Accounts of Holding Co:-

B.com (II) Corporate A/c.

① **Meaning of Holding Co:-** A company created to buy and own the shares of other companies, which it then controls. Its purpose is to own shares of other company to form a corporate group. A holding Co. usually doesn't produce goods or services itself. Holding Co is also called 'Parent Company'.

Subsidiary Company:- A company that is owned and controlled by another company, by controlling the composition of board or directors or has more than half of its equity shares or Voting Right.

For example:- A company X holds more than 50% shares of company Y. then Co. X is a holding Co. and Y is a subsidiary co.

② ☆ **Calculation of Cost of ~~Capital~~ Control / Capital Reserve:-**

Cost of Control or Goodwill → is the amount paid by a holding company, sometime at a premium for shares in its subsidiary co. over and above the value.

Example :- For example Market value of shares / Assets of the company is ₹ 25 lakh and holding co. is paying the purchase consideration worth ₹ 30 lakh to the subsidiary co. then $\boxed{₹\ 5\ lakh}$ will be called cost of control OR Goodwill.

Capital Reserve :- for example M.V of shares of subsidiary co is ₹ 30 lakh and holding co is paying the purchase consideration worth ₹ 25 lakh. then $\boxed{₹\ 5\ lakh}$ will be called / transfer to Capital Reserve.

Short Note on Minority Interest :- Minority Interest is the portion of a subsidiary corporation that is not owned by the parent corporation.

(3) ★ Calculation of Minority Interest :-

(I) Their proportionate share in share capital of subsidiary co — xxxx

(II) Their proportionate share in Reserves of subsidiary co. (Pre acquisition & Post acquisition) — xxxx

(III) Their Proportionate share in Surplus
(both Pre acquisition and Post acquisition) xxxx

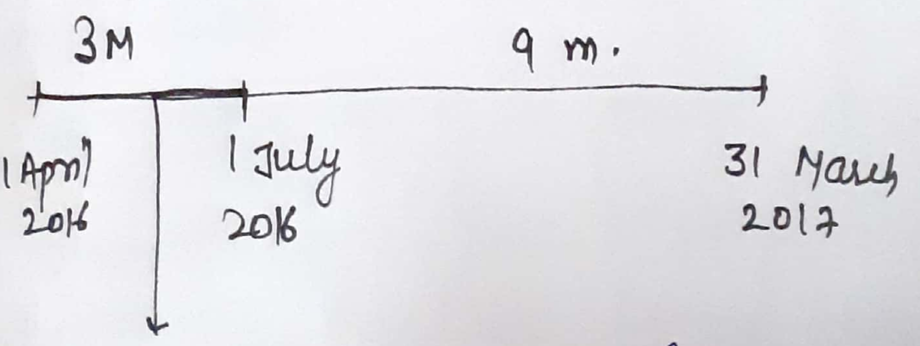
Minority Interest

☆ (4) Short Note on Pre-acquisition and Post acquisition Profits :-

Profits arising before the acquisition of subsidiary co. by the holding co. It is called Pre acquisition. These Profits are Capital Profit. So these will be shown in Balance Sheet.

Post acquisition Profits → Profit arising after the acquisition by holding co. these are Revenue Profits. So these will be used in Profit & loss A/C.

For. example:- X ltd (holding co) invests the money in Y ltd (Subsidiary co). on 1st July 2017. and financial year is from 1st April 2016 to 31st Mar 2017, then:-



3 months Profits are called Pre-acquisition Profits

9 months (1 July 2016 - 31 M 2017) will be Post-acquisition Profits

(5) ☆ **Consolidated Balance Sheet** :- Is the Balance sheet in which all the assets and liabilities of holding and subsidiary company are considered in a single document. Companies Act, 2013 mandates that preparation of consolidated financial statement.

Advantages of Consolidated Statements :-

(1) **Unified source document** :- It provides a unified statement of both holding and subsidiary co's assets and liabilities position at one place.

(2) **Useful for various parties** :- These parties having a long term interest in parent co. ie ☆ shareholders ☆ long term creditors etc. uses it.

(3) **Provides Broad Picture** :- It gives broad picture to investors who donot want to go through several different financial statements to add up information.

(4) **Evaluation of Holding Co. in the market** :- The overall financial health of the holding Co. can be judged using consolidated financial statements.