

Shri J. H. Bhalodia Women's College – Rajkot
Accounting & Finance - 6
B. COM. SEMESTER : VI
Account of Holding Companies under section 212 of the
Companies Act, 1956 Dr. Kamlesh Dave

According to companies Act, 1956 

Holding Company : When a Company has control over another company it is called known as a Holding Company. (A company holds 51 % or more than 51 % equity share capital of other company is known as Holding Company)

Subsidiary Company : The Company so controlled is called Subsidiary Company.

Important Points for preparing statement

1. Determine the name of Holding Company and its Subsidiary Company.
2. Calculate share of holding as on related accounting year.

$$\text{Share Holding (in \% age)} = \frac{\text{No. of equity shares hold by holding company}}{\text{Total No. of equity shares of subsidiary company}} \times 100$$

3. Calculate of “Profit dealt with” :

$$\left[\text{Equity share capital of the Subsidiary Company} \times \text{Rate of dividend} \right] \times \text{Share of holding}$$

4. Calculate of “Profit not dealt with” :

$$\text{Unappropriated profit} = \text{Total profit} - \text{Eq. Divi. Declared} \times \text{share of holding}$$

**A Statement as per section 212 of Companies Act 1956
(to enclose with final accounts of holding company)**

Particulars	Amt.
<ol style="list-style-type: none"> 1. A copy of the last Balance sheet of the subsidiary company. 2. A copy of the last Profit & Loss Account of the subsidiary company. 3. A copy of the last report of the BOD of the subsidiary company. 4. A copy of the last Auditors report of the subsidiary company. 5. A statement of the holding company's interest in the subsidiary company, on the last date of final account of subsidiary company. 6. The profit of the subsidiary company dealt with in the Holding Company's Accounts : <ol style="list-style-type: none"> (a) Dealt with profit for the last financial year: (b) Dealt with profit for the last previous financial year: 7. The profit of the subsidiary company not dealt with in the Holding Company's Accounts : <ol style="list-style-type: none"> (a) Dealt with profit for the last financial year: (b) Dealt with profit for the last previous financial year: 8. Change in the holding company's interest in the subsidiary between the ends of the last financial year of both the companies. 9. Change in the Subsidiary company's material between the ends of the last financial year of both the companies. 	
While both the company's preparing its final account on the same date, detail No. not applicable in the statement.	

Ex 1 Raj Limited is the subsidiary Company of **Jayraj limited**. Accounting year of Jayraj company is ending. On 31-3-95 and accounting year of Raj company is ending on 31-12-94. Equity share capital of Raj Limited is Rs. 4,50,000 (each of Rs.100). on 1-1-93 Jayraj Limited had purchased 3000 shares of Raj Limited.

On the date of share purchased credit balance of general reserve and profit & Loss A/c Rs 7000 and 10,000 respectively shown in the books of Raj limited. Information regarding income and announced dividend of Raj ltd are as follows.

Date	31/12/93	31/12/94
Profit	55,000	75,000
Dividend	8%	10%

From the above information prepare a statement with accounts of Jayraj company according Indian Companies act 1956 under section 212.

Ex 2 VIP Limited is a subsidiary company of **ABC Limited**, a holding company. Accounting year of holding Company and subsidiary company is ending on 31-3-98 and 31-12-97 respectively Equity share capital of subsidiary company is Rs 10,00,000(10,000shares). On 31-12-97 holding Company was holding 6000 shares of subsidiary company. On 1-2-98 holding Company purchased another 2000 shares of subsidiary company.

On 1-1-96, when holding company purchased main shares of subsidiary company, credit balance of general reserve Rs. 40,000 and profit & Loss A/c Rs.10,000 were left to record in the books of subsidiary company.

Information regarding announced dividend & profit of subsidiary company.

Date	31/12/96	31/12/97
Profit	1,20,000	1,60,000
Dividend	8%	12%

❖ **Between 31/12/97 to 31/3/98 subsidiary company**

- (a) purchased statement of Rs. 1,00,000 .
- (b) issued 12% debenture of Rs. 1,00,000.
- (c) Provide loan of Rs. 50,000 to Shivani company.
- (d) Purchased loan of Aimer Company at Rs. 70,000.

From the above information prepare statement according to 212.

Ex 3 From the Following details prepare a statement showing information of subsidiary company under Section 212 in the books of holding Company.

- **Saarangi Limited** is a holding company & **Naarangi limited** is a subsidiary company.
- Accounting date is 31/12/97.
- On 1/7/1996 holding company gain $\frac{3}{4}$ interest in equity shares of Rs. 75,000.
- Profit of Naarangi Ltd. in the year 1996 was 20,000 and in 1997 was Rs. 30,000.
- Announced dividend of subsidiary company in the 1996 – 10% & 1997 – 12%.

Ex 4 MILI Limited is the subsidiary company of **LILI limited**. Accounting year for LILI company is ending. On 31/3/98 and for MILI company is ending on 31/12/97. Paid up share Capital of MILI ltd is 16000 shares at Rs. 100 each. On 1/7/95. LILI Ltd. purchased 12000 shares of MILI Ltd. On this date, credit balance of profit & Loss A/c Rs. 1,20,000 and general reserve of Rs. 85,000 shown in the books of MILI Ltd.

➤ Information regarding Profit and dividend of MILI Ltd. were as under.

Year	1995	1996	1997
Profit	1,70,000	1,80,000	2,75,000
Dividend	9%	11%	15%
General Reserve	95,000	1,35,000	3,05,000

From the above information prepare statement of 212.

Ex 5 Shyam Limited is the subsidiary Company of **Ram Limited**. Accounting year of both the Companies is Financial year. Equity share capital of subsidiary company is Rs. 3,00,000. which is distributed 30,000 Ordinary shares each at Rs. 10.

Year	83	84	85	86	87
No of share In the beginning Of the year	8,000	18,000	24,000	21,000	16,000

➤ Information regarding Profit and Paid dividend of subsidiary Company

Profit	1,00,000	1,20,000	1,30,000	1,45,000	1,50,000
Dividend	8%	10%	10%	10%	12%

✚ Prepare statement according to companies Act under section 212.

Ex 6 On 1/4/90 **UKTI Limited** purchased 11000 shares at Rs. 100 each out of 20000 equity shares of **YUKTI Limited** and on 1/4/93 they purchased more 1000 shares at Rs. 125 each. On 1/4/90 Credit balance of General Reserve of Rs. 40,000 and profit & Loss A/c of Rs. 80,000 were shown in the books of YUKTI Limited.

➤ Information regarding last four years profit and dividend of YUKTI Limited.

Year	1990-91	1991-92	1992-93	1993-94
Profit	1,80,000	1,90,000	2,10,000	2,33,500
Dividend	8.5%	9%	10 ¹ / ₂ %	11 ¹ / ₂ %

From the above information prepare a statement under section 212.

Ex 7 PALLAVI Limited is a holding Company of **NISHA Limited**, a subsidiary Company.

- Information regarding equity share capital of **Nisha Ltd.** on 1/1/95 are as follows.
 - Ordinary Share capital (each of Rs. 10) Rs 5,00,000
 - 1000 10% Preference share Rs 1,00,000
- On 1/1/95 Pallavi Ltd. purchased 40,000 equity shares each of Rs. 25 and 400 Preference Shares each of Rs. 100 of Nisha Ltd. On that date Credit balance of Reserve Fund and profit & Loss A/c Rs. 12,00,000 and Rs. 50,000 respectively were shown in the books of Nisha Ltd.
- Pallavi Ltd. is Preparing its account on 31st March while Nisha Ltd. is preparing its account on 31st December.

4. Profit and rate of dividend of Nisha Ltd. was as under.

Year	1995	1996	1997
Profits(Rs)	1,00,000	1,50,000	2,10,000
Premium			
On equity	12%	12%	16%

5. On 1/1/96 Nisha Ltd. issued 3 bonus Shares for every five shares form its General Reserve.
6. On 1/3/97 Pallavi Ltd purchased extra 6000 shares at Rs. 15 each and on 31/3/97 they sold 1000 equity shares at Rs. 20 each.

From the above information prepare a statement according to companies act under section 212.

Ex.8 A Company Limited is a holding Company whose **B Company Limited** and **C Company Limited** are Subsidiary Company. Accounting year of all the three Companies is ending as on 31st March .

- Paid-up Share Capital of A Company is 10000 shares. Each of Rs. 100.
- Paid up share Capital of B Company is 5000 shares each of Rs. 50.
- Paid up share Capital of C Company is 10000 shares each of Rs 10.

❖ **OTHER INFORMATION:-**

1. On 1/4/95 A Company Limited purchased all the shares of B Company Limited and 8000 shares of C Company limited.
2. On the date of share purchased, General Reserve in the books of A, B and C Company Limited was Rs 50,000, Rs 40000, Rs 30000 respectively.
3. An the year 1995-96, profit of all the three companies was Rs. 3,00,000, Rs. 70000 and Rs. 50,000 respectively.
4. An the year 1996-97, profit of all the three Companies was Rs. 3,00,000, Rs. 80,000 and Rs. 60,000 respectively.
5. All the three Companies paid dividend at the rate of 10% from the profit of 1995-96 and the rate of 15% from the profit of 1996-97.
6. At the end of the year dated on 31/3/1998 profits of all the three Companies was Rs. 3,00,000, Rs 1,00,000 and Rs. 80,000 respectively out of it still dividend is not announced.

From the above information prepare a statement of holding Company dated on 31/3/98.

Ex 9 Balance Sheet of BETA Company Limited as on 31/12/97

LIABILITIES	Amt RS	ASSETS	Amt RS.
Equity share capital (RS 100 each)	3,00,000	Machinery	3,00,000
Profit & Loss A/c	2,40,000	Land & Building	1,44,000
General Reserve	60,000	Furniture	36,000
Creditors	1,70,000	Investment	75,000
Bills Payable	21000	Debtors	1,03,500
O/S expenses	4000	Stock	1,18,500
	7,95,000	Cash	18,000
			7,95,000

❖ **Other Information:-**

1. On 1st January, 95 **ALFA limited** purchased 1800 shares of **BETA Limited**. At the rate of 10% Premium on that date credit Balance of General Reserve and Profit & Loss A/c Rs. 24,000 and Rs 60,000 respectively were not shown in the books of BETA Limited.
2. ALFA Limited is preparing its year accounts every year on 31st March and BETA Limited preparing its accounts on 31st December.
3. BETA Company sold Dividend at the rate of 7% from the profit of 1995, 9% from the profit of 1996 & 8% from the profit of 1997, which ALFA Limited credited in their profit & Loss A/c. profit of BETA Company in the year 1997 was Rs. 40000.
4. Between 1/1/98 to 31/3/98 following adjustment accrued in BETA Ltd.
 - (a) BETA Company purchased extra Machinery of Rs. 65,000.
 - (b) BETA Company issued 8% Debenture at Rs. 50,000.

From the above information, according to Indian Companies Act under Section 212, prepare accounts of holding Company with statement.

(Saurashtra University MAY, '86)

Ex 11 Authorised share Capital of **BHARGAV Limited** was 10,00,000 equity shares at RS. 10. On 31st March 1993, at the end of the year, after payment of dividend credit balance of Revenue Reserve was RS. 16,200.

✚ **OTHER INFORMATION:-**

1. On 31st January 1994 **Bhargav Limited** purchased 9000 shares out of 10000 shares of **BHAGIRATH Limited** at Rs. 14,250. on 31/3/1993 in the books of BHAGIRATH Limited, after of payment of dividend, credit balance Revenue Reserve A/c was Rs. 3450.
2. At the end of the year dated on 31/3/94 BHARGAV Limited earn profit of Rs. 18640 and sold 15% dividend. While BHAGIRATH Limited earn profit of Rs. 4000 and paid 20% dividend.
3. At the end of the year dated on 31/3/95 BHARGAV Limited earn profit of Rs. 26,540 and sold 20% Dividend. While BHAGIRATH Limited incurr loss of Rs. 41,000 and did not sold any dividend.

✚ Prepare a statement according to Companies Act under section 212.

Ex 12 **EARTH Limited** is a subsidiary Company of **VYARTH Limited**. Accounting year of VYARTH Limited Ends on 31st March and accounting year of EARTH Limited ends on 31st December. **Extra information are as follows:-**

- A. On 1/1/95 VYARTH Ltd purchased 75% share From 5000 shares of Rs.100 each of EARTH Limited, Market price of each share is RS. 175.
- B. On 1/1/96 VYARTH Limited purchased another extra 250 shares at Market price each of Rs. 200.
- C. On 1/2/98 VYARTH Limited sold 1000 Shares at market price each of Rs. 250.

D. Information regarding profits as well as sold dividend of EARTH Limited is as under.

Information	1995	1996	1997
Profit	80,000	2,00,000	2,50,000
Dividend	10%	15%	20%

E. During Data 1/1/98 to 31/3/98 adjustments regarding assets & Liabilities of EARTH Ltd are as follows.

- I.** Machinery of Rs. 1,00,000 purchased on 1/2/98
- II.** 12% investment of Rs. 50,000 is sold on 1/3/ 98 with interest after getting 20% Profit on 15/2/98.
- III.** Provide loan of Rs. 1,50,000 to VYARTH Limited.
- IV.** On 15/3/98 15% debenture is issued at RS 1,00,000 with 5% Discount for 5 years.

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