Practice Questions

Accounts of Holding Company

Problem I: Loss by Fire and Contingent Liability

Q. 2. From the following assets and liabilities extracted from the Balance Sheet of *H* Ltd. and *S* Ltd. as on 31st March, 2013 and additional information, parepare Consolidated Balance Sheet :

Particulars	*H Ltd.* ₹	*S Ltd.* ₹
EQUITY AND LIABILITIES :		
Equity Share Capital (₹100 each)	3,00,000	2,00,000
10% Preference Share Capital (₹100 each)	2,00,000	—
General Reserve	80,000	—
Surplus (Negative Surplus)	1,70,000	(20,000)
6% Debentures	—	2,00,000
Bills Payable (All accepted in favour of *S* Ltd.)	30,000	—
Sundry Creditors	90,000	40,000
	8,70,000	4,20,000
ASSETS :		
Building	3,50,000	—
Machinery	90,000	2,80,000
Long-term Investments		
6% Debentures in *S* Ltd. acquired at par value on 1.4.2012	1,00,000	—
1,500 Equity Shares in *S* Ltd. acquired on 1.10.2012	1,20,000	
Stock	1,60,000	80,000
Debtors	50,000	40,000
Bill Receivable (All Accepted by *H* Ltd.)	—	20,000
	8,70,000	4,20,000

Note : Contingent liabilities of *S* Ltd. for bills discounted ₹35,000.

Additional Information :

(*i*) On 1st April, 2012, *S* Ltd. had a negative surplus of ₹80,000.

(*ii*) On 15th September, 2012 stock of *S* Ltd. costing ₹20,000 was destroyed by fire and insurance company paid only ₹4,000.

(*iii*) Stock of *S* Ltd. includes goods of ₹15,000 supplied by *H* Ltd. which sells goods at a profit of 25% on cost.

Problem II: Bonus Issue out of Pre Acquisition Profits and Abnormal Loss

Q. 2. From the following assets and liabilities extracted from the Balance Sheet of *H* Ltd. and *S* Ltd. as on 31st March, 2013 and additional information, parepare Consolidated Balance Sheet :

Particulars	*H Ltd.* ₹	*S Ltd.* ₹
EQUITY AND LIABILITIES :		
Equity Share Capital (₹100 each)	3,00,000	2,00,000
10% Preference Share Capital (₹100 each)	2,00,000	—
General Reserve	80,000	—
Surplus (Negative Surplus)	1,70,000	(20,000)
6% Debentures	—	2,00,000
Bills Payable (All accepted in favour of *S* Ltd.)	30,000	—
Sundry Creditors	90,000	40,000
	8,70,000	4,20,000
ASSETS :		
Building	3,50,000	—
Machinery	90,000	2,80,000
Long-term Investments		
6% Debentures in *S* Ltd. acquired at par value on 1.4.2012	1,00,000	—
1,500 Equity Shares in *S* Ltd. acquired on 1.10.2012	1,20,000	
Stock	1,60,000	80,000
Debtors	50,000	40,000
Bill Receivable (All Accepted by *H* Ltd.)	—	20,000
	8,70,000	4,20,000

Note : Contingent liabilities of *S* Ltd. for bills discounted ₹35,000.

Additional Information :

(*i*) On 1st April, 2012, *S* Ltd. had a negative surplus of ₹80,000.

(*ii*) On 15th September, 2012 stock of *S* Ltd. costing ₹20,000 was destroyed by fire and insurance company paid only ₹4,000.

(*iii*) Stock of *S* Ltd. includes goods of ₹15,000 supplied by *H* Ltd. which sells goods at a profit of 25% on cost.

Problem III: Revaluation of Assets, Issue of Bonus Shares and Mutual Company Owings

The following are the balance sheets of Suhani Ltd. and Radhika Ltd. as at 31st March 2018 :

Particulars	Note No.	Suhani Ltd. (₹)	Radhika Ltd. (₹)
I. EQUITY AND LIABILITIES			
1. Shareholders funds			
Share capital	1	20,00,000	5,00,000
Reserves and surplus	2	6,00,000	15,00,000
2. Current liabilities			
Trade payables		4,00,000	2,00,000
Total		30,00,000	22,00,000
II. ASSETS			
1. Non-current assets			
Fixed assets			
Tangible assets	3	10,00,000	5,00,000
Non-current investments			
(30,000 shares in Radhika Ltd.)		10,00,000	
2. Current assets			
Inventories		5,00,000	4,50,000
Trade receivables		3,00,000	10,00,000
Cash and cash equivalents		2,00,000	2,50,000
Total		30,00,000	22,00,000

Notes to Accounts

Particulars	₹	₹
1. Share capital		
Fully paid shares of ₹10 each	20,00,000	5,00,000
2. Reserves and surplus		
General reserve (as on 1-4-2017)	5,00,000	5,00,000
Surplus	1,00,000	10,00,000
	6,00,000	15,00,000
3. Tangible assets		
Building	4,00,000	3,20,000
Plant	6,00,000	1,80,000
	10,00,000	5,00,000

Additional Information :

(i) Suhani Ltd. purchased shares in Radhika Ltd. on July 1, 2017

(ii) Balance of surplus of Radhika Ltd. on 1st April 2017 was ₹ 4,00,000

(iii) Radhika Ltd. distributed bonus shares out of general reserve in the ratio of one share for every two shares held in September 2017 but the entry for bonus shares has not yet been passed by Radhika Ltd.

(iv) During June 2017 goods costing ₹1,00,000 were destroyed in an accident. The insurance company paid ₹ 75,000 only to Radhika Ltd.

(v) Creditors of Radhika Ltd. include ₹ 20,000 for goods supplied by Suhani Ltd on which Suhani Ltd. made a profit of 25% on cost. Half of the goods were unsold at the end of the year.

(vi) The plant of Radhika Ltd with a book value of ₹ 2,00,000 on 1-4-2017 was revalued at ₹ 3,00,000 at the time of taking the control of Suhani Ltd. The new value has not been incorporated in the books.

Prepare consolidated balance sheet as at 31st March 2018. Show all calculations and workings clearly. (15)

Problem IV: Dividend out of Pre Acquistion profits wrongly credited to Surplus A/C of Holding Company and Unrealized Profit on Stock

The following are the Balance Sheets of H Ltd. and S Ltd. as on 31st March, 2016:

Equity and Liabilities	**H Ltd.** (₹)	**S Ltd.** (₹)
Equity shares of ₹ 100 each	30,00,000	15,00,000
General Reserve (as on 1-4-2015)	8,00,000	4,00,000
Profit & Loss Account (as on 1-4-2015)	2,00,000	2,50,000
Net profit for the year	6,00,000	4,00,000
15% Debentures	10,00,000	—
Creditors	4,00,000	2,70,000
Bills payable	60,000	30,000
Total	60,60,000	28,50,000
Assets	**H Ltd.** (₹)	**S Ltd.** (₹)
Premises	14,00,000	9,00,000
Machinery	12,00,000	7,00,000
Investments in Equity shares of S Ltd.	17,00,000	—
Inventories	7,00,000	4,50,000
Debtors	5,00,000	4,20,000
Bills receivable	1,80,000	80,000
Cash at Bank	3,80,000	2,00,000
Miscellaneous expenditure	—	1,00,000
Total	60,60,000	28,50,000

Additional Information

(i) H Ltd. acquired 12,000 equity shares in S Ltd. on 1st April, 2015.

(ii) Bills receivable of H Ltd. include ₹ 30,000 accepted by S Ltd.

(iii) Account receivables of H Ltd. include ₹ 1,00,000 due from S Ltd.

(iv) Inventories of S Ltd. include goods purchased from H Ltd. for ₹ 1,25,000 which were invoiced by H Ltd. at a profit of 25% on cost.

(v) Both H Ltd. and S Ltd. have proposed 10% dividend for the year 2015-16 but no effect has been given in the balance sheets.

Prepare Consolidated Balance Sheet of H Ltd. and its subsidiary S Ltd. as on 31st March, 2016. Show your workings clearly. 15