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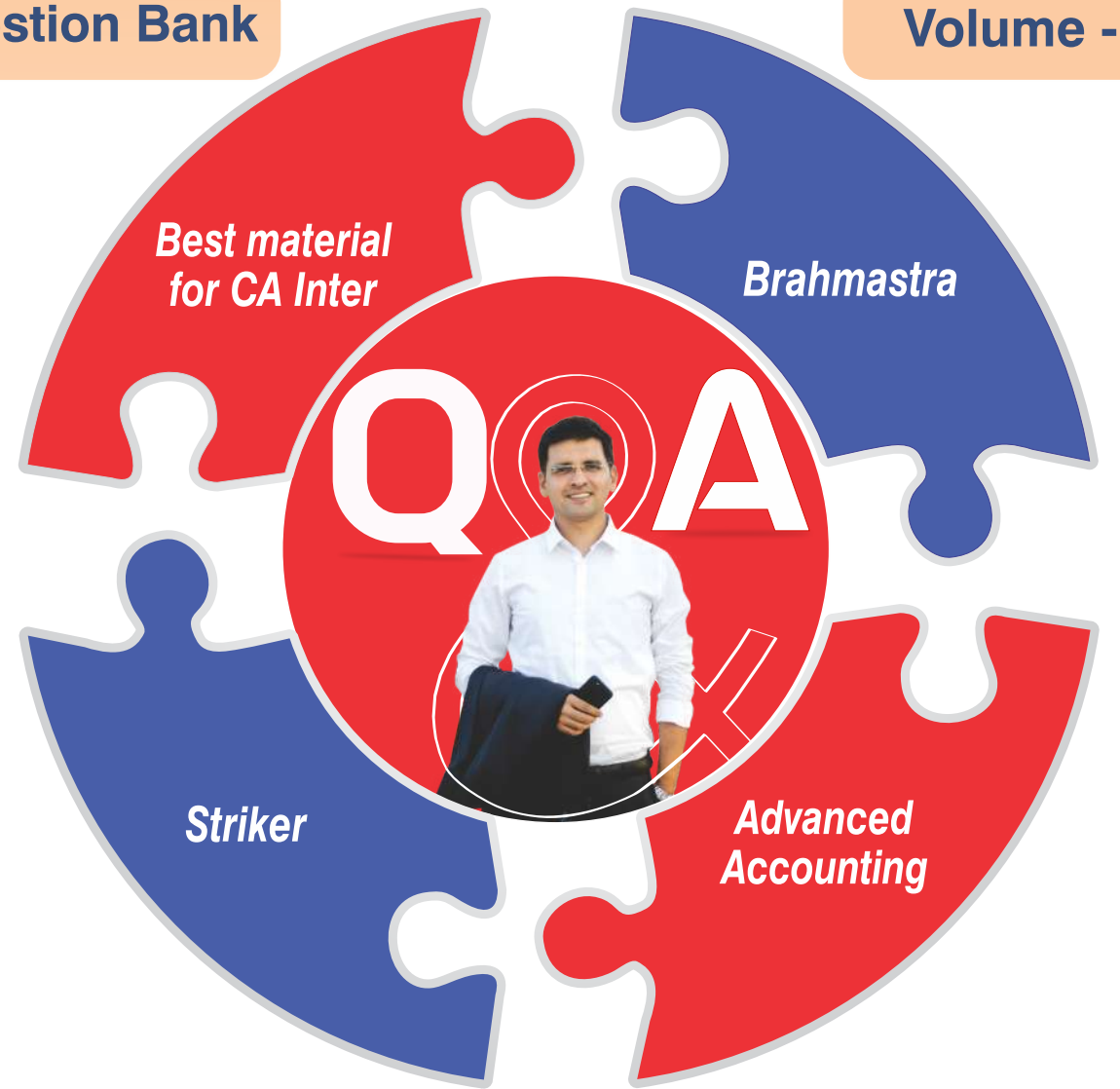
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CHAPTER 10 CONSOLIDATED FINANCIAL STATEMENTS

UNIT 1
AS 21 - CONSOLIDATED FINANCIAL STATEMENTS

CLASS BOOK

BASIC

Q. 1 **Goodwill/Capital Reserve:**

Long Limited acquired 60% stake in Short Limited for a consideration of ₹ 112 lakhs. On the date of acquisition Short Limited's Equity Share Capital was ₹ 100 lakhs, Revenue Reserve was ₹ 40 lakhs and balance in Profit & Loss Account was ₹ 30 lakhs. From the above information you are required to calculate Goodwill / Capital Reserve in the following situations:

(i) On consolidation of Balance Sheet.

(ii) If Long Limited showed the investment in subsidiary at a carrying amount of ₹ 104 lakhs.

(iii) If the consideration paid for acquiring the 60% stake was ₹ 92 lakhs. **(July-2021)**

Ans.

	(₹)
60% of the Equity Share Capital ₹ 100 Lakhs	60
60% of Accumulated Reserve ₹ 70 Lakhs (40+30) Lakhs	42
Book value of shares of Short Ltd.	102

(i) Goodwill / Capital Reserve computation on consolidation of balance sheet Long Ltd. paid a positive differential of ₹ 10 Lakhs (112 - 102). This differential ₹ 10 Lakhs is called goodwill and is shown in the balance sheet under the head intangibles

(ii) If Long Ltd. showed the investment in Short Ltd. at carrying amount of ₹ 104 Lakhs, then the goodwill will be ₹ 2 Lakhs.

(iii) If the consideration paid is ₹ 92 lakhs, then there would have been capital reserve amounting ₹ 10 Lakhs (102- 92).

Q. 2 **Goodwill/Capital Reserve:**

King Ltd. acquires 70% of equity shares of Queen Ltd. as on 31st March, 20X1 at a cost of ₹ 140 lakhs.

The following information is available from the balance sheet of Queen Ltd. as on 31st March, 20X1:

	(₹ in lakhs)
Property, plant and equipment	240
Investments	110
Current Assets	140
Loans & Advances	30
15% Debentures	180
Current Liabilities	100

The following revaluations have been agreed upon (not included in the above figures): Property, plant and equipment- up by 20% and Investments- down by 10%.

King Ltd. purchased the shares of Queen Ltd. @ ₹20 per share (Face value - ₹10).

Calculate the amount of goodwill/capital reserve on acquisition of shares of Queen Ltd. **(SM, MTP-May-2024)**

Ans.

Revalued net assets of Queen Ltd. as on 31st March, 20X1

	₹ in lakhs	₹ in lakhs
PPE [240 X 120%]		288
Investments [110 X 90%]		99
Current Assets		140
Loans and Advances		30
Total Assets after revaluation		557
Less: 15% Debentures	180.0	
Current Liabilities	100.0	(280)
Equity / Net Worth		277
King Ltd.'s share of net assets (70% of 277)		193.9
King Ltd.'s cost of acquisition of shares of Queen Ltd. (₹140 lakhs)		(140)
Capital reserve		53.9

Q. 3 Goodwill/Capital Reserve and Minority Interest:

From the following data, determine in each case:

(1) Minority interest at the date of acquisition and at the date of consolidation.

(2) Goodwill or Capital reserve.

Amount of holding company's profit in the consolidated Balance Sheet assuming holding company's own Profit & Loss Account to be ₹ 2,00,000 in each case:

Case	Subsidiary Company	% Shares owned	Cost	Date of acquisition 1.1.20X1		Consolidation Date 31.12.20X1	
				Share capital	Profit & Loss Account	Share capital	Profit & Loss Account
			₹	₹	₹	₹	₹
Case 1	A	90%	1,40,000	1,00,000	50,000	1,00,000	70,000
Case 2	B	85%	1,04,000	1,00,000	30,000	1,00,000	20,000
Case 3	C	80%	56,000	50,000	20,000	50,000	20,000
Case 4	D	100%	1,00,000	50,000	40,000	50,000	55,000

(RTP-May-2019, MTP-May-2019, MTP-Jan-2025, SM)

Ans.

(1) Minority interest = Equity attributable to minorities

Equity is the residual interest in the assets of an enterprise after deducting all its liabilities i.e. in this case it should be equal to share capital + Profit & Loss A/c

	Minority % Shares Owned	Minority interest as at the date of acquisition	Minority interest as at the date of consolidation
	[E]	[E] x [A + B] ₹	[E] x [C + D] ₹
Case 1 [100 - 90]	10%	15,000	17,000
Case 2 [100-85]	15%	19,500	18,000
Case 3 [100-80]	20%	14,000	14,000
Case 4 [100-100]	Nil	Nil	Nil

A = Share capital on 1.1.20X1

B = Profit & loss account balance on 1.1.20X1

C = Share capital on 31.12.20X1

D = Profit & loss account balance on 31.12.20X1

(2) Calculation of Goodwill or Capital Reserve

	Shareholding % [F]	Cost [G]	Total Equity [A] + [B] = [H]	Parent's Portion of equity [F] x [H]	Goodwill ₹ [G] – [H]	Capital Reserve ₹ [H] – [G]
Case 1	90%	1,40,000	1,50,000	1,35,000	5,000	-
Case 2	85%	1,04,000	1,30,000	1,10,500	-	6,500
Case 3	80%	56,000	70,000	56,000	Nil	Nil
Case 4	100%	1,00,000	90,000	90,000	10,000	-

(3) The balance in the Profit & Loss Account on the date of acquisition (1.1.20X1) is Capital profit, as such the balance of Consolidated Profit & Loss Account shall be equal to Holding Co.'s profit.

On 31.12.20X1 in each case the following amount shall be added or deducted from the balance of holding Co.'s Profit & Loss account.

	% Share holding [k]	P & L as on 1.1.20X1 [L]	P & L as on consolidation date [M]	P & L post acquisition [N] = [M] – [L]	Amount to be added / (deducted)from holding's P & L [O] = [K] x [N]
1	90%	50,000	70,000	20,000	18,000
2	85%	30,000	20,000	(10,000)	(8,500)
3	80%	20,000	20,000	NIL	NIL
4	100%	40,000	55,000	15,000	15,000

Q. 4 **Minority Interest:**

A Ltd. acquired 70% of equity shares of B Ltd. on 1.4.20X1 at cost of ₹ 10,00,000 when B Ltd. had an equity share capital of ₹ 10,00,000 and reserves and surplus of ₹ 80,000. In the four consecutive years, B Ltd. fared badly and suffered losses of ₹ 2,50,000, ₹ 4,00,000, ₹ 5,00,000 and ₹ 1,20,000 respectively. Thereafter in 20X5-X6, B Ltd. experienced turnaround and registered an annual profit of ₹ 50,000. In the next two years i.e. 20X6- X7 and 20X7-X8, B Ltd. recorded annual profits of ₹ 1,00,000 and ₹ 1,50,000 respectively. Show the minority interests and cost of control at the end of each year for the purpose of consolidation.

(RTP-May-2023 Similar Question, SM, MTP-May-2019, MTP-Nov-2019)

Ans.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are adjusted against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered. Accordingly, the minority interests will be computed as follows:

Year	Profit / (Loss)	Minority inters (30%)	Additional Consolidated P & L (Dr.) Cr.	Minority's share of losses borne by A Ltd.		Cost of Control
				₹	Balance	
At the time of acquisition in 20X1		3,24,000 (W.N.)	-			
20X1-X2	(2,50,000)	(75,000)	(1,75,000)			**2,44,000 (W.N.)**
Balance		2,49,000				

20X2-X3	(4,00,000)	(1,20,000)	(2,80,000)			2,44,000
Balance		1,29,000				
20X3-X4	(5,00,000)	(1,50,000)	(3,50,000)			2,44,000
		(21,000)				
	Loss of minority borne by Holding Co.	21,000	(21,000)	21,000	21,000	
Balance		Nil	(3,71,000)			
20X4-X5	(1,20,000)	(36,000)	(84,000)			2,44,000
	Loss of minority borne by Holding Co.	36,000	(36,000)	36,000	57,000	
Balance		Nil	(1,20,000)			
20X5-X6	50,000	15,000	35,000			2,44,000
	Profit share of minority adjusted against losses of minority absorbed by holding Co.	(15,000)	15,000	(15,000)	42,000	
Balance		Nil	50,000			
20X6-X7	1,00,000	30,000	70,000			
	Profit share of minority adjusted against losses of minority absorbed by Holding Co.	(30,000)	30,000	(30,000)	12,000	2,44,000
Balance		Nil	100,000			
20X7-X8	1,50,000	45,000	1,05,000	(12,000)	Nil	2,44,000
		(12,000)	12,000			
Balance		**33,000**	**1,17,000**			

Working Note:

Calculation of Minority interest and Cost of control on 1.4.20X1

	100% **(₹)**	**Share of Holding Co. 70%** **(₹)**	**Minority interest 30%** **(₹)**
Share Capital	10,00,000	7,00,000	3,00,000
Reserve	80,000	56,000	24,000
		7,56,000	3,24,000
Less: Cost of investment		(10,00,000)	
Goodwill		2,44,000	

Q. 5 **Dividend Accounting for H**

H Ltd. acquired 3,000 shares in S Ltd., at a cost of ₹4,80,000 on 31.7.20X1. The capital of S Ltd. consisted of 5,000 shares of ₹ 100 each fully paid. The Profit & Loss Account of this company for 20X1 showed an opening balance of ₹1,25,000 and profit for the year was ₹ 3,00,000. At the end of the year, it declared a dividend of 40%. Record the entry in the books of H Ltd., in respect of the dividend. Assume calendar year as financial year **(SM)**

Ans.

The profits of S Ltd., have to be divided between capital and revenue profits from the point of view of the holding company:

	Capital Profit ₹		Revenue Profit ₹
Balance on 1.1.20X1	1,25,000	-	
Profit for 20X1 (3,00,000 × 7/12)	1,75,000	(3,00,000 X 5/12)	1,25,000
Total	3,00,000		1,25,000
Proportionate share of H Ltd. (3/5)	1,80,000		75,000

Total dividend declared = ₹ 5,00,000 X 40 % = ₹ 2,00,000
H Ltd's share in the dividend = ₹ 2,00,000 X 3/5 = ₹ 1,20,000
There can be two situations as regards the treatment of dividend of ₹1,20,000:

(1) The profit for 20X1 has been utilised to pay the dividend.

The share of H Ltd. in profit for the first seven months of S Ltd. = ₹ 1,05,000 (i.e. ₹ 1,75,000 × 3/5)
Profit for the remaining five months = ₹ 75,000
(i.e. ₹ 1,25,000 × 3/5).

The dividend of ₹ 1,20,000 will be adjusted in this ratio of 1,05,000 : 75,000
= ₹ 70,000 out of profits up to 31.7.20X1 and ₹ 50,000 out of profits after that date.
The dividend out of profits subsequent to 31.7.20X1 will be revenue income and that out ofearlier profits will be capital receipt. Hence the entry will be:

		₹	₹
Bank	Dr.	1,20,000	
To Investment Account			70,000
TO Profit and Loss Account			50,000

(2) Later profits have been utilised first and then pre- acquisition profits.

In such a case, the whole of ₹ 75,000 (share of H Ltd. in profits of S Ltd., after 31.7.20X1) would be received and treated as revenue income; the remaining dividend, ₹45,000 (₹1,20,000 less ₹ 75,000) would be capital receipt. The entry would be:

		₹	₹
Bank	Dr.	1,20,000	
To Investment Account			45,000
To Profit and Loss Account			75,000

Note: Point (2) discussed above can arise only if there is definite information about the profits utilized. In practice, such treatment is rare.

Q. 6 **Goodwill/Capital Reserve, Minority Interest and Dividends:**

XYZ Ltd. purchased 80% shares of ABC Ltd. on 1st January, 20X1 for ₹1,40,000. The issued capital of ABC Ltd., on 1st January, 20X1 was ₹1,00,000 and the balance in the Profit & Loss Account was ₹ 60,000.

During the year ended 31st December, 20X1, ABC Ltd. earned a profit of ₹20,000 and at year end, declared and paid a dividend of ₹15,000.

Show by an entry how the dividend should be recorded in the books of XYZ Ltd.

What is the amount of minority interest as on 1st January, 20X1 and 31st December, 20X1? Also please check whether there should be any goodwill/ capital reserve at the date of acquisition.

(SM, MTP-May-2019, MTP-Nov-2020)

Ans.

Total dividend paid is ₹15,000 (out of post-acquisition profits), hence dividend received by XYZ will be credited to P & L.

XYZ Ltd.'s share of dividend = ₹15,000 X 80% = ₹12,000

In the books of XYZ Ltd.

		₹	₹
Bank A/c	Dr.	12,000	
To Profit & Loss A/c			12,000
(Dividend received from ABC Ltd. credited to P&L A/c being out of post-acquisition profits – as explained above)			
Goodwill on consolidation (at the date of acquisition):			
Cost of shares			1,40,000
Less: Face value of capital i.e. 80% of capital		80,000	
Add: Share of capital profits [60,000 X 80%]		48,000	(1,28,000)
Goodwill			**12,000**
Minority interest on:			
- **1st January, 20X1:**			
20% of ₹ 1,60,000 [1,00,000 + 60,0000]			32,000
- **31st December, 20X1:**			
20% of ₹ 1,65,000 [1,00,000 + 60,000 + 20,000 – 15,000]			33,000

Q. 7 **Goodwill/Capital Reserve:**

Exe Ltd. acquires 70% of equity shares of Zed Ltd. as on 31st March, 20X1 at a cost of ₹ 70 lakhs. The following information is available from the balance sheet of Zed Ltd. as on 31st March, 20X1:

	₹ In Lakhs
Property, Plant & Equipments	120
Investments	55
Current Assets	70
Loans & Advances	15
15% Debentures	90
Current Liabilities	50

The following revaluations have been agreed upon (not included in the above figures):

Property, Plant & Equipments	Up by 20%
Investments	Down by 10%

Zed Ltd. declared and paid dividend @ 20% on its equity shares as on 31st March, 20X1 (Face value - ₹ 10 per share). Exe Ltd. purchased the shares of Zed Ltd. @ ₹ 20 per share.

Calculate the amount of goodwill/capital reserve on acquisition of shares of Zed Ltd.

(**Note:** Assume dividend is paid and entry already passed in book and above balances are after dividend payment) **(SM, MTP-Nov-2020, MTP-Jan-2025)**

Ans.

Revalued net assets of Zed Ltd. as on 31st March, 20X1

	₹ in Lakhs	₹ in Lakhs
Property, Plant & Equipments [120 X 120%]		144.0
Investment [55 X 90%]		49.5
Current Assets		70.0

Loans and Advances		15.0
Total Assets after revaluation		278.5
Less: 15% Debentures	90.0	
Current liabilities	50.0	(140.0)
Equity / Net Worth		138.5
Exe Ltd.'s share of net assets (70% of 138.5)		96.95
Exe Ltd.'s Cost of acquisition of shares of Zed Ltd.		
(₹ 70 Lakhs - ₹ 7 Lakhs*)		63.00
Capital reserve		**33.95**

* Total Cost of 70% Equity of Zed Ltd	₹ 70 Lakhs
Purchase Price of each share	₹ 20
Number of shares purchases [70 Lakhs / ₹20]	3.5 Lakhs
Dividend @ 20% i.e. ₹ 2 per share	₹ 7 Lakhs

Since dividend received is for pre-acquisition period, it has been reduced from the cost of investment in the subsidiary company.

Q. 8 **Intra-Group Transactions:**

a. A Ltd. holds 80% of the equity capital and voting power in B Ltd. A Ltd. sells inventories costing ₹ 180 lacs to B Ltd. at a price of ₹ 200 lacs. The entire inventories remain unsold with B Ltd. at the financial year end i.e. 31 March 20X1.

b. A Ltd. holds 75% of the equity capital and voting power in B Ltd. A Ltd. purchases inventories costing ₹ 150 lacs from B Ltd. at a price of ₹ 200 lacs. The entire inventories remain unsold with A Ltd. at the financial year end i.e. 31 March 20X1.

Suggest the accounting treatment for the above mentioned transactions in the consolidated financial statements of A Ltd. giving reference of the relevant guidance/standard.

(MTP-May-2022, RTP-Nov-2020, SM, MTP-Nov-2020)

Ans.

As per para 16 and 17 of AS 21, intragroup balances and intragroup transactions and resulting unrealized profits should be eliminated in full. Unrealized losses resulting from intragroup transactions should also be eliminated unless cost cannot be recovered.

Intragroup balances and intragroup transactions, including sales, expenses and dividends, are eliminated in full. Unrealized profits resulting from intragroup transactions that are included in the carrying amount of assets, such as inventory and fixed assets, are eliminated in full. Unrealized losses resulting from intragroup transactions that are deducted in arriving at the carrying amount of assets are also eliminated unless cost cannot be recovered.

One also needs to see whether the intragroup transaction is "upstream" or "down- stream". Upstream transaction is a transaction in which the subsidiary company sells goods to holding company. While in the downstream transaction, holding company is the seller and subsidiary company is the buyer.

In the case of upstream transaction, since the goods are sold by the subsidiary to holding company; profit is made by the subsidiary company, which is ultimately shared by the holding company and the minority shareholders. In such a transaction, if some goods remain unsold at the balance sheet date, the unrealized profit on such goods should be eliminated from minority interest as well as from consolidated profit on the basis of their share-holding besides deducting the same from unsold inventory.

But in the case of downstream transaction, the whole profit is earned by the holding company, therefore, whole unrealized profit should be adjusted from unsold inventory and consolidated profit and loss account only irrespective of the percentage of the shares held by the parent.

Using above mentioned guidance, following adjustments would be required:

a. This would be the case of downstream transaction. In the consolidated profit and loss account for the

yearended 31 March 20X1, entire transaction of sale and purchase of ₹ 200 lacs each, would be eliminated by reducing both sales and purchases (cost of sales).

Further, the unrealized profits of ₹ 20 lacs (i.e. ₹ 200 lacs – ₹ 180 lacs), would be eliminated from the consolidated financial statements for financial year ended 31 March 20X1, by reducing the consolidated profits/ increasing the consolidated losses, and reducing the value of closing inventories as of 31 March 20X1.

b. This would be the case of upstream transaction. In the consolidated profit and loss account for the year ended 31 March 20X1, entire transaction of sale and purchase of ₹ 200 lacs each, would be eliminated by reducing both sales and purchases (cost of sales).

Further, the unrealized profits of ₹ 50 lacs (i.e. ₹ 200 lacs – ₹ 150 lacs), would be eliminated in the consolidated financial statements for financial year ended 31 March 20X1, by reducing the value of closinginventories by ₹ 50 lacs as of 31 March 20X1. In the consolidated balance sheet as of 31 March 20X1, A Ltd.'s share of profit from B Ltd. will be reduced by ₹ 37.50 lacs (being 75% of ₹ 50 lacs) and the minority's share of the profits of B Ltd. would be reduced by ₹ 12.50 lacs (being 25% of ₹ 50 lacs).

Q. 9 **Revaluation:**

Gamma Ltd. acquired 24,000 equity shares of ₹ 10 each, in Beta Ltd. on October 1, 2023 for ₹ 4,60,200. The profit and loss account of Beta Ltd. showed a balance of ₹ 15,000 on April 1, 2023. The plant and machinery of Beta Ltd. which stood in the books at ₹ 2,25,000 on April 1, 2023 was considered worth ₹ 2,70,000 on the date of acquisition.

The information of the two companies as at 31-3-2024 was as follows:

	Gamma Ltd. (₹)	Beta Ltd. (₹)
Shares capital (fully paid equity shares of ₹ 10 each)	7,50,000	3,00,000
General reserve	3,60,000	1,50,000
Profit and loss account	85,800	1,23,000
Current Liabilities	2,54,700	49,500
Land and building	2,70,000	2,85,000
Plant and machinery	3,60,000	2,02,500
Investments	4,60,200	–
Current assets	3,60,300	1,35,000

You are required to compute impact of revaluation of Plant and Machinery. **(MTP-May-2024)**

Ans.

Impact of Revaluation of Plant and Machinery will be as -

	₹
Book value of Plant and Machinery as on 01-04-2023	2,25,000
	10%
Depreciation Rate $\frac{(2,25,000-2,02,500)}{2,25,000}$ = 22,500/2,25000 x100	
Book value of Plant and Machinery as on 01-10-2023 after six months depreciation @10% (2,25,000-11,250)	2,13,750
Revalued at	2,70,000
Revaluation profit (2,70,000-2,13,750)	56,250
Share of Gamma Limited in Revaluation Profit (80%)	45,000
Share of Minority in Revaluation profit (20%)	11,250

Additional Depreciation on appreciated value to be charged from post-acquisition profits (10% of ₹ 22,5,000 for 6 months) + (10% of ₹ 2,70,000 for 6 months) less ₹ 22500 (as already charged)	2,250
Share of Gamma Limited in additional depreciation that will reduce its share (80%) in post-acquisition profit by	1,800
Share of Minority Interest in additional depreciation	450

Working note:

Percentage of holding:

		No. of Shares	Percentage
Holding Co.	:	24,000	(80%)
Minority shareholders :		6,000	(20%)
TOTAL SHARES	:	30,000	

Q. 10 **Goodwill/Capital Reserve & Minority Interest**

Hemant Ltd. purchased 80% shares of Power Ltd. on 1st January, 20X1 for ₹ 2,10,000. The issued capital of Power Ltd., on 1st January, 20X1 was ₹ 1,50,000 and the balance in the Profit & Loss Account was ₹ 90,000. During the year ended 31st December, 20X1, Power Ltd. earned a profit of ₹ 30,000 and at year end, declared and paid a dividend of ₹ 22,500. What is the amount of minority interest as on 1st January, 20X1 and 31st December, 20X1? Also compute goodwill/ capital reserve at the date of acquisition. **(SM)**

Ans.

Total dividend paid is ₹ 22,500 (out of post-acquisition profits), hence dividend received by Hemant will be credited to P & L account. Hemant Ltd.'s share of dividend = ₹ 22,500 X 80% = ₹ 18,000

Goodwill on consolidation (at the date of acquisition):	₹	₹
Cost of shares		2,10,000
Less: Face value of capital i.e. 80% of capital	1,20,000	
Add: Share of capital profits [90,000 X 80 %]	72,000	(1,92,000)
Goodwill		18,000
Minority interest on:		
- **1st January, 20X1:**		
20% of ₹ 2,40,000 [1,50,000 + 90,000]		48,000
- **31st December, 20X1:**		
20% of ₹2,47,500 [1,50,000 + 90,000 + 30,000 – 22,500]		49,500

Q. 11 **Goodwill/Capital Reserve with Revaluation and Dividends:**

Zoom Ltd. acquired 70% shares of Star Ltd. @ ₹ 30 per share. Following is the extract of Balance Sheet of Star Ltd.:

	₹
15,00,000 Equity Shares of ₹ 10 each	1,50,00,000
15% Debentures	15,00,000
Trade Payables	82,50,000
Property, Plant and Equipment	1,05,00,000
Investments	67,50,000
Current Assets	1,02,00,000
Loans and Advances	33,00,000

On the same day Star Ltd. declared dividend at 20% and as agreed between both the companies Property, Plant and Equipment were to be depreciated @ 10% and investment to be taken at market value of ₹ 90,00,000. Calculate the Goodwill or Capital Reserve to be recorded in Consolidated Financial Statements.

(Assume dividend has been paid and accounted.) **(RTP-May-2024)**

Ans.

As per para 13 of AS 21 any excess of the cost to the parent of its investment in a subsidiary over the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, should be described as goodwill to be recognised as an asset in the consolidated financial statements. When the cost to the parent of its investment in a subsidiary is less than the parent's portion of equity of the subsidiary, at the date on which investment in the subsidiary is made, the difference should be treated as a capital reserve in the consolidated financial statements.

Since dividend is declared by Star Ltd. on the date of acquisition itself, it would be out of the divisible profits of Star Ltd. existing on the date of acquisition i.e., pre-acquisition profits from the perspective of Zoom Ltd. Accordingly, as per para 12 of AS 13, such pre-acquisition dividend would be reduced from the cost of investment, as seen below in the determination of Goodwill on the date of acquisition.

Calculation of Goodwill or Capital Reserve	**₹**	**₹**
Cost of Investment in Star Ltd. (70% stake):		
15,00,000 Equity Shares x 70% x ₹ 30 per share	3,15,00,000	
Less: Pre-acquisition dividend: 10,50,000 shares x ₹ 2	(21,00,000)	2,94,00,000
Less: Share of Zoom Ltd. in Net Assets of Star Ltd. (W.N)		(1,55,40,000)
Goodwill on Date of Acquisition		1,38,60,000

Working Note:

Calculation of net asset	**₹**	**₹**
Assets		
Property, Plant and Equipment	1,05,00,000	
Less: Value written off (₹ 105 lakhs x 10%)	(10,50,000)	
	94,50,000	
Investments at Market Value	90,00,000	
Current Assets	1,02,00,000	
Loans and Advances	33,00,000	3,19,50,000
Less: Liabilities		
Trade Payables	82,50,000	
15% Debentures	15,00,000	(97,50,000)
Net Assets of Star Ltd.		2,22,00,000
Share of Zoom Ltd. in Net Assets of Star Ltd.: 70%		1,55,40,000

Note: In the absence of information about the reserves, it is presumed that the given extract of the Balance Sheet of Star Ltd. is after considering the effects of the dividend declared on the date of acquisition.

Q. 12 **Cost of Control:**

A Ltd. acquired 70% equity shares of B Ltd. @ ₹20 per share (Face value - ₹10) on 31st March, 2021 at a cost of ₹ 140 lakhs. Calculate the amount of share of A Ltd. and minority interest in the net assets of B Ltd. on this date. Also compute goodwill/capital reserve for A Ltd. on acquisition of shares of B Ltd. from the following information available from the balance sheet of B Ltd. as on 31st March, 2021:

	₹ in lakhs
Property, plant and equipment	360
Investments	90
Current Assets	140
Loans & Advances	30
15% Debentures	180
Current Liabilities	100

(RTP-May-2021)



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