MON TUE WED THR FRI SAT SUN

Subject

Class :- B.Com Part-II.

Subject :- Corporate Accounting

paper :- IV

unit : IV

Topic : Holding Company accounts.

Lecture Sequence No :- 6

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How to prepare Cosolidated Balance Sheet

Steps for preparing consolidated balance Sheet of the holding company and its Subsidiary company,

Step 1. :-

Add All the assets of subsidiary company with the assets of holding company. But Investment of holding company in Subsidiary company will not shown in consolidated balance sheet because, investment in subsidiary company will automatically adjust with the amount of share capital of subsidary company in holding company:

Step -2:

Add all the Liabilities of subsidiary company with the Liabilities of holding company. But share capital of subsidiary company in holding company will not shown in the

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consolidated balance sheet in the books of holding company. Because, this share capital automatically adjust with the amount of the investment of holding company in to subsidiary company.

Step - 3

Calculate of Minority Interest:

First of all we should know what minority interest is. Minority interest is the shareholder but there is not holding company's shareholder. So when holding company shows consolidated balance sheet it is the duty of accountant to show minority interest in the liability side of consolidated balance sheet.

We can calculate minority Interest with following formula:

	Total share capital of Subsidiary company =	xxx
Less	Investment of Holding company in to Subsidiary Company	- xxx
		xxx
Add	Proportionate share of the subsidiary Co. profit and Reserves or increase in the value of assets.	+ xxx
		xxx
Less	Proportionate share of the subsidiary Co's loss and decrease in the value of total Assets of company	- xxx
	Value of Minority Interest	xxx

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step-4 :-

Calculate cost of capital / Goodwill or Capital Reserve
If holding company purchases shares of subsidiary company at premium, then the value of premium will be deemed as goodwill or cost of capital and shows as goodwill on the assets side of consolidated Balance sheet
But if holding company purchases the share of subsidiary company at discount, then this value of discount will be capital reserve and show in the liability side of consolidated Balance sheet.

5th step:-

Treatment of Pre-Acquisition of reserve and profit :
pre-acquistion profit and reserve of subsidiary company will be shown as capital reserve in consolidated balance sheet but the value of minority interest's profit or reserves deducts from it and add in minority interest value.

Total profit before acquistion of Subsidiary company XXX

Less Share of minority interest - XXX
Value of profit × minority interest's Value of shares in subsidiary company or total share capital of Sub. co.

XXX

Pre-acquisition profit and reserve shown as capital reserves XXX

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