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Department of Commerce (CA)

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I M. Com (CA) - II Semester - 18 MCE 21C  
Advanced Corporate Accounting.

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### UNIT - II

Holding Company Accounts  
including inter company Holdings

#### Meaning of Holding Company:-

A holding Co., is one which controls one or more other companies by means of holding majority shares of the other companies.

#### Meaning of subsidiary company:-

A company is a subsidiary of another company if, holds more than half in nominal value of its equity share capital.

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Steps to be followed by the Holding Co.,

1. Date of Investment
2. Accounting year
3. Investment Ratio
4. Capital Profit
5. Revenue Profit
6. Minority Interest
7. Cost of control.
8. Inter Company Owings
9. Unrealized Profit
10. Consolidated Balance Sheet.

Problem No. 1

| Liabilities      | H Ltd.<br>Rs. | S Ltd.<br>Rs. | Assets                | H Ltd.<br>Rs. | S Ltd.<br>Rs. |
|------------------|---------------|---------------|-----------------------|---------------|---------------|
| Capital @ Re. 1. | 1400          | 1000          | 900 shares in S. Ltd. | 1200          | -             |
| Creditors        | -             | 500           | Sundry Assets         | 200           | 1800          |
| P&L A/c          | -             | 300           |                       |               |               |
|                  | <u>1400</u>   | <u>1800</u>   |                       | <u>1400</u>   | <u>1800</u>   |

When H Ltd., acquired the shares in S Ltd, the P & L A/c of the latter had a credit balance of Rs. 200. Prepare consolidated Balance sheet.

Prob. no. (2) Balance Sheet as on 31.3.2016.

| Liabilities          | H Ltd. S Ltd.    |                 | Assets               |                                  |
|----------------------|------------------|-----------------|----------------------|----------------------------------|
|                      | Rs.              | Rs.             | H Ltd                | S Ltd.                           |
| Equity Share Capital | 8,00,000         | 2,00,000        | Fixed Assets         | 5,50,000 1,00,000                |
| General Reserve      | 15,00,000        | 7,00,000        | 75% Shares in S Ltd. | 2,80,000 -                       |
| P&L A/c              | 9,00,000         | 55,000          | Stock                | 1,05,000 1,77,000                |
| Creditors            | 12,00,000        | 80,000          | Other current Assets | 2,25,000 1,28,000                |
|                      | <u>11,60,000</u> | <u>4,05,000</u> |                      | <u>11,60,000</u> <u>4,05,000</u> |

Prepare Consolidate Balance Sheet :-

i) H Ltd acquired the shares on 31.7.2015

ii) S Ltd, earned Profit of Rs. 45,000 for the year ended 31st March 2016.

iii) In January 2016 S Ltd, sold to H Ltd, goods costing Rs. 15,000 for Rs. 20,000. On 31st March 2016, ~~half~~ half of these goods were lying as unsold in the godown of H Ltd.