

3. Calculation of 15% Debentures issued by XY Ltd. to

	X Ltd. ₹ In lacs	Y Ltd. ₹ In lacs
$50 \times \frac{12.5}{15}$	41.67	
$28 \times \frac{12.5}{15}$		23.33

4. Computation of Purchase consideration (On Payment Basis)

		(₹ in lacs)	
		X Ltd.	Y Ltd.
(1)	15% Preference Shares: (4.20/3) x 2 = 2.80 lacs shares @ ₹ 125 each (1.80/3) x 2 = 1.20 lacs shares @ ₹ 125 each	350	150
2.	Equity Shares: (4 x 7,50,000) = 30,00,000 equity shares @ ₹ 35 each (3 x 7,25,000) = 21,75,000 equity shares @ ₹ 32 each	1050	696
		<u>1,400</u>	<u>846</u>

5. Calculation of Securities Premium

	₹ in lacs
15% Preference Shares issued at premium of ₹ 25 each (4 lacs x ₹25 each)	100
Equity Shares issued to - X Ltd. (30 lacs x ₹ 25 each) Y Ltd. (21.75 lacs x ₹ 22 each)	750 <u>478.50</u>
	<u>1328.50</u>

Question 3

Draw the consolidated Balance sheet as on 31st March, 2015 as per Schedule-III with Notes to Accounts (following indirect method) based on the following information:

Balance Sheet as on 31st March, 2015

	(₹ in lacs)		
Liabilities	P	Q	R
Share Capital			
Equity Share Capital (FV ₹ 100)	600	400	100

Reserves and Surplus			
Reserves	40	10	20
Surplus in Profit and Loss Account	60	40	30
Current Liabilities			
Trade Payable	30	10	35
Other Payable			
Q Limited			15
R Limited	<u>50</u>	<u>-</u>	<u>-</u>
Total	<u>780</u>	<u>460</u>	<u>200</u>
			(₹ in lacs)
Assets	P	Q	R
Fixed Assets (Net of Depreciation)	230	150	100
Investments			
Q Limited	320		
R Limited	40	100	
Current Assets			
Inventories	50	30	40
Trade Receivables	60	50	20
Other Receivable			
R Limited		40	
P Limited			30
Bank Balance	<u>80</u>	<u>90</u>	<u>10</u>
Total	<u>780</u>	<u>460</u>	<u>200</u>

Additional Information:

- (a) P Limited acquired 1,50,000 (cum bonus) shares of Q Limited and 30,000 shares of R Limited and Q Limited acquired 50,000 shares of R Limited on 29th March, 2014*.
- (b) Q Limited fixed 1st April, 2014 as record date for allotment of bonus share in the ratio of 1:1 and the same were duly allotted.
- (c) P Limited proposed dividend @ 7.50% for the year ended on 31st March, 2015.
- (d) In December 2014, Q Limited invoiced goods to P Limited for ₹ 30 lacs on a load of 25% on cost. 1/3rd of such goods are in stock with P Limited as at the end of the year.

* Read 29th March, 2014 as 31st March, 2014.

- (e) R Limited sold to Q Limited on 1st January 2015, an asset costing ₹ 20 lacs and made a profit of 20% on invoice value. Q has provided depreciation @ 10% per annum on such assets.
- (f) As on 31st March 2014, the balances in reserves and profit and loss account of Q Limited were ₹ 5 lacs and ₹ 15 lacs respectively.
- (g) R Limited made a profit of ₹ 12.40 lacs during the current year. During the year, ₹ 0.55 lacs was received from insurance company against loss of stock due to flood which occurred on 31st January 2014 in which goods worth ₹ 0.75 lacs were damaged and were part of R's stock as on 31st March, 2014.
- (h) R Limited transferred, at the year-end on 31st March, 2015, an amount from Profit and Loss account to Reserves which equals to 20% of the reported aggregate figures of Reserves and Profit and Loss account in the balance-sheet. (16 Marks)

Answer

**Consolidated Balance Sheet of P Ltd. and its subsidiaries
as on 31.3.2015**

Particulars	Note No.	₹ in lacs
I. Equity and Liabilities		
(1) Shareholder's Funds		
(a) Share Capital	1	600.00
(b) Reserves and Surplus	2	87.964
(2) Minority Interest (W.N.6)		146.666
(3) Current Liabilities		
(a) Trade payables	3	75.00
(b) Short term provision	4	45.00
(c) Other current liabilities	5	20.00
Total		974.63
II. Assets		
(1) Non-current assets		
Fixed assets		
(a) Tangible assets	6	475.125
(b) Intangible assets	7	46.505
(2) Current assets		
(a) Inventories	8	118.00
(b) Trade receivables	9	130.00

(c) Cash & cash equivalents	10	205.00
Total		974.63

Notes to Accounts

		₹ in lacs	₹ in lacs
1.	Share Capital Equity Shares of ₹ 100 each		600.00
2.	Reserves and surplus Reserves (W. N.8) Profit & Loss A/c (W. N.8)	50.50 <u>37.464</u>	87.964
3.	Trade Payables P Ltd. Q Ltd. R Ltd.	30.00 10.00 <u>35.00</u>	75.00
4.	Short term Provision Proposed dividend (600 x 7.5%)		45.00
5.	Other current liabilities Other payables of P Ltd. to R Ltd. Less: Other receivables of R Ltd. from P Ltd.	50.00 <u>(30.00)</u>	20.00
6.	Tangible assets (All Fixed assets are assumed as tangible in nature) P Ltd. Q Ltd. R Ltd. Less: Unrealized gain (W.N.9)	230.00 150.00 <u>100.00</u> 480.00 <u>(4.875)</u>	475.125
7.	Intangible assets Goodwill (W.N.7)		46.505
8.	Inventories P Ltd. Q Ltd. R Ltd.	50.00 30.00 <u>40.00</u>	
		120.00	

	Less: Unrealized gain	<u>(2.00)</u>	118.00
9.	Trade Receivables		
	P Ltd.	60.00	
	Q Ltd.	50.00	
	R Ltd.	<u>20.00</u>	130.00
10.	Cash & cash equivalents		
	Cash in transit (W.N.11)	25.00	
	Bank balance		
	P Ltd.	80.00	
	Q Ltd.	90.00	
	R Ltd.	<u>10.00</u>	205

Working Notes

1. Shareholding Pattern

	Number of Shares (in lacs)	% age of Holding
<i>In Q Ltd.:</i>		
P Ltd. (1,50,000 + 1,50,000)	300	75%
Minority Interest	100	25%
<i>In R Ltd.:</i>		
P Ltd.	30	30%
Q Ltd.	50	50%
Minority Interest	20	20%

2. Calculation of pre-acquisition reserves of R Ltd.

	₹ in lacs	Nature
Closing balance as on 31.3.2015	20.00	
Less: Transfer from Profit and Loss Account in 2014-2015	<u>(10.00)</u>	Post
Opening balance as on 1.4.2014	<u>10.00</u>	Pre

3. Calculation of pre-acquisition Profit and Loss Account of R Ltd.

		₹ in lacs	Nature
Closing balance		30.00	
Less: Profit earned during the year	12.40		
Add back: Loss of the previous year*	<u>0.20</u>	<u>(12.60)</u>	Post
Opening balance		17.40	Pre

Since loss on damaged goods (₹ 0.75 lacs – ₹ 0.55 lacs = ₹ 0.20 lacs) relates to last year, it is added back to current year's profit and deducted from last year's profit i.e. pre-acquisition reserve.

4. Analysis of profits of R Ltd.

	Pre-acquisition	Post-acquisition	
	Capital Profit ₹ in lacs	Revenue Reserve ₹ in lacs	Revenue Profit ₹ in lacs
Reserves	10.00	10.00	--
Profit & Loss Account	<u>17.40</u>	--	<u>12.60</u>
	<u>27.40</u>	<u>10.00</u>	<u>12.60</u>
P Ltd [30%]	8.22	3.00	3.78
Q Ltd. [50%]	13.70	5.00	6.30
Minority Interest [20%]	5.48	2.00	2.52

5. Analysis of Reserves and surplus of Q Ltd. by indirect approach

	Pre-acquisition	Post-acquisition	
	Capital Profit ₹ in lacs	Revenue Reserve ₹ in lacs	Revenue Profit ₹ in lacs
Reserves	5.00	5.00	--
Profit & Loss Account	<u>15.00</u>	--	<u>25.00</u>
	20.00	5.00	25.00
Share of Q Ltd.'s profit in R Ltd.	13.70	5.00	6.30
Share of unrealized gain on asset	--	--	<u>(2.437)</u>
	<u>33.70</u>	<u>10.00</u>	<u>28.863</u>
P Ltd. 75%	25.275	7.50	21.647
Minority Interest 25%	8.425	2.50	7.216

6. Minority Interest

	Q Ltd. ₹ in lacs	R Ltd. ₹ in lacs
Share Capital	100	20
Capital Profit	8.425	5.48
Revenue Profit : Reserves	2.50	2.00
Profit & Loss Account	7.216	2.52

Unrealised gain on assets		(0.975)
Unrealised Profit on inventory	<u>(0.50)</u>	<u>-</u>
	<u>117.641</u>	<u>29.025</u>
Total Minority Interest: ₹ 117.641+ ₹ 29.025 = ₹ 146.666		

7. Cost of Control

	<i>P Ltd. in Q Ltd.</i> ₹ in lacs	<i>P Ltd. and Q Ltd. in R Ltd.</i> ₹ in lacs
	75%	80%
Amount Invested	320	140
Less: Share capital	(300)	(80)
Capital Profit	<u>(25.275)</u>	<u>(8.22)</u>
Goodwill/(Capital Reserve)	<u>(5.275)</u>	<u>51.78</u>
Net Goodwill		46.505

8. Reserves and Profit and Loss Account balances in the Consolidated Balance Sheet

	<i>Reserves</i> ₹ in lacs	<i>Profit and Loss A/c</i> ₹ in lacs
Balance in Books of P Ltd.	40.00	60.00
<i>Add: Shares of Post Acquisition Profits:</i>		
From R Ltd.	3.00	3.78
From Q Ltd	7.50	21.647
<i>Less: Proposed dividend</i>		(45.00)
<i>Less: Unrealised Profit on stock</i> (30x1/3x25/125x75%)		(1.50)
<i>Less: Unrealised Profit on asset</i>		<u>(1.463)</u>
	<u>50.50</u>	<u>37.464</u>

9. Calculation of Unrealized Profit on Asset

₹ in lacs

Invoice value of an asset (20/80) x 100	25.00
Cost	<u>(20.00)</u>
Unrealized Profit on Asset	5.00
Less: Depreciation on it (5x10%x3/12)	<u>(0.125)</u>
Unrealised gain of R Ltd.	<u>4.875</u>

	₹ in lacs
P Ltd. 30% to be adjusted from Consolidated Profit and Loss Account	1.463
Q Ltd. 50% to be adjusted from Analysis of Profit of Q Ltd.	2.437
Minority Interest 20% to be adjusted from Minority Interest	<u>0.975</u>
	<u>4.875</u>

10. Calculation of Unrealized Profit on Inventory**₹ in lacs**

Profit earned by Q Ltd. on inventory $30 \times \frac{1}{3} \times \frac{25}{125}$	<u>2.00</u>
To be adjusted from inventory	
And 75% of it is adjusted from Consolidated Profit and Loss Account	1.50
25% of it to be adjusted from Minority Interest	<u>0.50</u>

11. Inter-Company Owings

	₹ in lacs
Q Ltd. to receive from R Ltd.	40.00
Less: Trade payable appearing in the B/S of R Ltd.	<u>(15.00)</u>
Cash-in-transit	<u>25.00</u>

Question 4

- (a) Team Ltd. is a non-banking finance company. It accepts public deposits and also deals in hire purchase business. It provides you with the following information regarding major hire purchase deals as on 31-3-2013.

Few machines were sold on hire purchase basis. The hire purchase price was set at ₹ lacs as against the cash price of ₹ 80 lacs. ₹ 20 lacs were payable as down payment and the balance was payable in 5 equal installments. The hire vendor collected first installment as on 31-3-2014, but could not collect the second installment which was due on 31-03-2015. The company was finalizing accounts for the year ended on 31-3-2015. Till 15-4-2015, the date on which the Board of Directors signed the accounts, the second installment was not collected. Presume IRR to be 10.42%.

Required:

- (i) What should be the principal outstanding on 1-4-2014? Should the company recognize finance charge for the year 2014-15 as income?
- (ii) What should be the net book value of assets as on 31-3-2015 as per NBFC prudential norms requirement for provisioning?
- (iii) What should be the amount of provision to be made as per prudential norms for NBFC laid down by the RBI?