Class B.Com - II

Subject Corporate Accounting

Paper : IV

unit : IV

Topic : Holding company accounts.

Lecture sequence No: 3.

Prepared by:
Dr. Roy Anitakumari Paramanand
Marwari College Darbhanga.
E. mail : roy-27583@g.mail.com.

Scanned with CamScanner

Page No.:
Date:

Important Points to be taken into considerations while preparing Consolidated Balance sheet:

Following points must be taken into consideration while preparing Consolidated Balance sheet:

① **Heading :-**
Heading of Consolidated Balance Sheet Starts with the name of holding company, then the name of its subsidiary company is given. Hence, the heading of Consolidated Balance sheet (CBS) will be as follows:
Consolidated Balance sheet of X Ltd and its subsidiary Y Ltd as on 31.3.17.

② **Preparation of CBS :-**
CBS is prepared by adding items in the accounts of holding company to the same items in the accounts of subsidiary company or companies. So assets and liabilities of both the companies are clubed together. But this aggregation of items is subjects to adjustment or elimination of certain items.

examples :
① Investments made by holding company in the share capital of the subsidiary company is not shown in the CBS.
② Share capital of subsidiary company is not shown is CBS. Hence, the share capital of the holding company and its subsidiary should never be aggregated.

Scanned with CamScanner

Page No.:
Date:

(3) The necessary revaluation (appreciation or depreciation / reduction in value) of assets must be carried out before aggregating them.
(4) Inter-company or mutual transaction must be eliminated.
(5) For capital reserve and cost of control, necessary adjustment is required.

Required :-
(1) Assets (excluding investments in shares of subsidiary) of the holding company are shown in the CBS at appropriate places by adding the respective assets of the subsidiary company.

(2) Similarly the liabilities of the holding company are shown in the CBS at appropriate places by adding the liabilities of the subsidiary company

(3) Minority interest must be shown in the liabilities side of the CBS.

Scanned with CamScanner

Forms of Holding Company:

Case 1. Holding company with one Subsidiary:- (Single Subsidiary)

X Co. (Holding Co.)
OR
(Parent Company)

Y. Co. (Subsidiary Co.)
X Co. holds 80% of Equity shares of Y Co. ltd

Case 2: Holding Company with more than one Subsidiary Co. (Multi-subsidiaries)

X (Holding Company)

Y Co. (90%) First Subsidiary

Z. Co. 80% (Second Subsidiary)

Case-3. Chain holding

Direct Control:

x ltd. → Principal Holding Co.

Y Ltd. → Subsidiary of X ltd. and Holding Co. of Z ltd.

Z Ltd. → Subsidiary of Y ltd & interim Subsidiary of X Ltd.

Indirect Control over Z Ltd

In case (3) above Y ltd is a subsidiary co. of X ltd and company Z ltd is a subsidiary of company Y ltd. By virtue of clause (c) above company Z ltd is a subsidiary of X also. Here X ltd has Indirect Control over Z ltd.

Scanned with CamScanner