#

# FINANCIAL ACCOUNTING

# 5TH SEMESTER

# AMALGMAMATION & ABSORPTION,

**UNIT I**

**AMALGMAMATION :-**

**Ex:-1)** The Moon Co.Ltd. and the Rising Star Co. Ltd. have agreed amalgamate. A new company Sunshine Ltd. has been formulated to take over the business concern as on 3 1st March,1998

**The Moon Company Ltd.**

**Balance Sheet.**

**Liablites Rs Assets Rs**

-----------------------------------------------------

Issued Capital Sundry Debtors 120000

100000 equity Cash at bank 50000

shares of Rs 10 Land & Bulding 500000

each fully paid 1000000 Machinery & Plant200000

Sundry Creditor 80000 Patent 110000

P&L A/c 50000 Stock 150000

 **1130000**  **1130000**

**The Rising Star Company Ltd.**

**Balance Sheet.**

**Liablites Rs Assets Rs**

-----------------------------------------------------

Issued Capital Land & Bulding 300000

50000 equity Machinery & Plant250000

shares of Rs 10 Goodwill 50000

each fully paid 500000 Stock 20000

Sundry Creditor 50000 Sundry Debtors 20000

P&L A/c 50000 Cash at bank 10000

Res fund 50000

  **650000** **650000**

Show how the amount payable to each Company is arrived at and prepare the amalgamated balance sheet of the new Company.

**Ex :-2)** The Following are the balance, sheets of C Ltd. and D Ltd.

**' C ' Company Ltd.**

**Balance Sheet.**

**Liablites Rs Assets Rs**

-----------------------------------------------------

Capital 5000 Bulding 15000

shares of Rs Machinery 55000

10 each 50000 Stock 8000

100,6% Debenture Debtors 7000

 of Rs 100 each 10000 Cash 1500

Res fund 17000

Div eque fund 2000

Emp Providend

fund 1500

Trade Creditor 5000

P&L A/c 1000

  **86500**  **86500**

 **' D ' Company Ltd.**

 **Balance Sheet.**

**Liablites Rs Assets Rs**

-----------------------------------------------------

Capital 1500 Machinery 25000

shares of Rs Stock 4000

20 each 30000 Debtors 5000

Trade Creditor 5000 (-) R.D.D 500 4500

 Cash 500

  **34000**  **34000**

The Two companies agree to amalgamate and form a

new company 'E'. The latter takes over the assets and

liabilities of both the companies. The assets of C Ltd. are, with the, exception of buildings, which are accepted at book value taken over at a reduced valuation of 10%. In return for Debentures in 'C' Ltd.. Debentures of the same amount and debentur are to be issued by E Ltd. Both companies are to receive 5% of the new valuation of their respective busines as Goodwill. The busines purchase price is to paid by E Ltd. in fully paid equity shares of Rs.10 each. Give jounral entries to close the books of C Ltd.and show the openuig, balance sheet or 'E' company Limited The authorised capital of E Company Ltd. is Rs.100000 in Rs.10 shares

**Ex:- 3)** 'X' Ltd. and 'Y' Ltd. agree to amalgamate as from 31st December,1998 on which date their respective balance meets were as follows.

**Balance Sheet of 'X'Co. Ltd.**

**Liablites Rs Assets Rs**

-----------------------------------------------------

Share Capital Land & Bulding 40000

10000shares of Rs10 Plant &Machinery30000

each fully paid 100000 Stock in trade 25000

Sundry Creditor 15000 Sundry Debtor 38000

Res fund 21000 Cash in Hand 11000

P&L A/c 8000

  **144000** **144000**

**Balance Sheet of 'Y'Co. Ltd.**

**Liablites Rs Assets Rs**

-----------------------------------------------------

Share Capital Land & Bulding 32000

6000shares of Rs10 Plant &Machinery 28000

each fully paid 60000 Stock in trade 8000

Sundry Creditor 4000 Sundry Debtor 7500

Res fund 12000 Cash in Hand 4500

P&L A/c 4000

  **80000**  **80000**

Draw up the Balance sheet of the new company 'Z' Ltd which was incorporated to take over assets and liablites of the amalgamated concern.

 The 'Z' Ltd will paid the P.C in the form of share capital each share of Rs 10.

**' D ' Company Ltd.**

**Balance Sheet.**

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**Liablites Rs Assets Rs**

-----------------------------------------------------

Capital 1500 Machinery 25000

shares of Rs Stock 4000

20 each 30000 Debtors 5000

Trade Creditor 5000 (-) R.D.D 500 4500

 Cash 500

  **34000**  **34000**

The Two companies agree to amalgamate and form a

new company 'E'. The latter takes over the assets and

liabilities of both the companies. The assets of C Ltd. are, with the, exception of buildings, which are accepted at book value taken over at a reduced valuation of 10%. In return for Debentures in 'C' Ltd.. Debentures of the same amount and debentur are to be issued by E Ltd. Both companies are to receive 5% of the new valuation of their respective busines as Goodwill. The busines purchase price is to paid by E Ltd. in fully paid equity shares of Rs.10 each. Give jounral entries to close the books of C Ltd.and show the openuig, balance sheet or 'E' company Limited The authorised capital of E Company Ltd. is Rs.100000 in Rs.10 shares

**Ex:- 4)** On January, 1998 A Ltd. and B Ltd. were amalgamated into C Ltd. on the basis of following balance sheet and information. **Balance Sheets**

**Liabilities 'A' Ltd.'B' Ltd Assets 'A' Ltd 'B'Ltd**

Authorised Goodwil 80000 32000

Capital: Equity Premises 50000 60000

sharesof Rs.10 Plant 41000 10000

each. 224000 200000 Stocks 42000 33000

 Debtors 23000 40000

Paid up Cash 12000 22000

capital. 224000 175000

Creditors 5000 6000

Reserve 8000 12000

Profit for 11000 4000

1998

 **248000 197000** **248000 197000**

 It was agreed that in respect of both the companies. 10% should be written off premises and 5% be provided for bad and doubtful debts. Goodwill was to be valued at three years purchase of the last two years average profits. The profits of A Ltd. and B Ltd. for 1997 werdRs. 13,000 and Rs. 6,000 respectively. Pa ss necessary journal entries in the books of Ltd. and prepare its opening balance sheet.

**Ex:-5)**Given below are the balance sheet of Alpha Ltd. and Beta Ltd. as on 31 March, 1999. **Balance Sheets**

**Liabilities Alpha Beta Assets Alpha Beta**

 **Ltd. Ltd. Ltd. Ltd.**

Sh Capital 100000 200000 Goodwill — 40000

Gene Res 100000 10000 Building 30000 25000

Loans 80000 60000 Plant 60000 80000

Other Liabi- Furniture 5000 10000

lities 20000 80000 Stock 100000 140000

 Debtors 104000 1300

 Cash 1000 2000

P & L A/C — 40000 **300000 350000** **300000 350000**

Both the companies amaigamaic and form a new company Gama Ltd. The Shareholders in the amalgamating companies are to be allotted filly paidequity shares in Gama ltd. for the amount of purchase con-sideration for which purpose all assets and liabilities are to be taken at book values except goodwill of Beta Ltd. which is consider worthless.

 Give the Journal entries in the books of Alpha & Beta Ltd. & prepare opening balance sheet of Gama Ltd.

**Ex:- 6)** Ganesh Ltd. & Mahesh Ltd. are two companies carrying on similar business decided to amalgamate as from 1july, 1998. Their balance sheets on the date of amalgamation were as under.

 **- Balance Sheet of 'Ganesh' Ltd.-**

**Liabilities Rs. Assets Rs.**

Share Capital: Goodwill 20000

in shares of Rs. Land & Building 80000

10 each 160000 Plant &Machinery 55000

General Reserve. 16000 Motor Cars 20000

Dividend equi- Stock 27000

lization fund 6000 Debtors 10000

Profit & Loss A/c 5000 Bank 8000

Creditors 30000

Employees Pro

-vidend fund 3000

 **220000** **220000**

 **Balance Sheet of 'Mahesh' Ltd.-**

**Liabilities Rs. Assets Rs.**

Share Capital: Goodwill 10000

in shares of Rs. Land &Building 57000

20 each 120000 Plant & Machinery 50000

Creditors 86000 Stock 46000

 Debtors 14000

 Bank 19000

 Profit & Loss A/c 10000

 **206000** **206000**

The Capital of the combined company Ganesh and mahesh Co. was Rs 400000 divided into 40000 equity shares of Rs 10 each. The Conditions of amalgmation were as follows:

 **In the case of Ganesh Ltd:** Goodwill & stock were to be valued at. Rs, 40000 and Rs 37000 respectively, Plants &. Machinery & Motor Care were to be depreciated by Rs. 15000 and Rs. 2000 respectively.

 **In the case of Mahesh Ltd:** Land & building were to taken at Rs. 75000 and the plan & machinery at Rs. 45000. No payment was to be made for goodwill. Bank balance was. not taken over.

 The consideration paid in the case of Ganesh Co. Ltd. was in fully paid shares of the new company for the amount the Mahesh & Co. Ltd. was to be issued 6000 fully paid shares and 300, 7% debentures of Rs. 100 each and the balacne being paid in cash.

 Show the necessary Journal entries in the books of the there companies and prepare the opening balacne sheet of the new comapny.

**Ex: 7)** Shankar Ltd. and Jaikishna Ltd. have agreed to amalgamate. A new comapny Shankar Jaikishan Ltd has been formed to take over the combinedconcern as on 31 st December, 1998. Their balance sheets on the date of amalgamation were as under :

 **Balance Sheet of Shankar Co. Ltd.**

**Liabilities Rs Assets Rs.**

Issuse Capital : Plant 7000

1000 Equity Shares Furniture 4000

of Rs. 10each . 10000 Stock 8000

General Reseve 8000 Sundary debtors 5000

P&L A/c 2000 Cash 6000

Loan 5000

Sundry creditors 5000

 **30000** **30000**

**Balance Sheet of**  **Jaikishna Co. Ltd.**

**Liabilities Rs Assets Rs.**

issued capital : Goodwill 3000

2500 shares Rs. Plant 10000

10 each 25000 Furniture 6000

Capital Reserve 2000 Stock 4000

Loan 8000 Sundry debtors 8500

Sundry creditors 3000 Cash 3500

 Profit & Loss A/c 3000

 **38000**  **38000**

New company took over all the assets and liabilities of both companies at book values except cash balance and sundry creditors of both the companies and goodwll of Jaikishan wliich was considered worth less.

 The Purchase consideration was agreed at Rs. 30000 for Shanker Ltd. & Rs. 20000 for Jaikishan Ltd. The new compnay issued fully paid equity shares of Rs. 10 each in required number, in satisfaction of purchase consideration.

Shanker Ltd. pay their creditors and incurred liquidation expense to the extent of Rs. 1000. Jaikishan Ltd. paid Rs. 2800 to their creditors in full sattlement and incurred liquidation expenses of Rs. 700.

Give journal eniries int he books of Shankar Jaikishan Ltd. (New Company)

**Ex :-8)** Following are the balance sheet of Aasha Ltd. and Lata Ltd. on 31st December. 1995

 **Balance Sheet of Aasha Co. Ltd.**

**Liabilities Rs, Assets Rs.**

Share capital Plant 60000

10000 shares Building 40000

of Rs,10 each. 100000 Furniture 10000

General reserve 20000 Stock 12000

Profit & Loss A/c 10000 Debtors 18000

Sundry creditors 15000 Cash 5000

 **145000** **145000**

 **Balance Sheet of Lata Co. Ltd.**

**Liabilities Rs. Assets Rs.**

Share Capital : Building 50000

6000 Share of Motor 20000

Rs. 10 each 60000 Stock 8000

10% Debenture 15000 Debtors 7000

Sundry creditors 20000 Cash 10000

 **95000** **95000**

A new co. Aasha Lata Ltd was formed 1st Jan., & took over the assets and liabilities of these twocompanies took over plant, building and furniture of Aasha Ltd. but the liability of sundry creditors was

 not accepted purchase considration was fixed at Rs. 130000 of which Rs. 30000 was payable in cash and remaining amount be alloting equity shores of Rs. 10 each. Aasha Ltd. realised the stock and debtors at 10% discount and paid Rs. 14500 to creditors in full satisfaction of their claims realisation expenses amounted to Rs. 2500.

Aasha Lata Ltd. took over all the assets and liabilities of Lata Ltd. except cash and debentures agreed to pay purchase considrntion of Rs 75000 purchase consideration was sattled Rs. 10000 in cash and the remaining amount in the form of shares of required number Lata Ltd. redeemed their debentures at 10% premium and incurred realisation expenses of Rs. 3500.

 Give journal entries in the books of Aasha Ltd. and Lata Ltd. and prepare opening ballance sheet of new company Aasha- Lata Ltd

**Ex:-9)** Kanpur Company and Nagpur Company agree to amalgamate and form a new company 'Maharashtra Company. The balance sheet of both the companies are given below :

 **Balance Sheet of Kaupur Co.**

**Liabilities Rs. Assets Rs.**

Share capital : 60000 Sundry assets 747000

Shares of

Rs. 10 each. 600000

Creditors 42000

Profit & Loss A/c105000

 **747000** **747000**

 **Balance Sheet of Nagpur Co.**

**Liabilities Rs. Assets Rs.**

Share Capital : Sundry assets 374000

(30000 shares of

Rs. 10 each) 300000

Bills payable 65000

Staff provident

fund 5000

Profit & Loss A/c. 4000

 **374000** **374000**

Maharashtra company agreed to accept the assets and liabilities of both the companies on book value. The purchase consideration of Kanpur company was determined at Rs. 750000 which was to be paid as under :

**1)** 2000 Debentures of Maharastra Company each of Rs. 100.

2) 50000 shares of Maharashtra Company of Rs. 10 each at the rate of Rs. 11 each.

3) The purchase consideration of Nagpur Company was determined at Rs 320000.

i) 20000 shares of Maharashtra Company of Rs. 10 each of the rate of Rs. 11 each.

ii) Balance amount will be paid in cash.

 Maharashtra Compnay issued 10000 equity shares in Market at the rate of Rs. 10 each and the full amount received thereon.

 Give the journal entries in the book of Maharashtra Company and prepare it's opening balance sheet.

**Ex:- 10)** Ram Ltd. and Shyam Ltd. agreed to combine and form a new compnay Radhakrishna Ltd. with an authorised capital of Rs. 1000000 in Rs. 100 shares. The new co. took over the assets and liabilities of both companies, the consideration being Rs. 6,00,000 in fully paid up shares to the Ram Ltd. and 2,000 fully paid up shares of 100 Rs. each & Rs. 50,000 is cash to Shyam Ltd., The liquidation expenses of Rs. 5,000 also met by the new company. The formation expenses amounted to Rs. 10,000.

The balance at the date of amalgamation were.

  **Ram Ltd. Shyam Ltd.**

 **Dr. (Rs.) Cr. (Rs.) Dr. (Rs.) Cr. (Rs.)**

Share Capital 400000 200000

Sundry assets 500000 275000

7 % Debentures 50000 50000

Bank 175000 15000

Gen Reserve 200000 40000

Profit & Loss 25000

 **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **675000 675000 290000 290000**

Assume that the formation and liquidation expenses were charged against capital reserve.

 Show that journal entries required to close the books of Ram Ltd. and Shyam Ltd. and to record the opening journal entries in the books of the new company. Also prepare balance sheet of Radhakrishna Ltd.

**Ex:-11)**Following are the balance sheet of white company Limited and Red Co. Ltd. as on 31st December, 1998.

 **Balance Sheet of White Co. Ltd**.

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**Liablites Rs Assets Rs**

-----------------------------------------------------

Share Capital Building 100000

3000 equity Plant &Machmery150000

shares of Rs. 100 Stock 48000

each fully paid 300000 Sundry debtors 60000

General reserve 50000 Cash 17000

Loan 15000

Sundry creditors 10000

 **375000**  **375000**

 **Balance Sheet of Read Co.Ltd**.

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**Liablites Rs Assets Rs**

-----------------------------------------------------

Share capital : Machinery 60000

1500 equity shares Stock 55000

of Rs. 100 each. 150000 Debtors 40000

Sundry creditors 15000 Bills receivable 16000

 Cash 14000

 **165000** **165000**

They agreed to amalgamate and on 1st Jan. 1999 a new company Rosy company Ltd. is in corporated with an a authorise capitall of Rs. 800000 divided in 8000 shares of Rs. 100 each. New company is to issue 5 shares for four shares of White Ltd. & six.

**ABSORPTION**

**Ex:- 12)** The following is the balance sheet of 'A' Co. Ltd. on 1st April, 1998.

 **Balance Sheet**

**Liabilities Rs. Assets Rs.**

Share capital : Land & Building 94500

2500 shares of Plant & Mac. 203000

Rs. 100 each 250000 Stock 70000

150 Mortgage deb Debtors 75000

of Rs. 1000 each. 150000 Cash at Bank 19500

Sundry creditors 60000

P. & L. A/c 2000

 **462000**  **462000**

On the date, the 'B' Company ltd. took over the assets & liabilities of the 'A' Co. Ltd. on the following terms.

a) The share holders of the 'A' Co. were to be allotted one share of Rs. 100 each Rs. 75 per share paid up in the 'B' Co. for every Rs. 100 shares fully paid up in the 'A' Co.

b) The debentures holders were to be allotted a Debenture of Rs. 900 for every debenture of Rs. 1000 held by them in the ' A Co. Draft journal entries to close the books of the 'A' co.

draft journal entries to close the books of the company and to record the transaction in the 'B' Company's Book. **Ex:- 18)** Following is the balance sheet of Assam Coal Ltd. as on year ending 31 st March, 1998.

  **Balance Sheet of "** **Assam Coal" Co. Ltd.**

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**Liablites Rs Assets Rs**

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Share capital : Land & Building 100000

20000 shares of Plant & Mac. 150000

Rs. 10 each 200000 Work in Prog 30000

Debenture 100000 Stock 70000

Sundry creditors 30000 Furniture & Feeting 2500

Reserve fund 25000 SundryDebtors 25000

Dividend equ fund 20000 Cash at Bank 12500

P & L App A/c 5100 Cash in hand 100

 **462000**  **462000**

 The company is absorbed by Janta Mining Co. Ltd., On the above date. The consideratin for the absorption is the discharge of the debentures at a premium of 5% taking over the liability in respect of sundry creditors and a payment of Rs. 7 in cash and one share of Rs. 5 in Janta Mining Co. Ltd., at the market value of Rs. 8 per share in exchange for one share in Assam Coal Co. L t.d. compute the amount of purchase consideration.

**Ex:-13)** White Ltd. agreed to aquire business of Green Ltd. a son 31st Dec. 98. On which date balance sheet of Green Ltd. was summunsed as follows :

**Liabilities Rs. Assets Rs.**

Share capital : 60000 Goodwill 100000

shares of Rs. 10 each Debtor 150000

fully paid. 600000 Land 150000

General Res 170000 Building 100000

P. & L. A/c. 110000 Plant 350000

6% Debentures 100000 Machanery 40000

Sundry creditors 20000 Stock 74000

 Cash 36000

  **1000000** **1000000**

The consideration payable by white company Ltd. was.

**1)** A cash payment of Rs. 2.50 for every share of Green compnay.

2) The issue of 90000 shares of Rs. 10 each at an agreed value of Rs. 12.50 per share.

3) The issue of such an amount of fully paid 5% debentures in white Ltd. at 96% as is sufficient to discharge the 6% debentures in Green Co. Ltd. at a premium at 20%.

 The Directors valued building at 350000 Rs. and created provision at 5% on debtors against doubtful debts. The expenses of liquidation of Rs. 6000 were paid by the white company. Give Journal Entries in the books of white Ltd.

**Ex:- 14)**Following is the balance sheet as on 1/1/1998 of Aristo company Ltd.

**Liabilities Rs Assets Rs.**

**Share capital : Fixed Assets :**

2500 equity share of, Land 50000

Rs. 100 each Machinery 175000

fully paid 250000 **Current Assets :** 1500

4% debenture of Sundry debtors 100000

Rs. 100 each. 150000 Stock 135000

P & L Account 2000 Cash at bank 500

Sundry creditors 60000 Cash in hand 1500 **462000** **462000**

On 1/1/1998 Premier company Ltd. accepted assets and liabilities of Aristo company on the following conditions.

**1)** For one fully paid share of Rs. 100 of Aristo co. Ltd. one share of Rs.100 each of premier company on which Rs. 75 are paid will be allotted by absorbing company.

2) For one debenture of Aristo Co. Ltd. one debenture of Rs. 90 each of Premier Co. Ltd. will be give. Debenture holders of Aristo Co. Ltd. have accepted to accept debentures of new company in redemption debenture amount. **Ex:- 22)**These assets of the National company Ltd. are purchased by Hindustan Co. Ltd. The purchase consideration was as follows

**1)**A Payment in cash at Rs 90 every share in the National Co. Ltd.

2) A further payment in cash at Rs. 550 for every debentures in the National Co. Ltd. which the debentureholders have agreed to accept in full discharge of their debentures.

3) Exchange of 4 shares of the Hindustan Co. Ltd. of Rs. 75 each (quoted in the market at Rs. 140 each) for every share in the National Co. Ltd. The Balance sheet of the National Co. Ltd. stood as

follows.

**Liabilities Rs. Assets Rs.**

Share capital: Land & Building 1100000

(6000 sharesof Rs Furniture 250000

 500 each) 3000000 Plant & Mac. 1800000

1300 Debenture Working in prog. 815000

of Rs. 500 each. 650000 Stock 185000

Creditors 250000 Debenture 270000

Workmen's Cash at Bank 80000

Saving bank 200000

Insurance fund 65000

Reserve fund 275000

P & L A/c. 60000

 **4500000 4500000**

Make the necessary Journal entries in the books of both the companies.

**Ex:- 15)** Balance sheet of 'Y' Ltd. is given below :

 **Liabilities Rs. Assets Rs.**

Share capital : Land&Building 1500000

(250000 shares Plant & Mach 1300000

of Rs. 10 each) 2500000 Investment 15000

7% Debenture 500000 Stock 185000

General Reserve 90000 Debtors 150000

Creditors 25000 Furniture 35000

Mortgage 60000 Bank 10000

 25000 Cash 5000

 **3200000** **3200000**

1) 'X' Co. took over assets and liabilities of'Y' Ltd.. at book value.

2) 3 shares of Rs. 5 each in 'X' Co. be given for every 2 shares of 'Y' Co. at a premium of 10.

3) 10% debentures of 'X' company of necessary amount to redeemed the debenture holders of 'Y' company at a premium of 10%.

4) Rs. 115000 in cash be paid and 'X' company is to bare liquidation Exp. of 'Y' Co. Rs. 3250. Prepare Realisation A/c. Shareholders A/C. in the books of 'Y' Co. and given journal entries in the book of 'X' Company.

**Ex:- 16)** Following is the balance sheet of Ram. Ltd.

**Liabilities Rs. Assets Rs.**

Share capital Goodwill 4000

20000 Share of Fixed assets 16500

Rs. 10 each 20000 Current assets 19500

Profit &Loss A/c 7000

Debentures 10000

Creditors 3000

 **40000 40000**

Laxman Ltd. agreed to absorb the a above company on following terms.

1) To take over assets (excluding goodwill, and a fixed Rs. 4000 and cash Rs. 1000 included in current as sets) at less than book values.)

2) To take over trade liabilities.

3) To pay Rs. 6000 for goodwill.

4) The purchase price was to be discharged by the issue of 2000 shares of Rs. 10 each at a market value of Rs. 1500 per share and the balance in cash.

5) Liquidation expenses amounted to Rs. 400.

Find out the amount of purchase consideration .

**(17)** Following is the balance sheet of J. K. Ltd.

**Liabilities Rs. Assets Rs.**

Share capital 30000 Sundry Assets 51,000

Profit & Loss A/c 2000 Workmen compe nsation

Workmen compe- fund investment 1000

-nsation fund 1000 Debtors 17000

Bills payable 4500 (-) Provision 1500 15500

Creditors 20000

Debentures 10000

 **67500 67500**

J.K .Ltd. sells its business to Modi Ltd. the latter to make over the assets at book values and to pay trade liabilities to pay J.K. Ltd. Rs. 1000 towards debentures at premium of 10% and liquidation expenses Rs. 400. The payment of purchase price is to be 2000 share of Rs. 10 each of an agreed price of Rs. 12 per share and the balance in cash. Compute the account of purchase consideration.

**Ex:- 18)** 'X' company agreed to absorb the business of 'Y company as on 31st December, 1998. The balance sheet of both the companies were as follows

 **Balance Sheet of 'X' Ltd.**

**Liabilities Rs. Assets Rs.**

Share capital : Goodwill 45000

25000 shares of Land & building 175000

Rs.10 each 250000 Machinery 85000

General Reserve 125000 Fixtures 18000

P. & L. A/c. 75000 Investment 40000

Sundry Creditors 20000 Stores 42000

Secured Loan 40000 Sundry debtors 85000

 Cash 20000

  **510000 510000**

 **Balance Sheet of 'Y' Ltd.**

**Liabilities Rs. Assets Rs.**

Share capital Land & Building 50000

10000 Shares of Plant & Mac. 38000

Rs.10 each 100000 Furniture & fitting12000

Reserve fund 40000 Stock 16000

Sundry creditors 6000 Sundry Debtor 35000

 Cash 10000

  **161000 161000**

 'X' Ltd. agreed to take over the assets and liabilities of 'Y' Ltd. at book values for purchase consideration of Rs. 1 60000 payable in fully paid equity shares of Rs 10 each 'X' Ltd also agreed to pay absorption expenses of Rs. 4000 sheet of 'X' Ltd. also agreed to pay absorption expenses of Rs. 4000 to the 'Y' Ltd.

Give the Journal entries in the books of both the companies and prepare opening balance sheet of 'X' Ltd. immediately after absorption.

**Ex :-19)** Arvind company Ltd. was absorbed by Ashok company Ltd. on 1st Januar, 1998 on the following terms.

1) Ashok Comapny Ltd. to take overall the assets and liabilities on net values.

2) Ashok company will issue its own 6% debentures for the redumption of debentures on premium of 5% of Arvind Ltd.

3) Cash payment of Rs. 10 per share of Arvind Company s shares and for each share of Rs. 20 each of Arvind Compnay, two share of Rs. 10 each should

 **Balance Sheet of Arvind Company**

**Liabilities Rs. Assets Rs.**

Share capital 4750 Goodwill 70000

shares of Rs. 20 Land & Bull. 31300

each fully paid up 95000 Machinery 6420

Reserve fund 30000 Furniture 1700

5% Debenture 24000 Sundry debtors 21900

Creditors 15300 Stock 9520

Profit & Loss A/c.9920 Investment 29300

 Cash in hand

 & at bank 4280

 **174220**  **174220**

Pass journal entries in the book of Ashok Company related to purchase of business. Ashok company had a cash balance of Rs. 43220 and the creditors were Rs. 43220.

**Ex:-20)** Vidarbha Trading Company Ltd. was absorbed by Maharastra Trading Company on 30th June, 1998, the balance sheet of Vidarbha Trading Company was as under:

 **Balance Sheet**

**Liabilities Rs. Assets Rs.**

Share capital : 4500000 Freehold assets 1500000

5% Debentures (120each Leaseholds ass. 1200000

of Rs. 1000) 1200000 Machinery 2000000

Reserve fund 150000 Share of com. 800000

Mortgage on assets 250000 Pension fund

Pension fund 300000 investments 300000

P & L A/c 250000 Stock 350000

Sundry creditors 150000 Cash 250000

 Debtors 400000

 **6800000 6800000**

The term of absorption were as follows :

1) For each debentures of Rs. 1000 of Vidarbha trad ingcompany Maharashtra Trading Co. will give its one 5% debenture of Rs. 900 each.

2) Purchaser company will a capital the assets and liabilities on book values.

3) For each three shares of Vidarbha compnay, purchase company will issue two shares each of Rs. 10 at the rate of Rs. 11 each.

4) For the liquidation expenses, the liquidator should take Rs. 5000 form the assets of Vidrabha company Later on the amount was spend by the liquidator. Prepare the realisation account, shareholders account and debenture holders account in the book of vidarbha compnay.

**Ex:- 21)** The balance sheet of 'A' Ltd. is given below

**Liabilities Rs. Assets Rs.**

share capital Fixed assets 3500000

(500000 share Current assets 1000000

of Rs. 10 each) 5000000 Preliminary exp. 340000

8% Debentures 100000 Profit & Loss A/c 470000

Creditors 210000

 **5310000** **5310000**

'B' Comapny accepted all the assets, on the under valuation of 10%. The cash also been accepted by 'B' company. The purchase consideration was determined as under.

1) For each two shares of 'A' company 'B' company will issue one share, each of Rs. 10 at the rate of Rs. 15 each.

2) 'A' company's debentures will be redeemed on the premium of 10%, and the debentures of 'B' Ltd. will be accepted for the same value it mean of the redumption of debenture of 'A' company, the debenture of 'B' Ltd. will be issued.)

3) For each share of company 'A Rs. one will be given in cash.Give the journal entries in the book of 'B' Ltd. and pre.pare realisation account and shareholders account in the book of 'A' Ltd

**Ex:-22)** 'A' Comapny took over all the assets of 'B' Ltd. For Rs. 51228000 and accepted the liabilities for Rs.8899000. The purchase consideratioon was determined as under:

1)10000 debentures of 'A' Company each of Rs. 1000.

2)100000 preferential shares of Rs. 100 each.

3)1500000 equity shares of Rs. 15 each.

4) Cash Rs. 400000.

Liquidation expenses amounted to Rs. 20000 which was paid by 'A Co. Give the journal entries in the book of 'A' Comapny and prepare it opening balance sheet.

In the assets of 'B' company accepted a cash balance of Rs. 1000000

# UNIT II

# RE-ORGANISATION & RE - CONSTR UCT IO N

**Ex:-1)** Following is the balance sheet of Rajesh Ltd. as On 31.3.1996.

**Liabilities Rs. Assets Rs.**

Share capital Land & Building 100000

(30000 shares Plant & Mac. 200000

of Rs. 10 each Work in progress 38000

full paid) 300000 Stock 76000

8% Debentrue 200000 Furniture 13750

Unpaid interest Debtors 57500

on debentures 32000 Bank 750

Sundry creditor 55000 Cash 500

Unpaid expenses 15000 Preliminary Exp 4750

 P & L A/c 110750

 **602000** **602000**

Due to heavy losses suffered by the company for the ast three years the shareholders in their meeing toiquidate and form a new company in the name of RajeshK.umar Ltd. with a authorised share capital of 50000 shares of Rs. 10 each. It was further decided that the Rajesh Kumar Co. will acquire the Rajesh Ltd. on the following terms.

1) To take over all assets at the following values.

Land & Building Rs. 80000

Plant &Machinery Rs. 190000

Work in progress Rs. 25000

Stock Rs. 80000

Furniture Rs. 10000

Debtors Rs. 55000

2) 8% Debenture holders to be satisfied by issuing 7% Debentures in new company covering a mount of debentures and unpaid interest thereon.

3) Sundry creditors are to be satisfied by issue of 5000 fully paid equity shares of Rs. 10 each.

4) New company to take over the liability of unpaid expenses.

5) The shareholders to get 20000 fully paid equity shares of Rs. 10 each.

6)Cash at bank and Cash in hand should be utilized to meet liquidation Exp.

Pass journal entries in the books of Rajesh Kumar Ltd. and prepare it is first balance sheet.

**Ex:-2)** The following is the Balance sheet of Honesh

Traders Ltd. as at 31. 3. 1997.

**Liabilities Rs. Assets Rs.**

Authorised and Goodwill 55000

issued capital : Sundry assets 164500

i) 5006% cum Cash 500

preferential shares P & L A/c 30000

of Rs.100 each fully

paid. 50000

ii) 15000 Equityshares

of Rs. 10 each fully

paid 150000

7% Debentures 20000

Sundry creditors 30000

 **250000** **250000**

Preferential dividends are in arrears for four years. A scheme of re-construction as detailed below was agreed upon.

a)New traders Ltd., a new company to be formed with authorised capital of Rs 325000 all in equal shares of Rs. 10 each.

b)One equity share (Rs.5 paid up) in the new company to be issued for each equity shares in the old company.

c) Twenty equity shares (each Rs. 5 paid up) in the new company to be issued for each preferential share in the old comapny.

d) Arrears of dividend to be cancelled.

e) Debentureholders to receive 2000 equity shares fully paid up in the new company.

f) Sundry creditors to be taken over by the now

company.

g) The remaining unissued equity shares to be taken over and paid for in fully by the directions,

h) New traders Ltd. to take over old company's assets subject to written down sundry assets by Rs. 40000 and adjusting goodwill as required.

Give the journal entries in the books of New Traders

Ltd. And prepare it's opening balance sheet.

**Ex:-3)** Following is the balance sheet of Alankar Company Ltd. Due to heavy losses in past years the company decided to liquidate the company and to form a New Company 'Kalpana Co. Ltd.'

**Liabilities Rs. Assets Rs.**

Share capital : (100000 Land & Building 450000

share of Rs. 10 each Plant & Mac. 240000

fully paid) 1000000 Sundry debtors 30000

Sundry creditors 30000 Stock 20000

Bills payable 20000 Cash at bank 10000 Profit & Loss A/c 200000

 **1050000** **1050000**

The terms of Re-organisation was approved by all the shareholders were

1)The new company should accept all the assets of the old company but the liabilities should not be accepted.

2) The capital of the new comapny is to be consist of Rs. 1500000 which should be divided into 150000 shares of Rs. 10 each.

3) The New Company should accept the assets & goodwill of old company for Rs. 800000 for which cash Rs. 100000 and 140000 equity shareholder each Rs. 5 paid.

4) The balance of Rs. 5 per share payable by the shareholders of the new company is to be paid as to Rs. 2.50 with applications and Rs. 2.50 on allotment. The Re-organisation expenses were Rs. 5000.

The schem was implemented and all the money due

on shares were received.

Give the journal entries to close the books of Alankar

Ltd. Also give the entries in the books of Kalpana Ltd.and prepare it's opening balance sheet.

**Ex:- 4)** The balance sheet of Kanpur Mills Co. Ltd. is as under:

**Liabilities Rs. Assets Rs.**

Share capital Freehold Premises 50000

(10000 shares Plant & Mac. 700000

of Rs. 100 each fully Stock 100000

paid) 1000000 Debtors 75000

1000 6% Debentures Cash 7950

of Rs. 100 each. 100000 P& L A/c 227650

Creditors 30600

Employees

Provident Fund 30000

 **1160600 1160600**

The comapny decided to go into voluntary liquidation with a view of reconstruction under the name of 'New Kanpur Silk Mills Co. Ltd.' The following scheme receives the approval of the shareholders and creditors. 1) Assets and liabilities to be taken over by the new

company.

2) Creditors to be discharged by cash composition of 75 paise in the rupee.

3) 200 debentures to be redeemed at 75% of their value for the balance 6% debentures in the new company to be issued at par. 4) 100000 shares of Rs. 10 each credited at Rs. 6 paid up to be issued by new company to the shareholders of the old company, the unpaid amount on the shares being payable immediately on allotment.

5) Employees Providend Fund tobe maintained.

Give the journal entries in the books of old & New company. Also show the Balance sheet of new company

 \*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*

**Ex:- 5)** Following is the balance sheet of 'X' company Ltd. as on 31st March 1995.

 Balance Sheet

 (As on 31st December 1995)

**Liabilities Rs. Assets Rs.**

Share capital Fixed assets 1850000

(100000 8% Current assets 1450000

preferential share Preliminary

of Rs. 10 each) 1000000 expenses 150000

200000 ordinary shares Patents 50000

each of Rs.10 2000000 Discount on

Creditors 500000 issue of share 100000

Bank overdraft 300000 Cash in hand 150000

Debenture 500000 P & L A/c 585000

Unpaid interest

on debentures 35000

' **4335000**  **4335000**

The following scheme of reorganisation of company was approved.

1)The preferential shares should be converted into 10% deferred preferential shares each of Rs. 10 each Rs. 5 paid up.

2) Ordinary shares be reduced to fully paid shares of Rs.4 each.

3)The debentureholders foregone their claim of interest payable to them.

4)The funds (amount) available by accepting the above scheme should be utilized to write off the nominal assets and if the amount remain afterwards, from that the patents should be written off by Rs. 25000 and the fixed assets should be written off by 10%.

Give the journal entries in die book of company and prepare balance sheet after re-organisation.

**Ex:-5)** The balance sheet of Shine Comapny Ltd. as follows

 **Balance Sheet**

**Liabilities Rs. Assets Rs.**

Share capital at Building 200000

(150000 shares Plant 600000

of Rs. 10 each) 1500000 Furniture 25000

Issued and paid Preliminary exp 90000

up capital 150000 Underwriting 30000

shares of Rs. 10 commission

each fully paidup 1500000 Stock 200000

Tax reserve 250000 Sundry debtors 350000

Sundry creditors 505000 Cash 550000

 Profit & Loss A/c. 360000

  **2405000** **2405000**

The proposal of reducing the share capital of the comapny by Rs. 900000 was agreed and approved by the court.

Thus the amount available should be utilized as under

1)Preliminary expenses, Underwriting commission and profit and loss account balance should be fully written off.

2)From the balance amount, plant should be written off. Give the journal entries and prepare the balance sheet after reorganisation

**Ex:-6)** The balance sheet of Amrut Co. as 31st Dec. 1995 is as follows :

 **Balance sheet**

**Liabilities Rs. Assets Rs.**

Authorised share Patents(oncost) 2550000

capital : Leasehold building 392400

30000 Preferential Plant 126600

shares of Rs. 100 Sundry debtors 229500

each. 3000000 Stock 125000

300000 equity shares Discount on

of Rs.10 each 3000000 issue of shares 540000

 6000000 Preliminary exp. 36000

Subscribed and Profit & Loss A/c 345000

paid up capital : Cash balance 1500

 22500 Preferential

shares of Rs. 100

each fully paid 2250000

150000 equity shares of

 Rs. 10 each

fully paid 1500000

Creditors 90000

Bank Overdrafts. 60000

Bills Payble 446000

  **4346000 4346000**

The scheme or reconstruction was approved as under:

1) Rs. 100 Preferential shares be- reduced to an equal

number of fully paid shares of Rs. 50 each.

2) Rs.10 equity shares be reduced to an equal number of fully paid shares of Rs. 2.50 each.

3) That the amount thus made available be used to write off preliminary expenses, profit and loss account, discount on issue of shares fully and write off Rs. 92400 of the leasehold building, Rs. 45000 off the stock, 20% of plant and sundry debtors and the balance available to the written off the patents. Pass the journal entries and prepare balance sheet after reconstruction.

**Ex:-7)**The balance sheet of Gomanta Ltd. is as under

 **Balance sheet**

**Liabilities Rs. Assets Rs.**

Subscribed and Land & Building 300000

paidup capital: Goodwill 70000

30000 5% deffered Plant & Mac. 250000

preferential shares of Furniture 2000

Rs. 10 each. 300000 Stock 30000

50000 equity shares of Debtors 120000

Rs. 10 each fully Bills receivable 95000

paid 500000 Bank 6000

6% debentures 250000 Profit &

Loan 50000 Loss A/c. 420000

Sundry creditors 193000

  **1293000** **1293000**

1)The Preference shares dividends are two years in arrears.

2)The Depreciation has not charged on plant and machinery to the extent of Rs 20000.

3)The following scheme of reorganisation was approved.

a) Dividend in arrears should be cancelled.

b) Preference shares should be reduced to Rs. 8 each hut the rate of dividend should be increased by 25%

c) Equity shares be reduced by Rs. 8 each, and it's paidup value should be taken at Re one each and for the requirement of additional capital, the unreceived amount should be called up.

4) Profit & Loss A/c. Dr. balance, goodwill and the plant and machinery of Rs. 20000 should be written off. Pass the necessary entries to give effect to the aforesaid scheme & prepare the post reorganisation balance sheet.

**Ex:-8)** Mr. Ram & company promoted a joint stock comapny in 1990. The working of the company was not successful. On 31st Dec 1995, the Balance sheet of the company was as under.

**Liabilities Rs. Assets Rs.**

Authorised capital: Land & Buil. 100000

20000 shares Machinery 260000

of Rs. 100 each 2000000 Furniture 20000

 Subscribed capital: Stock 370000

19000 share of Rs. Debtors 180000

100 each. 1900000 Goodwill 200000

Creditors 100000 P & L A/c. 970000

Shyam & Co. 100000

 **2100000** **2100000**

The company is reconstructed on the basis of tine following scheme.

A) The 1 9000 shares of Rs. 100 each to be reduced to an equial number of fully paid shares of Rs. 40 each.

B) The debt of Rs. 100000 due to shyam & Com pany was also tobe reduced, the remaining 1000 unissued shares being issued to them as fully paid shares of Rs. 40 each in fully settlement of the amount due to them

C)The amount thus rendered available by the reduction of capital and by the above arrange ment with Shyam & Co. is to be utilized in writing off the goodwill and the P&L A/c and writing down the value of machinery. Give journal entries and prepare, Balance sheet

after Reconstruction.

# DOUBLE ACCOUNT SYSTEM

# UNIT III

**Ex:-1)** X Electric. Co. Ltd. gives their Trial Balance

Sheet as on 31st Dec. 94 as under -

**Particulars Dr Cr.**

Equity. Share 411750

Debenture 150000

Land 31st Dec. 93 112500

Land purchase 3750

Machinery 31st Dec. 93 450000

Vlachinery purchase 3750

Plains up to p.y. 150000

Mains (exp. in c.y.) 38250

Sundry creditors 750

Dep. Reserve 187500

Sundry debtor 30000

Other debtor 375

closing stock (shares) 3750

Cash 3750

Exp. on supplying ele. 22500

Exp. in generation of Ele. 3750

Rent & taxes 3750

Maintenance exp. 9000

Depreciation 15000

Sale of ele. 97500

Meter rent 3000

Intt. on deposits 750

Intt. on debenture 7500

Inter, dividend 15000

Net revenue A/c 21375

**Ex 2)** Kedar Co. Ltd; gives the information as on 31st Dec. 2000 as follows :

**Years Particulars Dr. Cr**

49000 Debenture 200000

500000 Share capital 549000

25000 Share premium 50000

150000 Land 155000

600000 Machinery 605000

200000 Mains 251000

40000 Transformors 50000

 Creditors 51000

 Dep. Reserve 15000

 General reserve 50000

 Sundry debtors

 for Ele. Bill 35000

 Other debtors 5500

 Stores of stocks 5000

 Cash 5000

 Ele. generator exp. 30000

 Ele.distribution exp. 7500

 Rent tax 2500

 Manu. exp. 10000

 General charges 2000

 Stationery & printing 5000

 Audit fee 5000

 Sale of ele. by meter 110000

 Sale of ele. by contract 20000

 Meter rent 5000

 Intt. on debenture 12500

Interium dividend 17500

 Net revenue A/c 28500

**Adjustments :**

**1)** O/s general exp.2000

**2)** Prepaid rent 1500

**3)** Dep. machinery by 10% mains by 10% transformers by 5%.

**Ex3)** SUN Ele. Co. Ltd.. gives their Trial B/s. as on

31 st Dec. 95 as under -

**Years Particulars Dr. Cr.**

31st Dec. 94

400000 Eq. share capital 423000

400000 Pref. share capital 400000

2000000 Debenture 250000

50000 Share premium 50000

200000 Land 200000

25000 Furniture 32500

700000 Machinery 707500

150000 Mains 200000

300000 Transformer 370000

6500 Preliminary exp. 6500

 Creditors 77000

 Dep. reserve 250000

 General reserve 50000

 Sundry debtors 50000

 Other debtors 10750

 Stores & stock 7500

 Cash in hand 7500

 Ele. generate exp. 40000

 Ele. dis. exp. 12500

 Rent & taxes 7500

 Manu. exp. 30000

 General charges 10000

 Audit foe 6000

 Printing & stationary 2000

 Sale by meter 100000

 Sale by contract 95000

 Meter rent 7500

 Net revenue A/c 40000

 Intt. on deposits 2750

 Intt. on debenture 15000

 Interium divi. 30000

1) Dep. charged on machinery, mains furniture & transformer by 5%, 10%, 15%, & 15% respectively..

2) O/s. Manu. exp. 5000.

3) Prepaid rent & taxes 2500.

4) Intt. on deposit, accrued but not received 22000.

5) Director proposed divi on Eq Share 10% & Pref Share by 5%.

**4)** The following is the Trial balance of M/p electric To. Ltd. as on 31st March 1995.

**Particular Dr. Cr**.

Capital (3000 eq.sh. of Rs. 100) 300000

 Premiurn on issue of shares 2500

Investment 150000

Debenture 200000

Investment reserve 8900

Land & building 250000

Debenture intt. 9000

Accrued deb. intt. l500

Govt. subsidy 12000

Remuneration of trustees for

debenture holder. 2500

Machinery 106700

Mains 50500

Mctois 15800

Sundry debtor 16700

Sundry creditor , 20500

Depreciation reserve 53800

Furniture 4500

Sale by meter 160800

Sale by contract 44600

Meter rent 1200

Depreciation 27800

General expenses 90200

Dis. oxp. 29500

Expenses of management 18900

Repairs & ronow.ils reserve 28000

Actual exp. on repairs &

renewals 6200

Stores coal oil lamps in stock 27900

Cash in hand at bank 42500

Intt. on investment 6000

Net revenue A/c 8900

 **848700** **848700**

**Additional Information .**

1) Prepare final A/c either according to double A/c system or according to electricity act after taking the following into consideration -

 During the year company incurred additional expenditure of Rs. 75000 on land & building, Rs. 25600 on machinery &Rs. 12000 on mains. Company had issued Current yr.1000 equity shares at a premium of 2.5% & debentures of the face value of Rs. 50000. These shares & debentures were fully subscribed & paid up.

2) The repairs & renewals reserve have been maintained by charging to revenue each year with a fixed sum. of Rs. 8000.

3) Provide Rs. 29000 for the year liability for taxation. The directors have recommended to payment of dividend at 5% on Equity shares.

**Ex. 5)** Following are the balances of Bharat Gas Comp Ltd. as on 31.3.98 :

Nominal capital :

Rs.200000 shares of Rs. 5 each 1000000

Paid up capital 150000 share of 600000

Rs. 4 each

6% Debentures 320000

Share premium 4105

Depreciations Fund 82000

Dep. fund investment 82000

Freehold land 335500

Buildings 128625

Mains and Metrs 84928

Plant stores 387900

wagon & lorries 4750

Opening Stock - .

i) Coal 38530

ii) Purifying material 216

Purchase of Coal 171349

Purchases of purifying material 2645

Repairs & Renewals 36847

Renewal and maintenance of

main & meter 18982

Wages 27920

Salary 4455

Director fee 9500

Rate and taxes 9460

Auditor fees 3585

Gcnoral expanses, administrative 10653

Accident compensation 4220

Certificate fee 20

Sale of Gas 398826

Sale of Coke 127250

Dividend Paid 150000

Interest on Debentures 19200

Balance of Net Revenue A/c (Cr.) 40867

Sundry Creditors 18326

Sundry Debtors 43497

Cash 16632

**Additional infornuition -**

Stock on 31 st march 1998

Coal . 34647

purifying material 535

Depreciation is to bo provided as follows : - 5 % of the value of the plant, stores etc. 2.5% on building. Prepare revenue account, capital account and general balance sheet under the double account system.

**Ex.:6)** Following Balances were extracted from the books of S. Elec. supply Co. Ltd. for the year ended 31st March 1998.

**Debit Balance: -**  **Rs.**

Licence 9000

Land (addition during the year Rs. 10000) 210000

Building 1218000

Machinery 204000

Transformer 8370000

Mains (addition during the year

Rs. 17700000) 28425000

House service connection

(addition during the year 225000) 3210000

Furniture (Addition during the year 21000) 330000

Motor lorry (addition during the

year 50000) 315000

Investment of contegencies reserve

 in Govt.. security 480000

Purchase of energy 6225000

Salary and wages 1200000

Repair 648000

General expenses 3354000

Director fees 25500

Interest on fixed loans 352500

Interest on customers security deposit 120000

current assets 3300000

Work in progress . 1920000

Debtor 4050000

Bank 2100000

Loan and advances 1050000

**Credit Balance: - Rs**

Share capital :

750000 equity share of Rs. 10 each 7500000

300000 7% preference share of

Rs. 10 each 3000000

Reserve for rebate to consumer 211500

Contegencies reserve 480000

Tariff and dividend control reserve 210000

Development reserve 918000

Accumulated depreciation 24000000

Balance of net revenue account

brought forward from previous year 22500

Loan from State Govt. 4950000

Loan from electricity board 570000

Creditor 2574000

Consumer Security deposit 4800000

Unclaimed dividend 225000

Sale of energy . 17475000

Rent of meter 105000

Income on public lamp 22500

Hire on machinery and goods 37500

Interest on bank account 15000

The following adjustment have to be made.

i)Depreciation for the year 1725000

ii)Provision for taxation 2280000

iii)Transfer to contigencies reserve 225000

iv)Transfer to development reserve 120000

Prepare capital account,, revenue account, net revenue account and general balance sheet under the double account system.

**Ex.7)**. The following are the balances as 31st March 95 in the books of Maharashtra Power an Light Co. Ltd.

**Particular Dr. Rs. Cr. Rs.**

Land on March 31, 1994 60000

Land expanded during 1994-95 2000

Machinery on 31stMarch1994 240000

Machinery expanded during

1994-95 20000

Mains, including cost of laying 80000

Mains expanded during

1994-95 20400

Equity Shares 219600

Debantures 80000

Sundry Creditors 400

Depreciation Reserve 100000

Sundry Debtors for Current 16000

supplied

Other Debtors 200

Cash 2000

Cost of generation of electricity 14000

Rent, Rates and Taxes 2000

Management Expenses 4800

Depreciation 8000

Sale of current 52000

Rernt of meters 2000

Cost of distribution of electricity 2000

Interest on debentures 4000

Interim Dividend 8000

Balance, Net Revenue A/c 11400

31/3/1994

  **465400 465400**

From the above Trial Balance, prepare Revenue Account, Net Revenue A/c, Capital A/c and General Balance Sheet.

**Ex.8)** Provide for he undermentioned depreciation and prepare a Revenue Account, Capital Account and General Balance Sheet from the following Trial Balance:

 A call of Rs. 10 per share was payable on 30th September, 1995 and arrears are subject to interest at 5% p.a.

 Depreciation to be provided for on Buildings 2.5% Machinery 7.5%, Mains 5%, Transformers etc. 10%, Meters and Electrical Instruments 15%.

**The Khaperkheda Electric Lighting Co. Ltd.**

**Trial Balance as on 31st March, 1996**

 **Amount on**  **Dr. Rs. Cr. Rs.**

**31 March, 1995**

200000 Capital, Normal,

10000 shares of Rs. 100 each,

 subscribed, 5000 shares

 of Rs. 50 each. 250000

150000

 6% Debentures 150000

10000 Depreciation fund 10000

 Calls in arrear 10000

93000 Free hold land 93000

40000 Buildings 50000

60000 Machinery 100000

50000 Mains ' 80000

10000 Transformers etc. 20000

5000 Meters 15000

3000 Electrical List. 4000

16000 General Stores 23500

2500 Office Furniture 2500

 Coal and Fuel 19000

 Oil, waste 7500

 Coal, Oil etc. in stock 1000

 Wages at station 30000

 Repairs and

 Replacements 5000

 Rates and Taxes 3000

 Salaries of the

 Manager 15000

 Director's Fees 10000

 Stationary Printing

 and Advertising 6000

 Law Expenses 3000

 Sale by Meter (Energy) 87500

 Sale by Contract

 (Energy) 50000

 Meter Rent 3000

 Sundry Creditors 10000

 Sundry Debtors 45000

 Cash in hand & at Bank 33000

 Contingencies Reserve 15000

 **5755000** **5755000**

**Ex.:-9)** Following balance are taken from the books of Nagpur Ele. Co. as on 31st March 97. You are required to prepare Revenue A/c, Capital A/c & General B/s of the Co. as per Double A/c'ing system.

**Year Particulars Dr. Cr.**

31st Mar.96

 Nominal capital (500000

 equity share of Rs. 10 each)

1000000 Paid up capital 1200000

750000 4% debenture 750000

50000 Dep. fund 50000

465000 Freehold land 465000

200000 Building 250000

300000 Mac. at power station 500000

250000 Mains 400000

25000 Meters 75000

50000 Transformer 100000

15000 Electrical instrument 20000

80000 General stores (cables,

 mains etc. in stock) 117500

12500 Office furniture 12500

 Coal & fuel 95000

 Oil, weaste etc. 37500

 Coal, oil waste etc.

 in stock 5000

 Repairs & replacement 25000

 Rate & taxes 15000

 Salaries 75000

 Wages at power station 150000

 Directors fees 50000

 Stationery & printing 30000

 Incidental exp. 5000

 Law charges 10000

 Sales by meter 437500

 Sales by contract 250000

 Meter rent 15000

 Sun. creditors 50000

 Sun. debtors 150000

 Cash in hand & bank 165000

 Provide, dep. on building 2.5%, mach. 7.5% mains 5% transformer 10%, meters 15%.

**Ex10)** following balance were extracted from the books of the Bhadrawati Gas Supply Co. Ltd. Prepare:

(a) Revenue Account,

(b) Net Revenue Account,

(c) Capital Account,

(d) General B/s of the Co. for the year 1997-98

**Year Particular Dr. Rs. Cr. Rs.**

31 Mar. 97

3000000Share capital subscribed 3750000

225000012% Debentures 2259000

150000 Dep. fund 150000

 Calls in arrears 150000

1995000Land & building 2145000

 900000 Mach. at pump house l500000

900000 Mains 1500000

75000 Meters 225000

45000 Water lifting pumps 60000

240000 Pipeline 3525

37500 Office Furniture 37500

 Motive power 397500

 Wages 465000

 Repair & replacement 75000

 Salary 270000

 Office exp. 285000

 Sale by meter 1312500

 Sale by contract 750000

 Meter rent 45000

 Sundry creditors 150000

 Sundry debtors 459000

 Cash in hand & in bank 495000

 **84075000** **84075000**

**Additional Information:**

1) Depreciation to be provided for -

Land & building 2.5%. Machinery 7.5% mains 5%, meters 10% .

Depreciation on addition during the year to be charged for six months.

2) Transfer to general reserve Rs. 30,000.

**Ex 11)** following are the balances of Nagpur Gas co. Ltd. as on 31.3.97

Paid up Share Capital :

Rs. 75000 shares of Rs. 10

each Rs. 8 paid 600000

6% Debentures 3020000

Share premium 4105

Depreciation Fund 82000

Dep. fund investment 82000

Freehold land 335500

Buildings 128625

Mains and Meters 84928

Plant 387900

Delivery vehicles 4750

Furniture 2000

Opening Stock of Material 38746

Purchase of Material 173994

Repairs & Renewals 55829

Administrative Expenses 69793

Transfer fees 20

SaleofGas 398826

Sale of Coke 127250

Dividend Paid 150000

Interest on Debentures 19200

Balance of Net Revenue A/c (Cr.) 40867

Sundry Creditors 18326

Sundry Debtors 43497

Cash in hand and at Bank 14632

Closing stock 35182

Chaige depreciation at 5% on plant and 2.5% on building

Prepare Revenue A/c, Net Revenue A/c and Capital A/c.

**Ex:-12)** The following is the Trial Balance of electric light and Power Company Ltd. as at 31st March, 2000. Prepare the Final Accounts :-

**Trial Balance**

**Particulars Dr. Rs. Cr. Rs.**

Preliminary expenses 10000

Cost of License 16000

Building 350000

Plant 450000

Mains 175000

Tools and Instruments 20000

Transformers 100000

Meters 50000

Furniture and fixtures 60000

Share Capital 400000

8% Debentures 300000

Sundry Creditors 35000

Reserve fund 100000

Reserve fund Investment 100000

Sale of ashes . 7000

Rent and Taxes 10000

Fuel, Oil, waste at generation 12500

Wages at'Plant 120000

Distribution wages 40000

Meter rent 30000

Balance of Net Revenue A/c 40000

Depreciation Fund 150000

Cash in hand 10000

Cash at Bank 60000

Debtors 27000

Fixed deposits with bank 50000

Management expenses 24000

Directors remuneration 6000

Stores in hand 20000

Auditor's remuneration 6000

**Repairs:**

Generation 4000

Distribution 2000

Prepaid expenses 2000

Street light expenses 60000

Sale of enprgy for lighting 450000

 Sale of energy for power 310000

Sale of energy under Special 150000

Contract

**Salaries of Engineers and others** :

Generation 40000

Distribution 15000

Office 20000

  **1972000**  **1972000**

**Additional Information :**

1)Additions to fixed assets and capital during the year

 Rs

Building 50000

Plant 120000

Mains 25000

Share Capital 100000

2) Depreciation to be provided for the year :

 Rs.

Building 30,000

Plant 35000

Tools and Instruments 2000

Meters 5000

Transformers 10000

Furniture and Fixtures 5000

3) Interest on debentures to be provided for one year.

4) Provided for Income Tax Rs. 30000.

5) Transfer to Reserve Funds Rs. 15000.

# VALUATION OF SHARES

# UNIT IV

Ex.1) Balance sheet of Baidhanath co.Ltd As on 31Dec2000 is

 Balance Sheet

Liability Rs Assets Rs

 Capital Fixed Assets

20000 shr@ 10Rs. 200000 Goodwill 200000

Reserve 25000 Investment 300000

P&L A/c 30000 Other Assets 50000

Loan 80000 Advance Payment

Creditor 20000 & loan 30000

 580000 580000

For valuation of share goodwill should be calculated by Avg. profit & weight is two times.

Profit of previous five years is -60000, 70000, 40000, 50000 Rs. & 50000 Rs

Calculate value of share by Net Assets Method

Ex 2) Following is the Balance Sheet of samera Co.Ltd

 Balance Sheet

Liability Rs Assets Rs

Capital Land 11300

5000 shr@ 22Rs. 110000 Bulding 58650

Reserve 41200 Machinary 102900

Loan 2700 Stock 130000

Depreciation

fund 23150 Debtors 16750

Creditors 194300 Investment 85000

P&L A/c 180600 Cash 157450

Saving of Personal 11350 Prel. Exp 1250 563300 563300

Depreciation fund includesb Rs 2700 more than

 actual depreciation

 Evaluate value of share by Assets backing method

 (Liquidation value)

Ex 3) Shiram Co Ltd bears net Assets of Rs 400000 Capital of Compay includes following equity shares:-

Category ‘A’ :- 500 equity Shr @ 100 = 50000 Rs

Category ‘B’ :- 3000 equity Shr @ 50 = 150000 Rs

 200000

Evaluate the a values of shareof Category ‘A’& ‘B’

Ex 4) Balance Sheets of Telecom Co.Ltd As on 31 Dec 2001

 Balance Sheet

Liability Rs Assets Rs

Capital 12000shr Land & Bulding 780000

@ 100Rs. 1200000 Machinery 300000

Gen Reserve 160000 Debtors 220000

P&L A/c 100000 Bills Reciveble 60000

Creditor 70000 Stock 120000

Bills Payble 40000 Goodwill 40000

Income tax

prov 10000 10% Govt Bond 60000

 1580000 1580000

Company earn profit in preivous four Years of Rs 100000, Rs 300000, Rs 400000 respectively Which includes Interest earned from Govt Bonds.

 Calculate Goodwill 3 times of super profit .Normal rate of return in same type of business is 12%.

 You have to Evalute intersenic value of share after considering new goodwill.

 Ex 5) On 31st Dec 2001 Following are the Balance Sheet Of Geta & Seta Co.Ltd

 B/S of Geta Co.Ltd

Liablity Rs Assets Rs

Capital 50000 Shr Fixed Assets 105000

@ 2 Rs each 100000 Share of Seta Co.

General Reserve 6000 (20000) 25000

Bills Payabl 25000 Other Assets 10000

Creditor 5000

P&L A/c 4000

 140000 140000

 B/S of Seta Co.Ltd

Liablity Rs Assets Rs

Capital 30000 Shr Fixed Assets 25000

@ 1 Rs each 30000 Goodwill 3000

Creditor 4000 Other Moveble

P&L A/c 4000 Assets 12000

 40000 40000

 Value Of Fixed Assets Of Geta & Seta Co. is 12000 Rs & 37000 Rs. Respectively Value of Goodwill of Seta Co. Ltd is found to be zero.

 Calculate break up value of share of Geta & Seta Co. Ltd by net assets methode.

Ex 6) From the following B/s Value the Equity & Pref Shares.:-

 Balance Sheet

Liability Rs Assets Rs

Pref. Shares 20000 Assets 600000

shr@ 10Rs. 200000 (Book Value)

Equity Shares 30000

shr@ 10Rs. 300000

Liablity 100000

600000 600000

 The Market Value of one half of the assets is considerd at 10% more than the book value & that of remaineng of remaining one half at 5% less than book value.

There was liablity Of Rs 5000 Which is not Considerd .

Assume preferance share have no priorty of Repayment of capital & Dividend & Calculate the interest values of share.

Ex:-7) The following is the information taken from the Mahraja co.ltd on 31St march 2000

1)10000 Equity shares of Rs 10 each 100000

2)10000 Equity Share of Rs 10 each 75000

 (7.50 paid up)

3) 10000 Equity Share of Rs 10 each 50000

 (5 Rs Paid up)

4) General Reserve 135000

5) Sundery creditor 55000

6) Bulding 167000

7) Commission on issue of share 6000

8) Prelimanary Exp 9000

9) Floating Assets 233000

 Calculate the value of each type of share by assets backing methode(Excluding Goodwill)

 Method 2:- Yield Value Method

Ex.8) A company Posses equity share of Rs 10 each dividend on Rs 5000 Share . Profit of previous year of the company is Rs 80000, Rs 100000, Rs 120000, Rs 150000 respectively. The normal rate of return is 10% work out the yield value of each share of company.

Ex.9) Evalute the yield value of share of the neha Co. Ltd

1) In company capital there are 25000, 6% preferance share @ 10 Rs each & there are equity share of Rs 100 each dividend in 5000 shares.

2) Dividend to preferance share holder is yet to pay

3) The average profit of company after tax is Rs 80000 & Before declering dividend it is necesary transfer Rs 5000 to reserve

4) Normal rate of return is 10% in such bussiness.

Ex.10) Namita Co.Ltd have balance sheet as on 31 st Dec

 Balance Sheet

Liability Rs Assets Rs

 Capital Fixed Assets 500000

50000 shr@ 10Rs.500000 Goodwill 20000

Reserve 40000 Other Assets 300000

P&L A/c 10000

Loan 150000

Creditor& loan 120000

 820000 820000

On revaluation fixed assets is valued Rs 600000 & Goodwill at Rs 40000. Profit of previous 3 Years of Co. is Rs 60000, Rs100000 & Rs 80000.

From this 20% have to be kept for Reserve for each year.

Normal Rate of return in such type of business is 10%. Evalute the value of share by -

1) Assets backing methode

2) Yield value method

3) Fair value method.

11) On 31st December 2000 the balance sheet of Ratan Ltd.company is -

 Balance Sheet

Liability Rs Assets Rs

 Share Capital Fixed Assets 500000

@ 10Rs. 400000 Current Assets 200000

Reserve 90000 Goodwill 40000

P&L A/c 20000

5% Debenture 100000

Current Liability 130000

 740000 740000

fixed assets & Goodwill are independently valued at Rs 350000 & Rs 50000 respectively.

 Net profit of previous years are given as 51600, 52000 Rs, & 51650 Rs. Rs of which 20% is placed to reserve

Rate of normal return is Rs 10% , Calculte value of share by -

1) Net assets method

2) Yield method

3) Fair value method

4) Earning capacity method.

Ex 14) The paid up share capital of a company is divided in 1000, 8% Preferace shares Of Rs 10 each .In addition to the fixed Dividend of 8% the preferance share holders are entitled to particepate in the profits upto 4% after payment of dividend of 10% on the ordenery shares any surplus profit to being avilble for ordinery shareholders.

 The annual averge profit of the company is Rs 50000 after providing for depricition and textion and it considered necessaryto transfer Rs 3000 per year to general reserve .

 The normal return expected on preferance share is 8% and that on ordinary shares 10% .

 Work out the value of each preferance share and ordinery share in company.

Ex 15) The following particulars are avilble about Mahindra Co.Ltd

**50000, 8 % Preferential shares of Rs 10 each = Rs 500000. 55000 Equity share of Rs 10 each = Rs 550000. External liablities Rs 80000, Reserve and surplus Rs 30000, Average normal profit (After taxtion) earned every year by the company Rs 95000** **. The normal return earned by the fully paid equity share , of the same type of companies is 10%. Out of the total assets worth Rs 3000 are fictious .Calculate the faire value of equity share of the company .**

Ex16) Balance sheet of X & Y Co. under same mangment having equal assets & liablities. it is equal in all respect except the arrangment of share capital which is.

 X Ltd. Y Ltd.

6% Pref.Shr @ 100

 Rs each 3400000 340000

Equity Share of Rs

100 each 170000 323000

 3570000 3570000

 Normal rate of return in similer bussiness is 8% Company gives you previous 2 years profit which is Rs 316000 & Rs 432000.

 Calculate the Yield value of equity share for each company ignoring all the fact other than above.

17) The paid up capital of company is 2000, 8% preferance share of Rs 10 each & 30000 equity share of of Rs2 each Preferance share holder entiteled to get 4% Additional participation in profit i.e. (8%+ 4%)

 the average annual profit is 8000 Rs . After depricition & taxtion . It is necesary to transfer Rs 3000 to reserve fund.

 Normal rate of return on prefarance share is 9% & on equity share is 12 %.

 calculate yield value of each equity share & Preference share.

18) Following is the B/S of the XYZ Ltd.on 31st Dec 2000

 Balance Sheet

Liability Rs Assets Rs

Share Capital 7500 Land & Bulding 42000

Shr @ 10 Rs 75000 Plant 48000

Reserve Fund 15000 Trademark 7500

P&L A/c 12000 Stock 18000

Work man’s Saving 11250 Debtor 33000

Sundery Creditor 36750 Cash 19500

Secret Res 22500 Prel .Exp 4500

 172500 172500

The plant is of Rs 45000 & Land & Bulding is of Rs 90000 after revaluvetion Rs 30000 of book debt is bad. Profit for preivioues 3 year is 30000 Rs, 33750, Rs 39750. Rs company have to transfer 25% to the reserve. Ignoring taxtion calculate the value of share on the Yield basis & net Assets basis. similer company earn 10% Goodwill is to be taken at Rs 60000