consolidated Balance Sheet.

**(Ans :- Balance sheet total - 8,16,000 )**

**6) The following are the Balance Sheets of Holding Co. Ltd. And Subsidiary Ltd.**

**On 31st Dec 2006 on which date H Ltd. Acquires all the shares in S Ltd.**

**Balance Sheets**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Lianilities :**  Share Capital (shares of Rs. 100 each)  Profit & Loss A/c  Reserve  Creditors  **Assets :**  Land & Building  Plant & Machinery  Investment in Shares of S Ltd. (at cost)  Stock & Debtors  Bank Balance | 8,50,000  1,27,500  2,12,500  3,74,000  **15,64,000**  3,40,000  5,10,000  4,25,000  2,55,000  34,000  **15,64,000** | 3,40,000  21,250  29,750  1,70,000  **5,61,000**  1,70,000  1,70,000  -  1,78,500  42,500  **5,61,000** |

Prepare Consolidated Balance Sheet.

**(Ans :- Balance sheet total - Goodwill - 34000 , 17,34,000 )**

**7)H Ltd. Acquired 2,000 shares of S Ltd. On 31st December, 2003 on that date their**

**Balance Sheets were as follows:**

**Balance Sheet**

**As on 31st Dec. 2003**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **H Co.**  **Rs.** | **S Co.**  **Rs.** |
| **Liabilities :**  Share Capital of Rs. 10 each  Profit & Loss A/c  Sundry Liabilities  **Assets :**  Sundry Assets  Investment (2000 shares in S Ltd.) | 50,000  5,000  5,000  **60,000**  40,000  20,000  **60,000** | 25,000  2,500  2,500  **30,000**  30,000  -  **30,000** |

Prepare Consolidated Balance Sheet.

**(Ans :- Share holding ratio 4:1, Minority interest -5500, capital reserve 2000, Balance**

**sheet total - 70000)**

**8) H Ltd. Acquires ¾ of the share capital of ‘S’ Ltd. On 31st December. 2008 when the**

**Balance Sheets of the two companies are as under:-**

**Balance sheet**

**As on 31st Dec. 2008**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **H Co. Rs.** | **S Co.Rs.** |
| Shares capital (Rs 10 per share)  General reserve  Profit & Loss A/c  10% Debentures  Sundry Creditors | 10,000  2,500  1,500  5,000  2,500  **21,500** | 5,000  1,500  1,000  2,500  1,000  **11,000** |
| **Assets** | **H Co. Rs.** | **S Co.Rs.** |
| Fixed Assets  Current Assets  Shares in ‘S’ Ltd | 10,000  6,500  5,000  **21,500** | 5,000  6,000  -  **11,000** |

You are required to prepare the consolidated Balance sheet as on 31st Dec. 2008

**(Ans :- Capital reserve 625, minority interest 1875, Balance Sheet total - 27500)**

**9) Harsha Ltd. Acquired 24000 shares of Rs. 10 each in Sunita Ltd. On 31st march 2009 The Summarised Balance Sheet of Harsha Ltd. And Sunita Ltd. Were as follows:-**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Harsha Ltd. Rs.** | **Sunita Ltd. Rs.** |
| Shares capital (Rs 10 per each)  Reserve  Profit & Loss A/c  Bank Loan  Creditors  Bills Payable | 600000  30,000  15000  --  12,000  6,000  **7,71,000** | 3,00,000  45,000  13,400  36,000  60,000  3,000  **4,57,500** |
| **Assets** | **Harsha Ltd. Rs.** | **Sunita Ltd. Rs.** |
| Machinery  Furniture  Investment (Shares in Sunita Ltd.)  Stock  Debtors  Bills Receivable  Cash | 1,80,000  6,000  2,94,000  1,26,000  54,000  3,000  1,08,000  **7,71,000** | 1,35,000  12,000  -  1,95,000  81,000  4,500  30,000  **4,57,500** |

On the date of acquisition of shares by HarshaLtd.TheSunita Ltd. Had undistributed profits Rs. 4,500 and reserves amounted to Rs. 15,000.

**Calculate :** Capital Profits, Revenue Profits, Minority Interest and Goodwill.

**(Ans - Capital profit 19500, Revenue Profit 39000, Minority interest 71700,**

**Goodwill 38400)**

**10) Following are the Balance Sheets of H Ltd. And S Ltd.**

**Balance Sheets**

**As on 31st march 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **H Ltd. Rs.** | **S Ltd. Rs.** |
| Shares capital (Rs 10 each fully paid)  Reserve  Profit & Loss A/c  Creditors  Bills Payable  **Assets**  Land & Building  Debtors  Stock  Investment in S Ltd(5,000 shares at cost) | 2,40,000  1,00,000  40,000  1,40,000  10,000  **5,30,000**  2,00,000  1,00,000  1,00,000  1,30,000  **5,30,000** | 1,00,000  20,000  20,000  10,000  10,000  **1,60,000**  40,000  60,000  60,000  -  **1,60,000** |

Shares were acquired by H Ltd. On 30th Sept. 2009 S Ltd. Transferred Rs. 10.000

from profits to reserve on 31st March 2010

Prepare the consolidated Balance sheet. (10)

**(Ans - good will 5000, Consolidated P&L 55000, Balance Sheet total 564000)**

**11) on 31st march 2009 the Balance sheets of R.D. Ltd. And V.R. Ltd. Stood as follows:**

**Balance Sheets**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **R.D Ltd. Rs.** | **V.R. Ltd. Rs.** |
| Shares capital (share of Rs 10 each fully paid)  Reserve  Creditors  Bills Payable  **Assets**  Sundry Assets  60% shares in V.R. Ltd.  Preliminary Exp. | 15,00,000  3,00,000  1,80,000  60,000  **20,40,000**  15,54,000  4,86,000  **-**  **20,40,000** | 6,00,000  1,50,000  1,20,000  60,000  **9,30,000**  9,12,000  **-**  18,000  **9,30,000** |

R.D. Ltd. Acquired 60% shares in V.R. Ltd. On 31.3.2009 you are required to

calculate :- Capitals profit, cost of control, minority interest

**(Ans- Capital profit -132000, Minority interest - 292800, Goodwill - 46800)**

**12) From the following Balance sheets and Additional information given below prepare a consolidated Balance sheet as on 31st December 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **R.Ltd. Rs.** | **S.Ltd. Rs.** |
| Shares capital  share of Rs 10 each fully paid  profit & Loss A/c  Reserve  Creditors  Bills Payable  **Assets**  Sundry Assets  Stock  Debtors  Shares in ‘s’ Ltd 4,500 share  Bills Receivable | 6,00,000  2,40,000  60,000  1,20,000  -  **10,20,000**  **R.Ltd.**  4,80,000  3,66,000  78,000  90,000  6,000  **10,20,000** | 1,20,000  72,000  36,000  72,000  18,000  **3,18,000**  **S. Ltd.**  72,000  1,44,000  1,02,000  -  -  **3,18,000** |

**Additional Information :-**

i) profits of S Ltd. Have been earned since the shares were acquired by R. Ltd. But the

reserve of Rs. 36,000 was already there at that time.

ii) Bills accepted by S Ltd. Are all in favour of R Ltd. Which Rs. 12,000 of them were

discounted.

iii) Sundry Assets of S Ltd. Are undervalued @ Rs.12000

iv) The stock of R.Ltd. at the profit to lateral Co, @25% on cost. The value of stock is Rs.

30,000

**(Ans \_ Capital profit -48000, Revenue profit -72000, minority interest -60000, Capital Reserve -**

**36000, UnRelies profit - 4500, Balance sheet total -1249500)**

**13) Harish Ltd. Acquires ¾ th of the share capital of Satish Ltd. On 31st Dec. 2012 when the balance sheets of the two companies are as under:**

**Balance sheets as on 31st Dec 2012**

|  |  |  |
| --- | --- | --- |
|  | **Harish.Ltd. Rs.** | **Satish.Ltd. Rs.** |
| **Liabilities:**  Shares capital (Rs 10 each )  General Reserve  profit & Loss A/c  10% Debentures  Sundry Creditors  **Assets**  Fixed Assets  Current Assets  Shares in Satish Ltd | 80,000  20,000  12,000  40,000  20,000  **1,72,000**  80,000  52,000  40,000  **1,72,000** | 40,000  12,000  8,000  20,000  8,000  **88,000**  40,000  48,000  -  **88,000** |

You are required to prepare Consolidated Balance sheet as on 31st Dec. 2012

**(Ans - Capital Reserve -5000, Minority Interest -15000, Balance Sheet Total -230000)**

**14) on 31st March 2012 the Balance Sheets of Hansa Ltd. And its subsidiary Seema Ltd.**

**Stood as follows:**

**Balance Sheets**

|  |  |  |
| --- | --- | --- |
|  | **Hansa. Ltd. Rs.** | **Seema.Ltd. Rs.** |
| **Liabilities:**  EquityShares capital  General Reserve  profit & Loss A/c  Creditors  **Assets**  Fixed Assets  75% shares in  Shares in Seema Ltd. (at cost)  Stock  Current Assets | 16,00,000  3,00,000  1,80,000  2,40,000  **23,20,000**  11,00,000  5,60,000  2,10,000  4,50,000  **23,20,000** | 4,00,000  1,40,000  1,50,000  1,60,000  **8,50,000**  2,00,000  -  3,54,000  **2**,96,000  **-**  **8,50,000** |

i) Hansa Ltd. Acquired the shares on 31st July. 2011

ii) Seema Ltd. Eamed a profit of Rs. 90,000 for the year ended 31st march 2012

**Calculate:**

a) Capital Profit

b) Good will

c) Minority interest.

**(Ans - Capital profit -230000, Goodwill - 87500, Minority interest - 172500)**

**15) The Balance sheets of Hanny Ltd. And Sunny Ltd. As on 31st March 2010 and additional information are given below**

**Balance Sheet**

**As on 31st March. 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Hanny. Ltd. Rs.** | **Sunny .Ltd. Rs.** |
| Shares capital (Rs 10 each)  profit & Loss A/c  Reserve  Bill payable  Creditors  **Assets**  Fixed Assets  Stock  Debtors  Bills Receivable  15,000 shares in Sunny Ltd. At cost | 20,00,000  8,00,000  2,40,000  -----  4,40,000  **34,80,000**  **Hanny. Ltd. Rs.**  16,00,000  12,00,000  3,00,000  80,000  3,00,000  **34,80,000** | 4,00,000  2,40,000  1,20,000  60,000  2,40,000  **10,60,000**  **Sunny .Ltd. Rs.**  2,40,000  4,80,000  3,40,000  ---  ----  **10,60,000** |

**Additional information**

i) The bills accepted by sunny Ltd. Are all in favour of Hanny Ltd.

ii) the stock of Hanny Ltd. Includes Rs. 100000 bought from sunny Ltd. At a profit

to the latter of 20%^ of sales

iii) all the profits of sunny Ltd. Has been earned since the shares were acquired by

Hanny Ltd. But there was already the reserve of Rs. 1,20,000 at that time;

**Calculate:**

i) Minority

ii) Cost of control or capital Reserve

iii) profit& loss Account of Holding Company.

**(Ans - Capital profit - 120000, Revenue profit - 240000, minority interest - 190000**

**Capital Reserve 90000, profit& loss Account of Holding Company.- 960000)**

**16) From the following Balance sheet of Harish Ltd. And its subsidiary Suresh Ltd. Drawn up 31st Dec. 2009 prepare consolidated Balance sheet at the data having regard to the following:**

1) Reserve and profit and Loss A/c Cr. Balance of Suresh Ltd. Stood at Rs. 100,000 and Rs. 60,000 respectively on the date of acquisition of its 80% of shares held by Haresh Ltd. On 1st Jan. 2009

2) Machinery Book value Rs. 4,00,000 and furniture Book value Rs. 80,000 of Suresh Ltd. Were valued at Rs. 6,00,000 and Rs. 60,000 respectively for the purpose of fixing the price of its share There was no purchase or sale of these assets since the date of acquisition.

**Balance sheet of Harish & Suresh Ltd.**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Harish. Ltd. Rs.** | **Suresh .Ltd. Rs.** |
| Shares capital  (share of Rs 100each)  Reserve  profit & Loss A/c  Creditors  **Assets**  Machinery  Fuuniture  Other Assets  shares in Suresh Ltd. (1,600 share of Rs. 200 each) | 20,00,000  8,00,000  4,00,000  6,00,000  **38,00,000**  **Harish. Ltd. Rs.**  12,00,000  2,00,000  17,60,000  6,40,000  **38,00,000** | 4,00,000  3,00,000  1,00,000  2,00,000  **10,00,000**  **Suresh.Ltd.Rs**  3,60,000  68,000  5,72,000  ---  **10,00,000** |

**(Ans- Capital profit -340000, Revenue profit -223000, minority interest - 192600, Goodwill - 48000, Balance Sheet total - 4371000)**

**17) On 31st March 2010 the balance sheet of ‘A’ Co. Ltd. And ‘B’ Co. Ltd. Were as given below:**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **A. Ltd. Rs.** | **B.Ltd. Rs.** |
| Shares capital(share of Rs 10 each)  General Reserve  profit & Loss A/c  Trade Creditors  **Assets**  Land & Building  Machinery  Fuuniture  2,40,000shares in B.Co. Ltd.  Stock in hand  Debtors  Cash in Bank | 1,50,00,000  21,60,000  14,40,000  21,00,000  **2,07,00,000**  **A. Ltd. Rs.**  38,40,000  75,60,000  8,40,000  30,00,000  24,60,000  22,80,000  7,20,000  **2,07,00,000** | 36,00,000  7,20,000  10,80,000  6,00,000  **60,00,000**  **B .Ltd. Rs.**  12,00,000  20,40,000  5,72,000  ---  15,00,000  6,00,000  3,00,000  **60,00,000** |

On the date of acquisition of shares in ‘B’ Co. the had undistributed profits and

reserves amounting to Rs. 6,00,000 none of these has been distributed since then.

Prepare a consolidated Balance sheet of ‘A’ Co. Ltd. And ‘B’ Co. Ltd. And also show

the calculation of:

a) capital profit

b) Revenue profit

c) Good will (cost of control) and

d) Minority interest

**(Ans - capital profit -1200000, Revenue profit -600000, Capital Reserve -200000,**

**Minority interest -1800000, Balance sheet total - 2,37,00,000)**

**18) following are the Balance sheets of ‘A’ Ltd. And its subsidiary ‘B’ Ltd. As on 31 stmarch 2010**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **A. Ltd. Rs.** | **B. Ltd. Rs.** |
| Shares capital (share of Rs 100 each)  General Reserve  profit & Loss A/c 2,000,12%  Debentures  Creditors  Bills payable  **Assets**  Fixed Assets  Debtors  Stock  Bills receivable  Investment in shares of B Ltd. (3000 share of Rs. 120 each) 800,12%  Debentures  Cash | 10,00,000  1,20,000  60,000  1,60,000  24,000  **13,64,000**  **A. Ltd. Rs.**  6,84,000  1,20,000  70,000  20,000  -  3,60,000  88,000  22,000  **13,64,000** | 4,00,000  80,000  20,000  2,00,000  90,000  16,000  **8,06,000**  **B .Ltd. Rs.**  7,40,000  60,000  30,000  16,000  -  **-**  60,000  **8,06,000** |

**(Ans - capital profit -84000, Revenue profit -16000, Capital Reserve -3000, Minority**

**interest -125000,Unrealised profit 750, Balance sheet total - 16,84,500)**

**19) from the following balance sheet of Holding Co. Mahindra Tech. Ltd. And its Subsidiary Satyam Ltd. Prepare a consolidated balance sheet as at 31st march. 2010**

**Balance sheets 31-3-2012**

|  |  |  |
| --- | --- | --- |
| **Liabilities** | **Mahindra Ltd. Rs.** | **Satyam. Ltd. Rs.** |
| Issued and paid up capital (shares of Rs. 10 each)  7% Debentures  Trade Creditors  General Reserve  Profit & Loss A/c | 5,40,000  1,20,000  60,000  1,20,000  1,40,000  **9,80,000** | 4,00,000  -  1,38,000  -  1,00,000  **6,38,000** |
| **Assets** | **Mahindra Ltd. Rs** | **Satyam Ltd. Rs.** |
| Land and Buildings  Plant and machinery  Fixtures  Investment in ‘s’ Ltd (7500 shares at cost)  Stock in Trade  Sundry Debtors  Cash at Bank | 1,00,000  2,00,000  20,000  3,60,000  1,20,000  1,20,000  60,000  **9,80,000** | 72,000  52.000  2.000  -  1,82,000  2,20,000  1,10,000  **6,38,000** |

Shares of satyam Ltd. Acquired on 1st April.2011 at a premium of Rs. 2 per share by the Mahindra Tech. Ltd. On this date the credit balance of profits and Loss A/c stood in the books of satyam Ltd. At Rs. 40,000 Transactions between the Holding Company and the Subsidiary Company include:-

i) purchase of goods by satyam Ltd. Of Rs. 60,032 at cost plus 33 1/3% profit.

ii) Sundry debtors of Mahaindra Tech. Ltd. Include Rs. 40,000 of satyam Ltd.

iii) Trade Creditors of Satyam Ltd. Include Rs. 40,000 of Mahindra Tech Ltd.

**(Ans - capital profit -40000, Revenue profit -30000, Goodwill -1,95,000,**

**Minority interest -3,12,500,Unrealised profit 3752, Balance sheet total - 14,05,496)**

**20) H Ltd. Acquired 80,000 Equity share of Rs. 10 each in ‘S’ Ltd. On 1st January, 2014 The following are the balance sheets of two companies as on 31st December, 2014**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **H Ltd. Rs** | **S Ltd. Rs.** | **Assets** | **H Ltd. Rs** | **S Ltd. Rs.** |
| Share capital of Equity shares of Rs. 10 each  General Reserve 1-1-2014  Profit & loss A/c  1-1-2014  Profit for the year  Sundry Creditor  Bills payable | 20,00,000  2,00,000  100,000  1,20,000  1,40,000  20,000  **25,80,000** | 10,00,000  2,00,000  60,000  80,000  1,00,000  10,000  **14,50,000** | Land & building  Plant &machinery  Stock  Sundry Debtors  Investments in shares in ‘s’ Ltd.  Bills Receivable  Cash & Bank | 4,00,000  6,00,000  1,50,000  1,00,000  10,00,000  20,000  3,10,000  **25,80,000** | 3,00,000  6,00,000  1,00,000  1,20,000  -  10,000  3,20,000  **14,50,000** |

**Additional Information:**

i) Bills receivable of H Ltd. InculedRs. 6,000 accepted by S Ltd.

ii) sundry Debtors of H Ltd. Include Rs. 20,000 due from S Ltd.

iii) stock of S Ltd. Includes goods purchased from H Ltd. For Rs. 60,000 which invoiced

by H Ltd. At a profit of 25% on cost price.

Prepare a consolidated Balance sheet of both the companies.

**(Ans - capital profit -2,60,000 Revenue profit -80,000, Capital Reserve -8,000,**

**Minority interest -2,38,000,Unrealised profit- 9,600, Balance sheet total -**

**29,94,400)**

INSURANCE CLAIM

Unit-II

1) A fire occurred at a premises of Mr.Arunkumar on 31st May, destroying a great part of his stock which at Jan. 1st, appeared in the books at Rs. 60000. The value of the stock salvaged was Rs. 13,500. The gross profit on sales was 30 % and sales amounted to Rs. 1,53,000 from Jan. 01 to the date of fire, while for the same period the purchases amounted to Rs. 1,08,500.

Prepare statement of claim for the submission to the insurance company.

2) A fire occurred on 31 Dec. 2002 in the godown of Mr. Virendra, of Kanpur. From the following figures compute the claim to the lodged. Sales from 1st Jan. to 31 Dec. 2002 was Rs. 32,00,000. Purchases from 1st Jan. to 31st Dec. 2002 was Rs. 21,00,000. Stock on hand on 31st Dec. 2001 Rs. 5,90,000. Gross profit for the past five years had a av­erage of 30 % on sale. The stock salvaged was valued at Rs. 75,000. Calculate amount of claim for loss of stock.

3) On 30th Sept. 2000 fire took place in the godown of Mr. Anand. By the help of following information find out the amount of claim. Rs.

1)Stock on 1st Jan. 2000 17000

2)Purchase from 1st Jan. 2000 to date of fire 170000

3)Wages and other production Exp. 17000

4)Sale from 1 Jan. 2000 to date of fire 200000

5)Rate of gross profit on cost 25 %

6)Value of salvaged stock ‘ 4000

7) Policy value 50000

Ex 4) A fire occurred on 15th Sept. 2000 in the godown ot Mr. A. From the following information ascertain the claim to be lodged. Rs.

1) Stock on 1 st Apr. 2000 105300

2) Purchase from 1st Apr. 2000 to date

of fire 350400

3) Manufacturing Exp. and wages 260000

4) Sale from 1st Apr. 2000 to date of fire 676000

5) Goods used by the partners themselves

(At cost) 10500

6) Policy Value is 175000

The rate of gross profit is 30 % on cost. The stock salvaged was valued at Rs.

**5)** A fire occurred on 15 th Dec. 2000 in the Premises of D Co. Ltd. From the following information calculate the amount of claim to be lodged with the in­surance company for loss of stock.

**Rs**.

1)Stock at cost as on 1st Apr. 99 200000

2)Stock at cost on 1st Apr. 2000 300000

3)Purchases for the year ended 31st March 2000 400000

4)Purchases from 1st Apr.2000 to 15 th Dec.2000 880000

5)Sales for the year ended 31 Mar. 2000 600000

6)Sales from 1st Apr. 2000 to 15th Dec 2000 1050000

During the accounting year 2000-2001 cost of pur­chases rose by 10 % above the previous year level while selling price went up by 5 %.

The value of stock salvaged was Rs. 20000.

**6)** A fire occurred on 15th Sept. 2001 in the premises of P Co. Ltd. From the following information, calculate the amount of claim to be lodged with the in­surance Co. for the loss of stock.  **Rs.**

Stock at cost as on 1st Jan. 2000 20000

Stock at cost as on 1st Jan. 2001 30000

Purchases for the year 2000 40000

Purchases from 1st Jan. 2001 to

15th Sept. 2001 88000

Sales for the year 2000 60000

Sale from 1st Jan. 2001 to 15th Sept. 2001 105000

During the current year cost of purchases have risen by 10 % above last years level, selling price have gone up by 5 % .

Salvaged value of stock after fire was Rs. 2000.

7) A fired occurred in the business premises of M/s Sen & Co. on 15 the Oct.. 2001. From the follow­ing particulars ascertain the loss of stock and prepare a claim for insurance.

**Particular ` Rs.**

Stock at cost as on 1-1-2000 68000

Purchases from 1-1-2000 to 31-12-2000 244000

Sales from 1-1-2000 to 31-12-2000 360000

Stock at cost as on 31-12-2000 60000

Purchases from 1 -1 -2001to14-10-2001 275000

Sales from 1-1-2001 to 14-10-2001 315000

During the current year cost of purchases have risen by 10 % above last years levels, while selling prices have gone up by 5 %. The stock saved from fire was worth Rs. 7000.

**Ex 8)** A fired occurred at the building of Harish Brothers on 10th Oct,2000. Stock salvaged Rs.6200. By the help of following information find out loss of stock in the business. ,

**Particulars Rs**

Stock on 1st Jan. 1999 36000

Purchases less return ( In 1999) 140000

Sales less return (In 1999) . 200000

Stock on 31st Dec. 1999 22500

Purchases less return from the date of 146000

1st Jan. 2000 to the date of fire

Sales less return form the date of

1st Jan. 2000 to the date of fire. 160000

Policy Value is 50000

The company has been following the practices of valu­ing the stock of goods at actual cost less 10 %.

**Ex 9)** On 10th May, 2001 a fire occurred on the stores of a firm, From the following figures ascertain the loss suffered by the Co.

**Particulars Rs.**

Stocks on 1 st Jan.,2000 68,000

Purchases (During 2000) 106000

Sales (During 2000) 140000

Stock on 31st Dec. 2000 51000

Purchase ( during 2001 upto date of fire) 163640

Sales ( During 2001 up to date of fire ) 200000

Policy value is 40000

The value of the salvaged stock was agreed Rs. 13700. It was the practice of the firm to value of stocks at cost less 15 %.

**12)** Fire occurred in the premises of X Co. Ltd. on 1 Jan. 2001. All stocks were destroyed except to the extent of Rs. 62000. From the following figures ascertain the loss suffered by the company

**Particulars Rs.**

Stock of 1 st Apr. 1999 360000

Purchases less return during 99-2000 1450000

Sales less returns during 99-2000 2000000

Stock on 31 st Mar. 2000 225000

Purchases less returns since 1st Apr.

2000 up to date of fire 1460000

Sales less returns since 1st Apr. 2000-

up to date of fire. 1890000

Policy Value is 100000

It was the practice of the firm to value stock at cost less 10 %. Early in Apr. 2000.

**10)** Fire occured in the premises of A co. limited on 1st Sept. 2001. Stock of the value Rs. 1,01,000 was salvaged and the business books and records were saved from which following information is collected.

**Particular Rs.**

1) Purchase for the year ended 31-3-2001 700000

2) Sale for the year ended 31-3-2001 1100000

3) Purchase from 1-4-2001 to 1-9-2001 240000

4) Sale from 1-4- 2001 to 1 -9-2001 360000

5) Stock on 31-3-2000 300000

6) Stock on 31-3-2001 340000

Further information is also given that the stock on 31-3-2001 was overvalued by Rs. 20000. Purchases and sales occured evenly over the months.

Calculate the amount of the claim to be insurance company. Rate of gross profit is to be based on the year ended 31-3-2001.

**11)** On 1st Apr.2001 the godown of Miss Lily was destroyed by fire. Following accounting information is received.-

**Particular**  **Rs.**

Stock at cost on 1st Jan. 2000  4495

Stock as per balance sheet on 31 Dec. 2000 8520

Purchases during the year 2000 45225

Sales during the year 2000 58500

Purchases from 1stJan. to 31 Mar. 2001 12500

Sales from 1stJan.2 001 to 31 Mar.2001 15250

Value of goods salvaged 1050

Goods of which original cost was Rs. 600 and had been valued at Rs. 250 on 31st Dec. 2000. These were sold in March 2001, for Rs. 450. Except this transac­tion the rate of gross profit has remained constant.

On 31st March 2001 goods worth Rs. 2,500 had been received by the godown keeper, but had not been entered in the purchase account. Calculate the value of goods destroyed by fire.

Ex :-12) Y Closed hid books every year on 31st March. A fire occured in his premises on 16th May 2001 and stock of value Rs. 38000 only could be salvaged.

Using the following additional information, prepare statement showing the amount of claimed to be lodged with the insurance Co.

**Particular** 98-99 99-00 00-01 1-4-01 to 16-5-01

Rs. Rs. Rs. Rs

Op. Stock 150400 140300 158200 160000

Purchase 440000 512800 586600 78000

Sales 600000 660000 780000 99200

Cl. Stock 140300 158200 160000 ?????

**Ex:-.l3)** The premises of Mr. Chandra and stock of them were destroyed by fire on 30th Jan. 2001. From the accounting records following information is received. The stock on hand has always been valued at 10 % less than cost

Policy Value 5000 & Sallvage Value 390

Particular 1998 1999 2000 2001

Op. Stock 2700 3240 3690 3600

Purchase 12000 39000 23000 25318

Sales 16000 50000 30000 32000

Wages 600 1500 2400 2672

Cl. Stock 3240 3690 3600 ?????

Prepare statement of submission to the insurance com­pany for the claim of goods destroyed by fire.

**Ex:-14)** Karuna stores closed down the books on 31st iJec. of every year. On 31st Jan. 1999 the premises and stock were totally destroyed by fire. From the records following information is received. Find out amount of claims to the lodged for the following. The stock in hand always been valued at 10 % less than cost.

**Particular** **1996 1997 1993 1 Jan.99 to 31 Jan.99 Rs. Rs. . Rs. Rs**

Op. Stock 270900 324000 360000 369000

Purchase 749000 800000 810000 60000

Sales 1200000 1320000 1400000 120000

Carriage in. 174000 190000 209000 20000

Carriage out 15000 16000 25000 1000

Cl. Stock 324000 360000 369000 ?????

The salvaged stock was Rs. 23600. The policy was taken for Rs. 380000 to cover the loss.

**Ex:-15)** Fire took place on 10th March 99 in X Co. Com-closes its books on 31st Dec. By the help of following information find out the amount of claim.

**Particular 1996 1997 1998 1-1-99 to 31-01-99**

**Rs. Rs. Rs. Rs**

Op. Stock 76000 ???? ???? ????

Purchase 360000 430000 460000 150000

Sales 560000 700000 800000 260000

Wages 150400 191000 140000 45000

Cl. Stock 114000 152000 76000 ?????

Carriage In. 20000 30000 10000 6000

**Ex:16)** The premises of Ghanshyam Das was destroyed by fire on 30-06-2001. The following fig. were, collected from various sources. Calculate claim for the submission to the fire insurance Co. The firm closes its books on 31st Dec. every year

**Particular 1998 1999 2000 30-6-01**

Rs. Rs. Rs. Rs.

Op. Stock 20000 22000 11800 34020

Purchase 160000 145000 170000 35000

less return

Sales 20000 198500 187500 26000

less return

Fright In 5000 3000 5000 1000

Fright out 6000 7000 3000 250

In 1998, while valuing closing stock a slow moving item costing Rs. 5000 was valued at Rs. 4000. This was sold for Rs. 4500 in 1999. And item costing Rs.6000 was wrongly valued at 7000 in 1999. This was sold for 5500 Rs. in the year 2000. In 2000 a slow moving item costing Rs. 12000 was valued at Rs. 10000 50 % of which was sold before 30-6-2001 for Rs. 6000. The value of salvaged stock was Rs. 8000.

**Ex:17)** A fire broke out in the warehouse of R.T

Ltd. on 30th Sept. 2001. The company wishes to file a claim to insurance Co. From the following information prepare the statement of claim.

1)The last accounts of company were prepared on 31 st Dec. 2000.

2)Sundry debtors on 31st Dec. 2000 was Rs. 20000.

3)Cash received from debtors Rs. 72000.

4) Sundry debtors on 30th Sept. 2001 Rs. 15000

5) Stock on 31st Dec. 2000 was Rs. 7500.

6) Purchases from 1st Jan. 2001 to 30 Sept.2001is Rs.62500.

7)Rate of gross profit to sales 25 %.

8)Cash sales from 1st Jan. 2001 to 30th Sept.2001, Rs. 13000.

Prepare the necesary statment showing all workings to arrive at amount of claim

**Ex:18)** 0n 30th Sept. 2000 fire took place in the warehouse of Mr. X and therefore Co. want to claim the amount of loss. By the help of following information find out amount of claim.

Rs.

1) Final account of Co.prepare on 31st Dec.99

2) Debtors on 31st Dec.99 20000

3) Cash received from debtors 72000

4) Debtors on 30 Sept. 2000 15000

5) Stock on 31 Dec. 99 7500

6) Purchases from 1-1-2000 to 30-9-2000 62500

7)Gross profit 20 % on sale

8)Cash sales from 1-1-2000 to 30-9-2000 13000

**Ex:-19)** On 20 th June 2001 Fire occured in the shop of Mr. AB. Stock was insured by the policy of Rs. 10,500. Following items are available the balance sheet of 31 Dec. 2000.

1)Stock Rs. 12500

2)Creditors Rs. 3500

Following information is received from the book of company up to the date of fire.

Rs.

1) Sales 88800

2) Payment to creditors for purchase 75000

3) Creditorsmon30 June 200 1800

4) Gross profit rate 20% on sale

5) Stock salvaged 7000

6) Goods of original cost of Rs. 3800 was included in the stock of 31 Dec. 2000 and it is sold out on the same cost after two months. Calculate the amount of claim.

**Ex 20)** A fire occured in Kishor and Co. on 1st

May 2001. Company insured loss of profit for Rs.120000 sales during the period 1st May 2000 to 30 Apr. 2001 is Rs. 1000000. Sales during the period from 1st May 2001 to 31 Aug. 2001 is Rs. 300000.

Sales during the period of indemnity is Rs. 40000 Co prepared his final accounts on 31 Dec. every year Profit and loss account for the year 2000 is as under.

**Profit and loss account**

**Expenses Rs. Income Rs.**

Op. stock 100000 Sales 950000

Purchases 600000 Cl.Stock 50000

Production exp. 67000

Variable selling Expenses 90500

Fixed expenses 72500

Net profit 70000

**1000000** **1000000**

After the compersion of sale of first four month of 2001 to the sales of first four month of 2000 it is found that sales will be increased by 20 %. Find out claim for loss of profit.

# INVESTMENT ACCOUNTS

# UNIT III

**1)** On 1st May, 1999 Mr. Vikas purchased 200 debentures of Rs. 100 each, at the rate of Rs. 95 each cum interest on debentures is 12 % per annum. Inter­est due on 30th June and 31st December of every year. Both the parties close their accounts on 30 th June.

Prepare : 1) Journal of purchaser ( Vikas )

2) Journal of seller ( Sahil)

**2)** On 1st May 1999, Mr Netin purchased 200 debentures of Rs. 100 each at the rate of Rs. 95 each ex-interest from Mr. Ramesh. Rate of interest on de­bentures is 12 % per annum. Interest due on 30 th June and 31 st December of every year, both the parties close their accounts on 30 th June.

Prepare : 1) Journal of purchaser ( Netin )

2) Journal of seller ( Ramesh)

**3)** On 1st May 1999, Mahdev purchased Yom Ganesh 200, 9% debentures of Rs. 100, each of Nagpur development company Ltd. at Rs. 96 cum in­terest price. Interest is declared by the company on 3 1st March and 30th Sept. every year. You are required to give the journal entries in the book of Mahdev who close his books on 3 1st March every year.

**4)** On 31st May, 1999 Jayant Trader’s purchased 100; 6 % debentures of Rs. 100 each @ 102 ex-interest. Expenses on court stamp were Rs. 35; Bank commission 1/2 % on purchase. Interest is payable on 30th June and 31st Dec Accounts are closed on 30th June. Prepare jour­nal of Janyant Traders.

**5)** On 1st Nov., 1999 Vijay sold 80; 9% debenture f Rs.100 each @ Rs. 120 ex-interest per debenture He paid Rs. 40 as brokerage on the sale. Interest is payable on 30th June and 31st Dec. each year.

Pass the necessary journal entries in the book of Vijay who closes his books on 31st Dec. each year.

**6)** B & Co. Purchased 5% taxfree war loans of Rs.10000 at the rate of Rs. 105, cum-interest on 3 1 st March 1999. Interest on loans are payable on 30th June and 3 I st Dec. On 1st July, 1999 one half of the investment were sold at the rate of Rs. 106. B & Co. close it’s books on 31st Dec.

Prepare investment account in the books of B & Co.

**7)** On 31st May, 1999 Jayant Traders purchased 100. 6% debentures of Rs100 each at the rate of Rs 102 ex-interest . Expenses on stamp were Rs. 35. On 30 th Nov.,1999; 75 debentures were sold out at the rate. of Rs.103 ex-interes. Every time bank commission is 1/2 % has to the paid. Interest is payable on 30th June and 31st Dec.

Prepare investment account in the books of Jayant Traders.

**8)** On 1st Jan 1999 Shyam had 4.5 % Govt de ntures of Rs. 150000 and of the same costing Rs 165000. Interest on debentures was payable on 15th March, and 15th Sept. On 1st March, 1990 Shayam sold half of investment to Ramlal at the rate of Rs. 125 ex interest .

Prepare investment account for the year ended 31st Dec. 1999 in the book of Shyam.

**9)** On 30th Apr. 1999 Mihir purchased 100 5% Govt. bonds of Rs. 100 each at Rs. 105 per bond; cum-interest . He sold 50 bonds @ Rs. 106 per bond cum-interest on 1st Sept. ,1999. Interest is payable on 31 st July and 31st Jan. each year. Books are closed on 3 1st Dec. each year. .

Prepare investment account in the books of Mihn.

**10)** On 1st May ,1999 Mr. Sudhakar purchased Rs. 25000 ; 7 % debenture of Rs. 100 each @ Rs.103 Per debenture ex-interest. Brokerage @ 1/8% and other expenses Rs. 20 were paid on it. On 1st Nov. 1999 he sold 100. 7% debentures @ Rs. 106 per debentures cum-interest. Brokerage paid on it is 1/8 % . Interest is payable on 30th June and 3 1st Dec. every year Prepare investment account in the book of Sudhakar.

**11)** On 31 st March, 1999 Shri Jung Bahadur pur­chased 3 % development loan worth Rs 10,000 at the rate of Rs. 95 cum- interest. Interest on debentures is received on 30th June and 3 1st Dec. on 1st July half of investment were sold at the rate of Rs. c>6 and on 1st Oct. ,1999 debentures worth Rs. 2,500 were sold at the rate of Rs. 96.50 cum interest.

He balances his books on 31st Dec. On 31st Dec. the value of debentures in stock exchange was Rs. 95 ex-interest .

Prepare investment account ( with interest column ) in the book of Shri Jung Bahadur.

**12)** Calcutta investment Ltd. holds 400;12 % debentures of Rs 100 each in a company ltd. as on 1st Apr. 1999 at a cost of Rs. 50000 Ex-interest. Interest is payable on 30th June and 3 1 st Dec. every year.

On 1st June 1999 , 200 debentures purchased cum-interest at Rs. 21400. On 1st Nov. 1999 ,300 deben­ture sold ex-interest at Rs. 19200. On 31 st Dec.1999 300 debentures sold cum-interest for Rs. 32250.

Prepare investment account valuing closing stock as on 31st March, 2000 at cost or market price which is Rs. 96, which ever is lower.

**13)** On 1st July, 1999 Madhurai investment Ltd. leld Rs. 100000 6% debentures of Glaxo Ltd. which appears in the books at Rs. 96500 . Interest is payable on 31 st July and 31st Jan. every year.

1)On 1st Oct. ,1999, a further Rs. 50,000 debentures in same company purchased *@* Rs 98 cum-interest.

2)On 1st Jan. 2000 a further Rs. 30,000 debentures pur-phased at Rs. 97 ex-interest.

3) On 31 st March, 2000, Rs. 80000 debentures were sold at Rs. 101 cum -interest.

4) On 1st June, 2000 , Rs. 60,000 debentures were sold at Rs. 102 ex-interest.

Show the investment account for the period to June 2000.Investment are sold on FIFO method.

**14)** On 1st June 1999 Hansh purchased 500 share of Ambalal Ltd. form.Sharif, each of Rs. 10 but purchased at the rate of Rs. 37.50 cum-dividend. On these shaies for 1998.dividend already declared by Ambalal company @ Rs. 1.50 per share and the payment of dividend was payable on 15th June, 1999. On 1st Dec.99 half shares were sold at the rate of Rs. 30 per share. Prepare the following

1) Journal of Harish (Purchaser)

2) Journal of Sharif ( Seller )

**15)**Anand sold to Baban 12000 shares of the face value of Rs. 10 each of Nav-jeevan Ltd. *@* Rs. 15 per shares cum-dividend. Nav-Jeevan ltd. Declares dividend *@* Rs. 1.00 per share some time befoie this Sale.

Pass necessary journal entries in the book of Anand

**16)** On 14 th Aug. 1949 Investment company Ltd purchased 1000 equity shares of Rs. 10 each of B Ltd at Rs.15 per share cum dividend . Befoie this purchase dividend on these shares is declared @ Rs. 0.80 per share which was received on 28 Aug. 1996.

Out of these shares 500 shares were sold on 15th Oct. 1999 @ Rs. 14.80 per share . The year of investment company end on 31st Dec. every year.

Prepare investment account in the books of investment company Ltd.

**17)**On 10th Oct. 1999 Mr. Sahuji purchased 2000 equity shares of Rs. 10. each of Vidharbha Electric Com­pany Ltd. at Rs. 18.20 cum-dividend. One half of this holding were sold off at Rs. 18 on 15 Dec 199Q. a divi­dend of Rs. 0.70 per share was paid on these shares on 11th Oct. 1999 .

Prepare share account in the book of Mr. Salui who close his book on 3 1st Dec.

**18)** Mr. Sandeep was allotted 1000 partly convertible debentures of Rs. 100 each at a premium of Rs. 20 on 1st July, 1999. As per conditions, of the issue of 50 % of these debentures were to be converted in to fully eq­uity shares of Rs. 10 each at a premium of Rs. 10 on 31 st Dec.1999 .

Show the value and number of debentures and shares hold by Sandeep on 3 1st March,

**19)** On 1st Apr. 1905 Preshit Investment held 800, 18 % debenture in M Ltd. of Rs. 100 each.. These debentures were purchased for Rs. 86400. Interest on the debentures is payable on 31st March *&* 30th Sept. every year. During 95-96 following transactions took place.

1) On 1 st July 1995 purchased 200 same debentures at Rs. 104 each ex-interest.

2) On 1st Nov. 1995 sold 500 of the above debentures for Rs. 48250 ex-interest.

3) On 31st Dec. 95 sold 400 debentures at Rs. 105 each cum interest.

Market price of the debentures on 3 1 st march 1996 was Rs. 110 cum interest.

Write investment account in columnar form the for the year ending 31 st March 1996. Debentures are sold on FIFO basis.

**20)** Tata finance Ltd. held on 1st Apr 1998, Rs 100000 12 % units of U.T.I (2002) at Rs. 95000 . Three months interest had accrued as interest was re­ceivable half yearly on 30th June and 31st Dec. All cheques for half Yearly interest had been sent by U.T.I in advance and hence bank could credit the finance Company’s account on the date of interest itself.

On 31st Aug. 1998 the company purchased fur­ther Rs. 40000 of the units Rs. 96 ( Net) cum interest on 31 st Oct. 1998, Rs. 30000 of the units were sold at Rs. 94 (Net) ex-interest and on 28th Feb. 1999 Rs. 20000 of the units were sold at Rs. 96 ( Net) cum interest.

On the 31 st March 1999 the market price of the unit was Rs. 96. The face value of each unit was Rs. 100.

Prepare the 12 % units accounts for the year ended Mar. 31, 1999 (Units are sold at FIFO basis).

# PROFIT PRIOR TO INCORPORATION

# UNIT IV

**Ex:-1)** The promoters of the propesed New Wavw Co. Purchase a running businesson 1 st Jan 2003 from Ultra Modern Ltd. The Co. Was incorporation on 1 st may 03 The Combined P& L A/c Of Co.is given as under

**P & L A/c**

**For the year ended 31-12-03**

**Particular Rs Particular Rs**

To salary 12000 By Gross Profit 150000

To Director fee 3600 By Discount recived

To Prelimenary Exp4900 from creditor 6000

To Carriage out 5500

To Intt Paid 10000

To Net Profit 120000

**156000 156000**

Following further information is available.

1) The Sale up to 30 th April 03 were Rs 300000 out of the total sale of 1500000/- Rs

2) The purchase up to 30 th April 03 were 300000 out of the total purchase 900000 Rs

3) Intt Paid to vender on 31 st Oct 0312% Per aname on Rs 100000/-

From the above information for the year ending 31-12-03Compile profit Before & After incorporation.

**Ex 2)** Anand & Co. was incorporated on 1 st Jan 01 it took our running business of Ashok from 1-1-2000 The following P&L A/c in given for the year ended 31 st dec 2000

**Particular Rs** **Particular Rs**

To Commission 13200 By G P b/d 341000

To Audit Fee 3520

To Director fee 6600

To Salaries 79200

To Electrycity Exp 5280

To Insurance 6600

To Rent & Taxes 26400

To Advertisement 8800

To Discount 7700

To Office Exp 16500

To Carriage 6600

To Bank Charges 3300

To Preliminery Exp 14300

To Bad debt 4400

To Intrest On Loan 6600

To Net Profit 54925

**341000** **341000**

Total turnover for the Year is 1100000 out of which Rs 330000 is related to the periode from 1st jan to 30 th April Give the P & L A/c show ing preincorporation and postincorporation proifit

**Ex 3)** Vinod Ltd. was incorporated on 1 st JAN 1999 & received its certificate for commencement of business on 1st April 99

Total Sales of the years Rs 960000 out of which pre-incorporation sale is 400000 Rs, gross Profit for the year is 288000. The Expenses debited to P& L A/c were as follows

Rent 14400

Salary 24000

Stationery 5760

Advertisement 28800

General exp 7680

Deprection 38400

Discount allowed 5760

Audit fee 2400

Int on Debenture 8000

Director Fee 7680

Commission on sale 9600

Bad debt 1600

(600 related to pre-incorporation)

The Business Purchased By Vinod Co. on 1st Oct 98 and for the first time A/c Books are closed on 31 st Dec 99

**Ex 4)** Priyanka Co. Ltd Was incorporated On 1st April 01 to take our the running business of Mr Anup with effect from 1st Jan 01 The Following P&L A/c given for the year ended 31st dec 01

**Particular Rs** **Particular Rs**

Salaries 47840 By G P b/d 225400

Insurance 1380

Director's Fee 20700

Advertisement 1811

Preliminery Exp 1610

Rent & Taxes 6900

Discount 3680

Bad debt 1240

Audit Fee 1760

Net Profit 138479

**225400** **225400**

The following additional information is available,The avg , Monthly turnover from april 01 onwored was debited that of previouse months .Complite profit prior to incorparation

**Ex 5)** Ashish Ltd. was incorporated on 1 st july 99 to take our running business of keshav wi th affect from 1-4-99 The following P&L A/c in the following P& L A/c in given for the year ended 31 st mar 2000

**Particular Rs** **Particular Rs**

Commission 2625 By G P b/d 98000

Advertisement 5250 By Bad debt

Director remu 9000 realised 500

Deprection 2800

Salaries 18000

Insurance 6000

Preliminery Exp 700

Rent & Taxes 3000

Discount 350

Bad debt 1250

Net Profit 54925

**98500** **98500**

The following additional Informations are available

1) The avg monthly sale from July 99 Onwordes was doubele than that of previous month

2) Bad ddebt 350 is related to post incorporation periode while realisation of bad debt Rs 500 is related to pre-incorporation periode

**Ex 6)** Nema Ltd.Was incarporated on 1 st April 2000 to take our the business of Mr. Vishal Firm 1st Jan 2000

**P&L A/c**

**For the Year ending 31-12-2000**

**Particular Rs** **Particular Rs**

To Advertisement 10000 By G P b/d 84000

To Intt On

Debenture 5000

To Deprection 2000

To Intt on Purchase

Cansideration

(Paid on 30june) 10800

ToSelling Comm 2625

To Director fee 9000

To Preliminery Exp 1000

To Provison for tax 5000

To dividend on

equity share 6000

ToNet Profit 31400

**84000** **84000**

Sales of the year is 225000 out of which 75000 Rs related to periode From 1 st jan 2000 to 31 st march 02

Compute profit prior to incorporation

**Ex7)** A Company Was in-corporated on 31 may 92 to take over the business as a going concern from 1st jan 92. The The total turnover for the 4years ended 31 st dec 92 is Rs 200000 Rs 60000 for the period up to 1st may& remaining for the following period P& l a/c is given below

**P&L A/c**

**For the Year ending 31-12-2000**

**Particular Rs** **Particular Rs**

To Rent & tax 32400 By G P b/d 70000

To Insurance 720

To Lighiting Charges 2040

ToSalary 7800

To Director Fees 2000

To Sales Comm 10000

To Sales Discount 5000

To office exp 2400

To Carriage out 3000

To BankCharges 420

To Repair & Ren- 1380

To Bad debt 600

To Intt On Loan 1200

To Net Profit 30200

**70000** **70000**

Compute profit prior to incorporation.

**Ex 8)** Sarkar Ltd. was incorporated On 14 st jan 93 to take our the runing business of Uttam brothers on 1 st oct 92 .The Following is the Summer sized P&L A/c for the year ending 30 th sept 93

Sales From 1-10-92 to 31-12-92 = 60000

Sales From 1-1-93 to 30-9-93 = 190000

Gross profit = 89960

Exp are Administrative exp 17680

Selling Comm 8750, Goodwill Written Off 2000, Intt on Vender (Payment On 1 Feb 93) 3730 Distribution Exp (60 % Variable)12500,preliminery exp 3300,Debenture interest 3200, deprecition 4400, Direcotre Fees 1000.

Prepare the P& L A/c Showing pre-incorporation & Post-incorporation profit

**Ex 9)**. Subasli Ltd. was incorporated on 1st July, 2001 and received its certificate of commencement of business on 1st August, 2001. The company bought .the business of M/s Small and Co. with effect from 1st March,2001 From the following figures relating to the year ending 31st March, 2002 find out the profits available lor dividends

at) Sales for the year were Rs. 600000 out of which sales upto 1 st July 2001 were Rs. 250000.

b) Gross Profit for the year was Rs. 180000

c) The expenses debited to the profit and loss account were:-

**Particular Rs. Particular. Rs.**

Rent 9000 Advertising 18000

Salaries 15000 Stationery &

Director's fee 4800 printing 3600

Interest on deb 5000 Commission on

Audit fees 1500 sales 6000

Discount on sale 3600 Bad debts (Rs.

Depreciation 24000 500 relate to debts

General expenses 4800 created prior to

incorporation) 1500

Interest to vendor on

purchase consideration up to 1 st Sep, 2001 3000

**Ex10.)** Delhi Company, incorporated on 1st April, 2002, took over running business from 1st January, 2002 The company prepares its first final accounts on 31st December 2002. From the following information, you are required to calculate the sales ratio of pre-incorporation periods.

1. Sales for January, 2002 to December, 2002 Rs. 480000
2. b) The sales for the month of January twice of the average sales; for the month of February equal to average
3. for October and November tliree times the average sales

**Ex 11)**.A company was incorporated on 1st August, 2001 to take over a business from the preceding 1 st April. The accounts were made upto 31 st March, 2002 as usual and the Trading and Profit and Loss Account gave the following result:-

**Trading A/C**

**Particular Rs. Particular. Rs**

To Op Stock 140000 By Sales 1200000

To Purchasesn 910000 By Cl. Stock 150000

To Gross Profit

c/d 300000

**1350000** **1350000**

**Profit &Loss A/c**

**Particular Rs. Particular. Rs**

To Rent, Rate & By Gross Profit

Insurance 18000 b/d 300000

To Directors fee 20000

To Salaries 51000

To Office Exp 48000

To Traveller's Comrn-

ission 12000

To Discounts 15000

To Bad Debts 3000

To Audit fees 8500

To Depreciation 6000

To Deb. Intt 4500

To Net profit 114000

**300000**  **300000**

It is ascertained that the sales for February & March,2002 are one and half times the average of those for the year, while those for May and June are only half the average.

Apportion the year's profit between the pre-incorporation and the post-incorporation period.

**Ex 12)** The Partners of Maitri Agencies decided to con­vert the partnership into a private limited company called MA(P) Ltd. with effect from 1st January, 1992. The con­sideration was agreed af Rs.1170000 based on the firm’s Balance Sheet

as at 31st December, 1991. However, due to some procedural difficulties, the company could be iiicorporated only on 1st April, 1992. Meanwhile the business continued on behalf of the company and consid­eration was settled on that day with interest at 12% p.a. The books of acounts were continued by the Company, which closed its account for the first time on 31st March 1993 and prepared following summarised profit and loss account:-

Sales - 23400000

Cost of goods sold 16380000

Salaries 1170000

Depreciation 180000

Advertisements 702000

Discounts 1170000

Managing Director's remuneration 90000

Miscellaneous office expenses 120000

Office-cum-shovv room rent 720000

Interest 951000

**21483000**

Profit 1917000

The company's only borrowal was a loan of Rs. 5000000 at 12% p.a. to pay the purchase consideration due to the firm arid for working requirements. The company was able to double the average monthly sales .of the firm from 1st April, 1992 but the salaries trebled from that date. It had to occupy additional space from 1st July, 1992 for which rent was Rs. 30000 per month.

Prepare a Profit and Loss account in columnar form apportioning cost and revenue between pre incorporation and post incorporation periods also suggest how the pre-incorporation profits are to be dealt with.

**Ex13)** The SA1 DEEP LTD was incorporated on 1st August, 2001 to take over the running business of KRISHNA Bros, with effect from 1st April, 2001. The company received the certificate lor commencement of business on1st October, 2001.

The following profit and loss AC was prepared for the year ended 31st March 2002.

**PROFIT AND LOSS ACCOUNT**

**for he year ended 31st March, 2002**

**Particulars Rs Particulars Rs**

To Office salaries 21000 By G. Profit b/d 80000

ToPartner's Salaries 6000 By Share Tran-

To Advertisement 4400 fer Fees 1000

To Printing & Stationery 1500

To Travelling Exps. 4000

To Office Rent 9600

To Electricity Charges 900

To Auditors Charges 600

To Directors Charges 1000

To Bad Debts 1200

To Commission on Sales 4000

To Preliminary Exp. 700

To Debenture Interest 1600

To Interest on Capital 1800

To Depreciation 2100

To Net Profit 20600

**81000** **81000**

Additional Information:-

**1.** Total Sales for the year, which amounted to Rs. 800000 arose evenly up to the date of cerificat of commencement where after they recoreded an increse of 2/3 during the year. Gross profit was at an uniform rule of 10% of selling price throughout the year and a commission of 1/2% was paid on sales.

**2.**Office Rent was paid @ Rs. 8400 p.a. up to 30th September 2001 and thereafter it was paid

@ Rs. 10800 p.a.

**3.**Travelling Expenses include Rs. 1600 towards sales promotion.

**4.**Bad Debts written olf:-

**a)**A debts of Rs. 400 taken over from the vendor

**b)**A debt of Rs. 800 in respect of goods sold in September 2001.

Depreciation includes Rs. 600 for assets acquired in the post-incorporation period. Show the "pre"- and "post" incorporation result and also state how the results of pre-and post-incorporation is dealt with.

**Ex14)**The following information is obtained from the Books of 'X' Private Limited fcr the year ended 31st Muich,2002.

Sales Rs.

April 120000

May 150000

June 170000

July 160000

August 180000

September 200000

October 220000

Novcrnber 150000

December 210000

January 250000

February 290000

March 300000

Expense including depreciation for the year:-

**Rs.**

Salaries 109500

Travelling 21600

Advertisement 8000

Bad debts 2300

(including Rs1500 for Sales effected in Pre-incorpora-tion period.)

Directors fees 3500

Miscellaneous Expenses 60000

Contribution to P.F.E.S.I etc 5250

Carriage outward 34400

Depreciation 27000

Audit fees 2500

Selling Commission 24000

Sales invoices were prepared at cost plus 25% up to June 2001 and thereafter at cost plus 33 1/3%.

The company was incorporated on 1st August 2001 by taking over the running business of a partnership with effect from 1 st April, 2001.

You are required to prepare the profit and loss account of the company for the year ended 31 st March, 2002 showing pre-incorporation and post-incorporation profits including your basis of allocation.

**Ex 15)** New Ventures Ltd was incorporated on 1st July 2001 with an authorised capital of 5000 equity shares of. Rs. 10 each to take over the running business of Run down Brothers as from 1st April 2001.

The following is the summarised Profit and loss aeeoun for the year ended 31st March, 2002:-

Rs. Rs.

Sales

1st April, 2001 to 30th June

2001 6000

1 st July, 2001 to 31 st March

2002 19000

25000

Cost of sale for the year 16000

Administrative expenses 1768

Selling commission 875

Goodwill written off 200

Interest paid to vendors (Loan

repaid on 1 st August, 2001) 373

Distribution expenses (60 per

cent variable) 1250

Preliminary expenses written

off 330

Debenture interest 320

Depreciation 444

Dircctors's fees 100

21660

Netprofit 3340

The company deals in one type of product. The unit cost of Sale was reduced by 10 percent in the cost incorporation period as compared to the pre-in-corporation period in the year.

You are required to apportion the net profit amount between pre-incorporation and post-incorporation period

showing (he basis of apportionment.

**Ex 16)**. Mr. X formed a Private Ltd. Company under the name and Style of Exe Private Limited to take over his existing business as from first April, 1990 but the company was not incorporated until First July 1990. No entries relating to transfer of the business were entered in the book, which were carried on without a break unti 31st March, 1991.

The following balances were extracted from the books as on March, 1991:-

**Particular Dr.(Rs.) Cr.(Rs.)**

Opening Stock 43000

Purchases 189000.

Carriage outwards 3300

Traveller's commission 7500

Office salaries 21000

Administration expenses 19000

Rent and Rates 12000

Director's fee 18000

Fixed Assets 100000

Currents Assets excluding

Stock 34000

Preliminary expenses 5200

Sales 278000

Mr X's Capital A/c on1-4-1990 230000

Current liabilities 37000

You are also given that:-

**1.**Stock on 31st March, 1991 Rs. 44000.

**2.**The Gross profit ratio is constant and monthly sales in April 1990 February, 1991 are double the average monthly sales for remaining months of the year.

**3.** The purchase consideration was agreed to be satisfied by the issue of 3000 equity shares of Rs. 100 each.

**4.**The preliminary expenses are to be written off.

**5.**You are to assume that carriage outwards and travellers commission vary in direct proportion to sales.

You are required to prepare profit and loss statement for (he year ended on 31 si March, 1991 apportioning the Depreciation shall be provided at 25% p.a. on fixed assets.

**Ex17)** Ashok Company Limited was incorporated on 1 st July, 2001 to take over as from 1 st April 2001 in the same year the existing business of Bijoy Brothers. Under the take over agreement all profits made from April 200 1 arc to belong to the company. The purchases consideration was Rs. 700000. The vendors received half of it in Cash on 1st Oetober 2001 in the same year together

with interest at 10 per cent annum. For other half of the purchase consideration, they were allotted 3500 fully paid company's Ledger as at 31 st March 2002.

**Rs**

Share capital 4500 shares

of Rs.100 each full paid

(including vendor's shares) 450000

Bank overdraft 165000

Sundory creditors 65000

Fixed deposit rec. 35000

Free hold Land at cost 50000

Building at cost 130000

Furniture and Fixture at cost 15000

Transport vehicles at cost 35000

Stock-in-trade on 1 st January420000

Book debts 95000

Cash on Hand 12000

Preliminary Exp.

(these are to be fully written off)8000

Salaries and wages 48000

Rent received 13000

Rates and Taxes 7000

Repairs to Building 3000

Misc. exps. 22000

Directors Fees 2400

Interest of Vendors 17500

Purchases 770000

Sales 90000

Goodwill 3100

The Stock-in-trade as at 31stMarch 2002 amounted to 480000

Bad debts amounting to Rs. 1000 out which Rs. 500 related to book debts taken over by the company have to be written off and a provision of Rs. 5000 to be made for doubtful debtors as at 31 st March 2002.

depreciation has to be written off:- Building at 5% Furniture& Fixture10% and Transport vehicles ai 20%.

You are required to prepare

(a) a Profit and Loss Account for the period from 1st April 2001 to 31st March 2002 and to compute the profit prior to incorporation. For the purpose of determining the profit prior to incorporation you should assume the turnover to be spread evenly over the year and

(b) Balance sheet as on 31st March 2002