



simplifying your success

Chapter Tests of FR of CA Ashish Lalaji 9825856155

Solution of FR Test 4: CFS Test 3

Q 1 Working Notes:

(1) Increase in Reserves and Profits of companies in 2021-22:

	Rohan		Sohan	
	General Reserve	Retained Earnings	General Reserve	Retained Earnings
Balance on 31.03.22	75	225	50	150
Add: Dividend @ 10%	<u>---</u>	<u>45</u>	<u>---</u>	<u>30</u>
	<u>75</u>	<u>270</u>	<u>50</u>	<u>180</u>
Less: Balance on 01.04.21	<u>25</u>	<u>70</u>	<u>20</u>	<u>50</u>
Increase in 2021-22	<u>50</u>	<u>200</u>	<u>30</u>	<u>130</u>

(2) Pre and Post Acquisition Analysis of Rohan:

	On 30.09.21	After 30.09.21	
		General Reserve	Retained Earnings
Equity Share Capital	450	---	---
General Reserve	50	25	---
	[25 + (50 X 6/12)]	(50 X 6/12)	
Retained Earnings	170	---	100
	[70 + (200 X 6/12)]		(200 X 6/12)
Unrealised Profit (10 X 30%)	<u>---</u>	<u>---</u>	<u>(3)</u>
	<u>670</u>	<u>25</u>	<u>97</u>

(3) Pre and Post Acquisition Analysis of Sohan:

	On 01.04.21	After 01.04.21	
		General Reserve	Retained Earnings
Equity Share Capital	300	---	---
General Reserve	20	30	---
Retained Earnings	<u>50</u>	<u>---</u>	<u>130</u>
	<u>370</u>	<u>30</u>	<u>130</u>



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(4) Cost of Control of Rohan:

Particulars	Amount (Rs.)
Fair Value of Consideration on 30.06.21	405
Add: NCI on 30.06.21 (45 X 40% X Rs.15)	<u>270</u>
	675
Less: Identifiable net assets on 30.06.21	<u>670</u>
Goodwill	<u>5</u>

(5) Non Controlling Interest of Rohan:

Particulars	Amount (Rs.)
NCI on 30.06.21	270
NCI after 30.06.21 [(25 + 97) X 40%]	<u>48.8</u>
	318.8
Less: Dividend already received (45 X 40%)	<u>18</u>
	<u>300.8</u>

(6) Goodwill / Capital Reserve of Sohan:

Particulars	Amount (Rs.)
Cost of investment on 01.04.21	150
Less: Identifiable net assets on 01.04.21 (370 X 30%)	<u>111</u>
Goodwill	<u>39</u>

(7) Carrying amount of Investment in Sohan as per Equity Method:

Particulars	Amount (Rs.)
Cost of investment on 01.04.21	150
Add: Share in post-acquisition profits & reserves [(30 + 130) X 30%]	<u>48</u>
	198
Less: Dividend received (30 X 30%)	9
Less: Unrealised profit (10 X 30% X 60%)	<u>1.8</u>
	<u>187.2</u>



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Consolidated Balance sheet of A Ltd. as on 31st March, 2022

	Note No.	Amount (Rs. in lakhs)
Assets:		
1. Non Current Assets		
Property, Plant & Equipment		3,080
Goodwill		5
Investment in Sohan Ltd. (Goodwill: Rs.39)		187.2
2. Current Assets		
Inventories	1	62
Total		3,334.2
Equity and Liabilities:		
Equity		
Equity Share Capital		1,900
Other Equity		688.4
Non Controlling Interest		300.8
Liabilities:		
1. Non Current Liabilities:		
Long Term Borrowings		300
2. Current Liabilities		
Trade Payables		145
Total		3,334.2

Statement of Changes in Equity for the year ended 31st March, 2022:

(a) Equity:

Balance at the beginning	Change during the year	Balance at the end
1,900	0	1,900

(b) Other Equity:

Particulars	General Reserve	Retained Earnings	Total
Balance at beginning	105	500	605
Share from subsidiary Rohan:	15 (25 X 60%)	58.2 (97 X 60%)	88.2
Share from associate Sohan:	9 (30 X 30%)	39 (130 X 30%)	45
Unrealised profit in sale to Sohan	---	(1.8)	(1.8)
Elimination of dividend received from:			
Rohan (45 X 60%)	---	(27)	(27)
Sohan (30 X 30%)	---	(9)	(9)
	<u>129</u>	<u>559.4</u>	<u>688.4</u>

See accompanying notes.

Note No.	(Rs.)
1 Inventories	
As given	65
Less: Unrealised profit	<u>3</u>
	<u>62</u>

Q 2**(a)****(i) Determination of Goodwill of BT Ltd. as a subsidiary:**

Particulars	Amount (Rs.)
Fair Value of Consideration on 31.03.2022	50,00,000
Add: NCI on 31.03.2022	<u>Nil</u>
	50,00,000
Less: Identifiable net assets on 31.03.2022	<u>40,0,0000</u>
Goodwill	<u>10,00,000</u>

(ii) Gain or Loss on Disposal of subsidiary:

Particulars	Amount (Rs.)
Sale proceeds from sale of 60% shares on 31.03.2023	67,50,000
Add: Fair Value of Retained 40% interest on 31.03.2023	<u>45,00,000</u>
	1,12,50,000
Less: Net assets on 31.03.2023 disposed off	80,00,000
Less: Goodwill de-recognised	<u>10,00,000</u>
Gain	<u>22,50,000</u>

(iii) Determination of Goodwill of BT Ltd. as an associate:

Particulars	Amount (Rs.)
Fair Value of Retained 40% interest on 31.03.2023	45,00,000
Less: Share in net assets on 31.03.2023 (80,00,000 X 40%)	<u>32,00,000</u>
Goodwill	<u>13,00,000</u>

(iv) Carrying amount of Investment in BT Ltd. as per Equity Method:

Particulars	Amount (Rs.)
Deemed Cost of investment on 31.03.2023	45,00,000
Add: Share in post-acquisition profits [1,50,00,000 X 40%]	<u>60,00,000</u>
	1,05,00,000
Less: Dividend received (30,00,000 X 40%)	<u>12,00,000</u>
	<u>93,00,000</u>

(b) Entity B is jointly controlled, as ECL Limited and investment bank are required to agree unanimously on relevant activities, and ECL Limited must manage the entity's operations in line with these decisions

(c) NFG Limited is jointly controlled by shareholders N and F. based on their ownership interest (collectively 81%), they must act together to make decisions regarding NFG Limited's relevant activities. Shareholder N does not control NFG Limited, as it cannot unilaterally make decisions because a 75% majority is required.

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