Class :- B.Com Part-II.

Subject :- Corporate Accounting

paper :- IV

unit : IV

Topic : Holding Company accounts.

Lecture Sequence No :- 6

Prepared by:
Dr. Roy Anilakumari Paramanand.
Marwari College Darbhanga.
E.mail : roy27583@g.mail.com.

Preparation of Cosolidated Balance Sheet.

Step- 6.

Calculate post acquisition profit:

After the date of purchasing the shares of subsidiary company, profit of subsidiary deem of holding co. company will also include in the profit of holding and it include in the profit and we also separate the company and part of profit of minority interest and add in minority interest's value and shown in Liability side:

Step- 7.

Ellimination of common transactions:

All common transaction between holding company and subsidiary company will not show in the consolidated balance There following common transaction:

① Goods sold and goods purchase on credit and the value of debtor or creditor either subsidiary co. or holding company will not shown in consolidated balance sheet.

② Value of bill payable or bill receivable of holding company on subsidiary co. will also not shown but if some bills value is discounted from third party then either of both company's payable value shown as liability in the consolidated balance sheet.

Step -8

Treatment of Unrealized profit :-

If subsidiary company sells the goods to holding company or holding co. sells the goods to subsidiary co. at profit and if such goods will not sold in third party then the profit will not sold in third party then the profit and loss a/c. At this time a stock reserve a/c is opened and all amt. of unrealized profit transfer to this account and this accounts total amount is deducted of unrealized profit ~~p~~ transfers to this account and this accounts total amt. is deducted from closing stock of consolidated balance sheet :

Suppose :

Closing stock of Holding co.	50000
Closing stock of Subsidiary co.	40000
	90,000
Less Stock Reserves.	– 10,000
	80,000

If subsidary company has also other outsider's shares then holding company makes reserve up to his share proportion

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Step-9

Treatment of Dividends:

If holding company gets the dividends from subsidiary company, then this will divide into two parts. If subsidiary Company declare dividend out of capital profits, then this will add in capital reserves in consolidated balance sheet. But, if subsidiary company has declared the profit out of revenue gains, then this dividend will add in general profit and loss a/c and will shown in the liability side of consolidated Balance sheet.