

C.A. FINAL ACCOUNTS HOLDING COMPANY (SOLUTION)

Sol.1.

1. General Reserve

Balance as on Consolidation 12,00,000		
	Date of Acquisition	6,00,000
	Acquisition to Consolidation	(balancing figure Rs.12,00,000)
Less:	Bonus Issue (6,00,000 – trfd. From Cap. Res. 50,000)	(1,50,000)
	Transferred from CRR 4,00,000)	Revenue Reserve
Less:	Transfer to Capital Redemption Reserve for – Redemption of Pref. Capital (400 + 150) = 550 (4,50,000) restricted to available profits	NIL
	Balance Capital Profit	NIL

2. Profit and Loss A/c

Balance as on Consolidation 8,00,000		
	Date of Acquisition	3,50,000
	Acquisition to Consolidation	(balancing figure) Rs.7,50,000
Less :	Dividend out of this	(2,00,000)
Less:	Transfer to Capital Redemption Reserve	(1,00,000)
	Balance Capital Profit	<u>50,000</u> Revenue Profit

3. Capital Redemption Reserve

Balance as on Consolidation 5,50,000

3. Capital Redemption Reserve

Balance as on Consolidation 5,50,000		
	Date of Acquisition	4,00,000
	Acquisition to Consolidation	(balancing figure) Rs.5,50,000
Less:	Bonus Shares	<u>4,00,000</u>
	Balance Capital Profit	<u>NIL</u> Capital Profit

Note : Transfer to Capital Redemption Reserve is made out of pre-acquisition reserves in General Reserve and Profit & Loss Account. Hence, they also represent only Capital Profits.

4. Securities Premium

Balance as on Consolidation 4,50,000		
Date of Acquisition	4,50,000	Acquisition to Consolidation
Less: Premium on Redemption of 12% Pref. Capital	(1,20,000)	Premium on Fresh Issue of Capital
Less: Premium on Redemption of 13% Pref. Capital	(1,00,000)	(balancing figure) Rs.3,60,000
Less : Underwriting Commission and Prelim Exp.	(1,40,000)	Securities Premium
Written off (1,00,000 + 40,000)		
Balance Capital Profit	90,000	

5. Capital Reserve

Balance as on Consolidation 2,50,000		
Date of Acquisition	50,000	Acquisition to Consolidation
Less: Bonus Shares	50,000	(balancing figure) Rs.2,50,000
Balance Capital Profit	<u>NIL</u>	Capital Reserve

6. Preliminary Expenses

Balance as on Consolidation 10,000		
Date of Acquisition	50,000	Acquisition to Consolidation
Less: Written off against Securities Prem.	40,000	(balancing figure) Rs.NIL
Balance Capital Profit	10,000	Preliminary Expenses

7. Underwriting Commission

Balance as on Consolidation 50,000		
Date of Acquisition	1,00,000	Acquisition to Consolidation
Less: Written off against Securities Prem.	1,00,000	Rs.50,000
Balance Capital Profit	<u>.....NIL</u>	Underwriting Commission

Summary

Accounts	Balance on DOC	Considered Capital Profit	Balance considered as such
(1)	(2)	(3)	(4)
General Reserve	12,00,000	NIL	12,00,000
Profit and Loss Account	8,00,000	50,000	7,50,000
Capital Redemption Reserve	5,50,000	5,50,000	NIL
Securities Premium	4,50,000	90,000	3,60,000
Capital Reserve	2,50,000	NIL	2,50,000
Preliminary Expenses	10,000	10,000	NIL
Underwriting Commission	50,000	NIL	50,000

IDEAL / C.A. FINAL / ACCOUNTS/ HOLDING COMPANY / SOLUTION**Sol..2.****1. Consolidation of Balances**

Particulars	Arghya's Share (62.5%)	Capital & Pre-Acquisition Profits
Equity Capital	50,00,000 (5,00,000 x Rs.10)	50,00,000
Preference Capital	20,00,000 (1,00,000 x Rs.20)	20,00,000
Capital Reserve	3,75,000 (6,00,000 x 62.5%)	3,75,000
Securities Premium	93,750 (1,50,000 x 62.5%)	--
General Reserves	4,87,500 (7,80,000 x 62.5%)	1,46,250 (4,87,500 x 30%)
Profit & Loss A/c	5,62,500 (9,00,000 x 62.5%)	2,81,250(5,62,500 x 50%)
Total (Cr.)		78,02,500

2. Cost of Control

Particulars	Rs.	Rs.	Rs.
(a) Total (Cr.) (WN 1)	78,02,500	78,02,500	78,02,500
(b) Less: Cost of Investment	75,00,000	85,00,000	1,00,00,000
(c) Capital Reserve (if a > b) (a - b)	3,02,500	--	--
(d) Goodwill (if b > a) (b - a)	--	6,97,500	21,97,500

