Accounting standard 21 - Consolidated financial statement

Accounting standard 21 explains the way of making consolidated financial statement properly. Consolidated financial statement means combined profit and loss account and balance sheet of holding company and subsidiary company.

AS 21 provides following steps for making consolidated balance sheet.

1. Investment in subsidiary company by holding company will not be shown in consolidated balance sheet’s asset side.

2. Share capital of subsidiary company in holding company will not be shown in consolidated balance sheet of holding company.

3. Calculation of minority interest
Minority interest means all shareholders who invest in subsidiary company but they are not shareholder of holding company. In other words any stock in subsidiary company which is not owned by parent company (holding company) so, when holding company will make his consolidated balance sheet minority interest will be shown in liability side by calculation of following formula (Please mention the formula)

4. Calculation of capital reserve
   (a) Holding company purchases the shares of subsidiary company at discount, this value of discount will be shown as capital reserve in liability side of consolidated balance sheet.

   (b) If the value of share capital of subsidiary company is more than investment of holding company in subsidiary company then we calculate this difference. It will also be capital reserve and be shown in liability side of consolidated balance sheet.

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