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B.Com Honours

Semester III

Calicut University

Corporate Accounting

Course Code: COM3CJ202 • Module 3 Notes

Module III: Consolidated Financial Statements (Ind AS 110)

Consolidated Financial Statements present the financial position of a Parent (Holding) Company and its Subsidiaries as a single economic entity under Ind AS 110 & Sec 2(87).

Unit 7: Group Companies & Group Structures – Need for Consolidation – Calculation of Pre-acquisition & Post-acquisition Profits

1. Holding-Subsidiary Relationship: Under Sec 2(87), a Holding Company controls a Subsidiary if it owns >50% voting shares or controls the Board of Directors.
2. Pre vs Post Acquisition Profit: Pre-acquisition profits (earned up to acquisition date) are Capital Profits used to calculate Goodwill/Capital Reserve. Post-acquisition profits (earned after acquisition date) are Revenue Profits credited to Consolidated P&L A/c.

Unit 8: Calculation of Non-Controlling Interest (NCI) – Calculation of Cost of Control (Goodwill) or Capital Reserve

Formulas: (NCI = Paid Up Share Capital + Share of Pre ext{-}Acq Reserves + Share of Post ext{-}Acq Reserves).
(Goodwill = Cost of Investment - (Paid Up Capital + Share of Pre ext{-}Acq Profits)).

Practical Problem 1 (Calculation of NCI & Goodwill): H Ltd. acquired 80% Equity Shares of S Ltd. on 1st April 2023 for Rs. 2,40,000. On that date, S Ltd. had Equity Share Capital of Rs. 2,00,000 and General Reserve of Rs. 50,000. Calculate (a) Pre-acquisition Profit, (b) Non-Controlling Interest (NCI), and (c) Cost of Control (Goodwill).

Step-by-Step Working Notes & Solution:

- Total Net Assets on Acquisition Date = Share Capital (Rs. 2,00,000) + General Reserve (Rs. 50,000) = Rs. 2,50,000 (Pre-acquisition Profit).
- H Ltd.'s Share in Net Assets = (80% imes 2,50,000 = ext{Rs. 2,00,000}). NCI Share (20%) = (20% imes 2,50,000 = ext{Rs. 50,000}).
- **Goodwill Calculation:**

  > **Goodwill = Cost of Investment (Rs. 2,40,000) - H Ltd.'s Share of Net Assets (Rs. 2,00,000) = Rs. 40,000**

Unit 9: Preparation of Consolidated Balance Sheet (Simple Solved Problems)

Practical Problem 2 (Complete Solved Consolidated Balance Sheet): On 31st March 2024, the Balance Sheets of H Ltd. and its subsidiary S Ltd. were as follows:

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H Ltd.: Equity Capital (Rs. 10 shares) Rs. 5,00,000 | General Reserve Rs. 1,00,000 | P&L A/c Rs. 80,000 | Trade Payables Rs. 50,000. Assets: Investment in S Ltd. (16,000 shares) Rs. 2,20,000 | Fixed Assets Rs. 4,10,000 | Current Assets Rs. 1,00,000. Total = Rs. 7,30,000.
S Ltd.: Equity Capital (Rs. 10 shares) Rs. 2,00,000 | General Reserve Rs. 40,000 | P&L A/c Rs. 30,000 | Trade Payables Rs. 20,000. Assets: Fixed Assets Rs. 2,10,000 | Current Assets Rs. 80,000. Total = Rs. 2,90,000.
H Ltd. acquired 16,000 shares (80%) in S Ltd. on 1st April 2023 when S Ltd.'s General Reserve was Rs. 40,000 and P&L A/c balance was Rs. 10,000. Prepare the Consolidated Balance Sheet.

Step-by-Step Working Notes:

- **1. Analysis of Profits of S Ltd.:** Pre-acq Capital Profits = Rs. 50,000. Post-acq Revenue Profit = Rs. 20,000.
- **2. Non-Controlling Interest (NCI - 20%):** Share Capital (Rs. 40,000) + Pre-acq Profit (Rs. 10,000) + Post-acq Profit (Rs. 4,000) = **NCI Rs. 54,000**.
- **3. Cost of Control (Goodwill):** Cost (Rs. 2,20,000) - Share of Net Assets (Rs. 2,00,000) = **Goodwill Rs. 20,000**.
- **4. Consolidated P&L:** H Ltd. P&L (Rs. 80,000) + Share of Post-acq Profit (Rs. 16,000) = Rs. 96,000.

Consolidated Balance Sheet of H Ltd. & S Ltd. as on 31st March 2024:

Particulars	Notes	Amount (Rs.)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds: (a) Share Capital (H Ltd.)		5,00,000
(b) Reserves & Surplus: General Reserve (Rs. 1,00,000) + Cons. P&L (Rs. 96,000)		1,96,000
2. Non-Controlling Interest (NCI)	WN 2	54,000
3. Current Liabilities: Trade Payables ((50,000 + 20,000))		70,000
TOTAL EQUITY AND LIABILITIES		**8,20,000**
II. ASSETS		
1. Non-Current Assets: (a) Fixed Assets ((4,10,000 + 2,10,000))		6,20,000
(b) Intangible Assets (Goodwill)	WN 3	20,000
2. Current Assets ((1,00,000 + 80,000))		1,80,000
TOTAL ASSETS		**8,20,000**

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