

## Accounting for specific Industries

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The logo of Galgotias University is a circular emblem with a stylized 'G' in the center. The 'G' is composed of three curved, overlapping bands in shades of yellow, blue, and red. The background of the emblem is a light, circular gradient.

## Lecture -2

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## Topic covered

- **Minority interest**
- **Calculation of minority interest**
- **Pre acquisition profit**

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## Minority interest

### Minority interest

When outsiders own some of the shares of subsidiary company (other than parent company), outsiders or external party interest in subsidiary company refers to minority interest.

The minority interest is shown on the liabilities side of the Balance Sheet of the holding company under the head 'Share Capital'.

## Minority interest

The minority interest can be calculated as follows:

Paid up value of shares held by outsiders		xxx
Add: Proportionate share of capital/ revenue profit and/or reserves		<u>xxx</u>
	xxx	
Less: Proportionate share of capital/ revenue losses		<u>xxx</u>
Value of Minority Interest	<u>xxx</u>	

**The minority interest word interchangeably used with non controlling interest(NCI)**

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# School of Finance and Commerce

Course Code : BCOM3031

Course Name: Accounting for specific industries

*Question:* The following are the liabilities and assets of the holding company P Ltd. and its subsidiary Q Ltd. as on 31<sup>st</sup> December 2014. P Ltd. acquired 12000 shares in Q Ltd on 31<sup>st</sup> December 2014. Prepare the Consolidated Balance Sheet.

Liabilities	P Ltd. Rs.	Q Ltd. Rs.	Assets	P Ltd. Rs.	Q Ltd. Rs.
Share Capital:			Sundry Assets	48000	24000
Shares of Re. 1	36000	15000	Investments:	12000	
Each	24000	9000	12000 shares in Q Ltd.		
Sundry Liabilities	60000	24000		60000	24000

Share of holdings by P Ltd.in Q Ltd. = 12000 shares out of 15000 shares = 80%  
Share of holdings by Outsiders in Q Ltd. = 3000 shares out of 15000 shares = 20%

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Program Name: BCOM(H)

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Consolidated Balance Sheet of P Ltd. and its Subsidiary Q Ltd. As on 31<sup>st</sup>  
December 2014

Particulars	Note No.	Amount (Rs.)
A. Equity and Liabilities		
Shareholders' Fund		
a. Share Capital	1	36000
b. Reserves and Surplus		Nil
Minority Interest		3000
Current Liabilities		
P Ltd.24000		

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Q Ltd.	9000		33000
Total			72000
B. Assets			
Non-current Assets Fixed			
Assets			
Tangible Assets – Sundry Assets P			
Ltd.	48000		
Q Ltd.	24000		72000
Intangible Assets			Nil
Current Assets			Nil
Total			72000

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continued

Note No.	Particulars	Amount (Rs.)
1.	Share Capital Issued and Subscribed 36000 Equity shares of Re. 1 each	36000

*Working Note:*

Calculation of Minority Interest = 3000 shares of Re. 1 each  
= Rs. 3000

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## Pre acquisition profit

Pre acquisition profit: Any profit or reserve standing in the Balance Sheet of subsidiary company on the date of purchase of shares by holding company is called pre-acquisition profit or capital profit.

The outsiders' share of such capital profit is added to the minority interest and the balance (to holding company) are shown as Capital Reserve or adjusted in Cost of Control or Goodwill and shown in the Consolidated Balance Sheet.

Any losses, share of loss of outsiders is deducted from the minority interest and the share of loss to the holding company is added to the Cost of Control or Goodwill or deducted from the Capital Reserve, and shown in the Consolidated Balance Sheet.

## Post acquisition profit

Post acquisition profit: Profits of the subsidiary company made after the date of purchase of shares in the subsidiary company by the holding company are called as post-acquisition profits or revenue profits. The share of revenue profit of the holding company is added to the profit of the holding company. The share of profit due to the outsiders in the subsidiary company is added to the minority interest and shown in the Consolidated Balance Sheet.

The date of purchase of shares in the subsidiary company by the holding company is the basis for determination of profit, whether it is Capital Profit or Revenue Profit.



## References

1. **S. N. Maheshwari**, Suneel K Maheshwari, et al. (2018), corporate Accounting
2. Reddy and Murthy, (2018), Corporate accounting

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**Thank you**

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