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Consolidated Balance Sheet of Holding Companies
[With A.S. 21]

Meaning :-

A Consolidated Balance Sheet is the Balance sheet of both holding company and its subsidiary or subsidiaries which is prepared in order to show the Assets and Liabilities in a consolidated form.

Its purpose is to show the financial position of a group consisting of a holding and one or more subsidiary companies.

Holding company (meaning)

A holding company is one which controls one or more companies either by means of holding shares in that company or companies or by having powers to appoint directly or indirectly, the whole, or a majority of the Board of Directors of those companies.

A company controlled by a holding company is known as a subsidiary company. Practically, it is a part and parcel of the combination movement in business and is operated for the purpose of controlling companies engaged in a similar line of business.

A company, viz, X Ltd may control another company viz Y Ltd by any one of the three ways:

① By holding more than half the share-having voting rights in Y Ltd.

② By controlling the composition of the Board of Directors of Y Ltd. and

③ By controlling a holding company which actually controls Y Ltd ie. if Y Ltd becomes the subsidiary of Z Ltd and Z Ltd becomes the subsidiary of X Ltd in that case Y Ltd will also be the subsidiary of X Ltd.

Statutory Definition

Subsidiary Company:

There is no statutory Definition of holding company in the companies Act 1956. But section 4 of the companies Act According to this section, a company of another if but only if;

(a) that other company controls the composition of the Board of Director.

(b) that other

① where the first-mentioned company is an existing company in respect of which the holders of preference share issued before the commencement of this Act have the same

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voting rights in all respect as the holders of equity shares, exercises or controls more than half of the total voting power of such company.

(ii) where the first-mentioned company is any other company, which holds more than half in nominal value of its equity share capital.

(c) the first-mentioned company is a subsidiary of any company which is that other company's subsidiary.

Under Indian Company Act, there is no need to prepare combined or consolidated final accounts of holding and subsidiary company in the books of holding company but holding company attaches the copy of Balance sheet, one copy of profit and loss account and one copy of audit report of subsidiary company with his final accounts. But for showing true financial position often holding company prepare consolidated Balance Sheet.

It's easy to understand that consolidated Balancesheet is a Balancesheet in which all the assets and liabilities of holding company and subsidiary company are added with each other but practically it is tough to make consolidated Balance sheet of holding and subsidiary company.