

C.A. FINAL

HOLDING COMPANY

ACCOUNTS

Q.1. Following are the balances in various reserves of Pushpak Ltd, subsidiary of Subh Vahan Ltd as on the date of controlling acquisition and the date of consolidation –

Accounts	Date of Acquisition	Date of Consolidation
General Reserve	6,00,000	12,00,000
Profit and Loss Account	3,50,000	8,00,000
Capital Redemption Reserve	4,00,000	5,50,000
Securities Premium	4,50,000	4,50,000
Capital Reserve	50,000	2,50,000
Preliminary Expenses	50,000	10,000
Underwriting Commission	1,00,000	50,000

Additional information -

- One year after the date of controlling acquisition, Pushpak Ltd had issued Bonus Shares for Rs.6,00,000, utilizing the balances in Redemption Capital Reserve and Capital Redemption Reserve in full, and sourcing the balance from General Reserve. The Director's did not utilize the balance in Securities Premium for this purpose.
- In the intervening period, 12% Preference Share Capital had been redeemed at a Premium of Rs.1,20,000. For statutory Compliance, a sum of Rs.4,00,000 had been transferred to Capital Redemption Reserve and a further sum of Rs.1,50,000 had been transferred upon redemption of 13% Preference Share Capital, which were also redeemed at a Premium of Rs.1,00,000.
- To finance its redemption of 12% Preference Capital, Pushpak Ltd had issued Equity Capital at a Premium. The balance of Rs.50,000 against Underwriting Commission is incurred in this regard.
- The Company has been writing off balances in Underwriting Commission A/c and Preliminary Expenses against balance in Securities Premium Account. The balance in Preliminary Expenses as on consolidation date is the amount as on acquisition date not yet written off.
- Pushpak Ltd had declared Equity and Preference Dividend of Rs.2,00,000 out of its P & L A/c balance as on date of acquisition.

How would the above balances as on date of consolidation be analyzed and classified for the purposes of consolidation?

Q.2. Arghya Ltd. has acquired 5,00,000 Shares of Rs.10 each in Chatterjee Ltd. constituting 62.5% of the latter's Equity. On the same day, Arghya Ltd had also acquired 1,00,000 8% Preference Shares of Rs.20 each.

The balances in Reserves of Chatterjee Ltd. are –

Capital Reserve	Rs.6,00,000	(Fully Pre Acquisition)
Securities Premium	Rs.1,50,000	(Fully Post Acquisition)
General Reserve	Rs.7,80,000	(30% Pre Acquisition 70% Post Acquisition)
Profit and Loss A/c	Rs.9,00,000	(50% Pre Acquisition 50% Post Acquisition)

Ascertain the cost of control if total cost of investment is (a) Rs.75,00,000; (b) Rs.85,00,000; and (c) Rs.1,00,00,000.