Course Code : BCOM3031

Course Name: Accounting for specific industries

Accounting for specific Industries

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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'.

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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	
XXX	ζ.
Less: Proportionate share of capital/ revenue losses	XXX
Value of Minority Interest <u>xxx</u>	<u> </u>

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

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Question: The following are the liabilities and assets of the holding company P Ltd. and its subsidiary Q Ltd. as on 31st December 2014. P Ltd. acquired 12000 shares in Q Ltd on 31st 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 shares in Q	12000	
Each	24000	9000	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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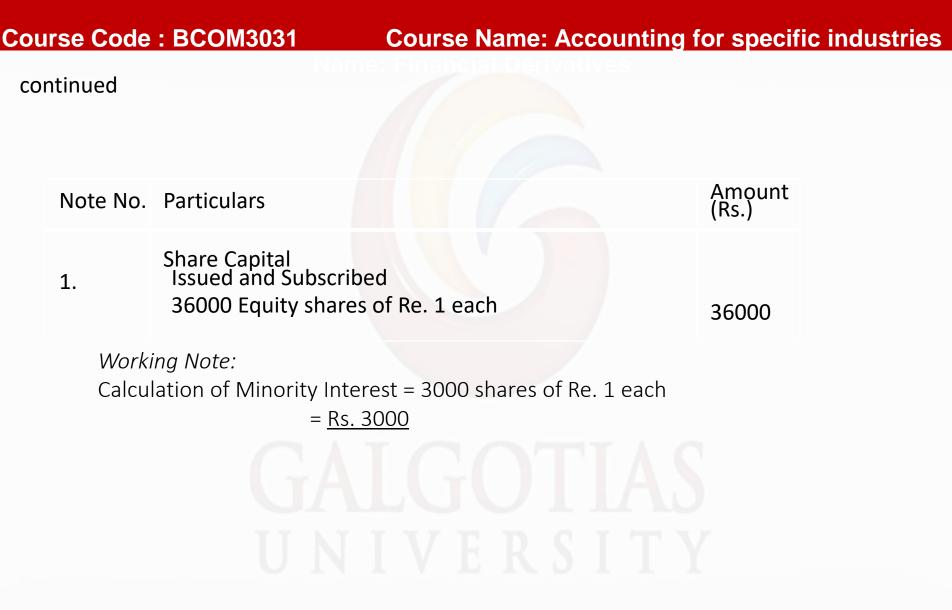
Consolidated Balance Sheet of P Ltd. and its Subsidiary Q Ltd. As on 31st December 2014

Particulars	No te No	Amo unt (Rs.)
A. Equity and Liabilities		
Shareholders' Fund		
a. Share Capital	1	3600 0
b. Reserves and Surplus		Nil
Minority Interest		3000
Current Liabilities		
P Ltd.24000		

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continued	
Q Ltd. 9000	33000
Total	72000
B. Assets Non-current Assets Fixed Assets Tangible Assets – Sundry Asse Ltd. 48000	ets P
Q Ltd. 24000	72000
Intangible Assets	Nil
Current Assets	
Total	1 C K S I I Y 72000

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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.

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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 is added to the profit of the holding company is added to the profit of the holding company is added to the profit of the subsidiary company is added to the profit of 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.

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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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