



Sol.2.

**BOOKS OF PRANAV LTD.**

**Realisation Account**

| Dr.  |                  | Cr.                                  |                  |
|--|------------------|--------------------------------------|------------------|
| Particulars                                  | Rs.              | Particulars                          | Rs.              |
| To Sundry Assets<br>(Excluding unpaid calls) | 68,95,700        | By Sundry Liabilities                | 16,36,200        |
| To Cash (Expenses)                           | 1,40,000         | By Divya Co. Ltd. (P.C.)             | 44,40,000        |
|  |                  | By Loss to Sundry Members<br>Account | 9,59,500         |
|  | <b>70,35,700</b> |                                      | <b>70,35,700</b> |

**Sundry Members Account**

| Dr.                     |                  | Cr.                        |                  |
|-------------------------|------------------|----------------------------|------------------|
| Particulars             | Rs.              | Particulars                | Rs.              |
| To Unpaid Calls         | 10,000           | By Share Capital Account   | 50,00,000        |
| To Realisation Account  | 9,59,500         | By Profit and Loss Account | 2,69,500         |
| To Shares in Divya Ltd. | 40,00,000        |                            |                  |
| To Cash Account         | 3,00,000         |                            |                  |
|                         | <b>52,69,500</b> |                            | <b>52,69,500</b> |

**Journal of Divya Ltd.**

| No. | Particulars  | Dr.  | Dr.Rs.  | Cr.Rs.  |
|-----|--|--|---|---|
| 1.  | Business Purchase A/c<br>To Liquidator of Pranav Ltd.<br>[Being purchase of business of Pranav Ltd.]   | Dr.  | 44,40,000<br>-  | -<br>44,40,000  |
| 2.  | Land A/c<br>Building A/c<br>Plant and Machinery A/c<br>Sundry Debtors A/c<br>Stock A/c (at FIFO)<br>To 10% Debentures A/c<br>To Creditors<br>To Bank Overdraft<br>To Profit and Loss A/c (bal. fig.)<br>To Business Purchase A/c<br>[Being assets, liabilities and Profit & Loss taken<br>over from Pranav Ltd.] | Dr.<br>Dr.<br>Dr.<br>Dr.<br>Dr.<br>-<br>-<br>-<br>-<br>- | 5,00,000<br>35,68,200<br>16,43,900<br>3,98,400<br>7,45,200<br>-<br>-<br>-<br>-<br>- | -<br>-<br>-<br>-<br>-<br>10,00,000<br>4,36,200<br>2,00,000<br>7,79,500<br>44,40,000 |
| 3.  | Liquidator of Pranav<br>To Equity Shares Capital A/c<br>To Bank A/c<br>[Being the payment of purchase consideration in<br>the form of Shares and Cash]   | Dr.  | 44,40,000<br>-<br>-   | -<br>40,00,000<br>4,40,000  |

**DIVYA LTD.**

**Balance Sheet (after absorption of Pranav Ltd.)**

| Liabilities  | Rs.                | Assets   | Rs.                |
|--|--------------------|--|--------------------|
| <b>I. SHARE CAPITAL</b>  |                    | <b>I. FIXED ASSETS</b>                           |                    |
| <b>Authorised:</b>   |                    | Land(30,00,000 + 5,00,000)                       | 35,00,000          |
| 20,00,000 Shares of Rs.10 each   | 2,00,00,000        | Buildings  | 1,39,01,200        |
| <b>Issued:</b>   |                    | Plant and Machinery                              | 55,20,700          |
| 19,00,000 shares of Rs.10 each   | 1,90,00,000        | <b>II. INVESTMENTS</b>                           | -                  |
| <b>Subscribed:</b>   |                    | <b>III. CURRENT ASSETS, LOANS &amp; ADVANCES</b> |                    |
| 19,00,000 Shares of Rs.10 each (of the above shares 4,00,000 shares of Rs.10 each are allotted as fully paid up pursuant to a scheme of amalgamation without payment being received in cash) | 1,90,00,000        | <b>a. Current Assets:</b>                        |                    |
| Less: Unpaid Calls   | 50,000             | Stock (7,45,200 + 17,92,600)                     | 25,37,800          |
|  | 1,89,50,000        | Debtors (3,98,400 + 7,24,000)                    | 11,22,400          |
| <b>II. RESERVES &amp; SURPLUS</b>  |                    | Bills Receivable                                 | 3,62,100           |
| Profit & Loss Account (WN)   | 17,68,000          | Bank Balance                                     | 12,44,200          |
| <b>III. SECURED LOANS</b>  |                    | (16,84,200 – 4,40,000)                           |                    |
| Debentures (50,00,000 + 10,00,000)   | 60,00,000          | <b>b. Loans &amp; Advance:</b>                   |                    |
| <b>IV. UNSECURED LOAN</b>  | -                  | <b>IV. MISC. EXPENDITURE (NOT W/O)</b>           | -                  |
| <b>V. CURRENT LIABILITIES &amp; PROVISIONS</b>   |                    |  |                    |
| <b>a. Current Liabilities:</b>   |                    |  |                    |
| Creditors  | 12,70,400          |  |                    |
| Bank Overdraft   | 2,00,000           |  |                    |
| <b>b. Provisions:</b>  |                    |  |                    |
|  | <b>2,81,88,400</b> |  | <b>2,81,88,400</b> |

**Working Notes:**

**(1) P & L A/c in the Balance Sheet of Divya Ltd.**

|                                | Rs.             | Rs.       | Rs.              |     |
|--------------------------------|-----------------|-----------|------------------|-----|
| Divya Ltd. P & L A/c           |                 |           | 9,88,500         | Cr. |
| Add: Pranav Ltd. P & L A/c     |                 | 2,69,500  | -                |     |
| Less: Revaluation of Stock     |                 | 40,000    | 2,29,500         | Cr. |
|                                |                 |           | <u>12,18,000</u> | Cr. |
| Less: Consideration            |                 |           |                  |     |
| Shares Issued                  | 40,00,000       | -         | -                |     |
| Cash Paid                      | <u>4,40,000</u> | 44,40,000 |                  |     |
| Less:                          |                 |           |                  |     |
| Capital of Pranav              | 50,00,000       |           |                  |     |
| Less: Calls – in – arrears     | 10,000          | 49,90,000 | 5,50,000         | Cr. |
| P & L A/c in B/S of Divya Ltd. |                 |           | <u>17,68,000</u> | Cr. |

**(2)** As 14 states that though in a merger, assets are taken over and recorded at book values by the purchasing company, such book values may be adjusted to ensure uniformity in accounting policy. Hence, stock taken over from Pranav Ltd. is revalued and recorded on FIFO basis.

