

STD : I.P.C.C.
MARKS :

AMALGAMATION OF FIRM

SUB. : ACCOUNTS
TIME :

Q.1. P Ltd. acquires the business of V Ltd. whose Balance Sheet as at 31st March 2001 was as under:

Liabilities	Rs	Assets	Rs
6% Preference share capital (Rs 100)	4,00,000	Goodwill	2,00,000
Equity share capital (Rs.100)	8,00,000	Land & Buildings	4,00,000
Capital Reserve	1,00,000	Plant & Machinery	6,00,000
Profit and Loss A/c	50,000	Patents	50,000
6% Debentures	2,00,000	Stock	1,50,000
Interest outstanding on above	12,000	Books Debts	1,55,000
Workmen's compensation Reserve		Bills Receivable	25,000
(Expected liability Rs.5,000)	8,000	Cash at Bank	70,000
Trade Creditors	1,00,000	Underwriting Commission	40,000
Bills Payable	20,000		
	16,90,000		16,90,000

P Ltd was to take over all assets (except cash) and liabilities (except for interest due on debenture) and to pay the following amounts.

- Rs.2,00,000 7% Debentures (Rs.100 each) in P Ltd. for the existing debentures in V Ltd.; for the purpose, each debenture of P Ltd. is to be treated as worth Rs.105.
- For each preference share in V Ltd Rs.10 in cash and one 9% preference share of Rs.100 each in P Ltd.
- For Each equity share in V Ltd. Rs.20 in cash and one equity share in P Ltd. of Rs.100 each at Rs.140.
- Expense of liquidation of V Ltd. are to be reimbursed by P Ltd. to the extent of Rs.10,000. Actual expenses amounted To Rs.12,500.

P Ltd. valued land and building at Rs.5,50,000, Plant and Machinery at Rs.6,50,000 and patents at Rs.20,000.

P Ltd. owed V Ltd. Rs.60,000 for the purchases of stock from V Ltd. which made a profit of 20% on cost. Four fifth of such stock were sold till 31.3.2001. All Bills Receivables of V Ltd. were drawn upon P Ltd. The bills amounting to Rs.10,000 have already been discounted with the Bank.

Required: Prepare Journal of V Ltd. and P Ltd. Also show Realisation Account. Cash at Bank Account and Equity shareholders' Account.

IDEAL/e-LIVE/I.P.C.C./ACCOUNTS/AMALGAMATION OF FIRM

Q.2. The Balance Sheets of CANHA Ltd. and Krishna Ltd., as at 31st March were as following:

Liabilities	CANHA Limited Rs.	Krishna Limited Rs	Assets	CANHA Limited Rs.	Krishna Limited Rs
Equity Shares of Rs.10 each	6,00,000	4,00,000	Fixed Assets (other than goodwill)	5,00,000	3,50,000
Reserves	1,50,000	1,00,000	Stock-in -trade	95,000	75,000
Profit & Loss A/c	75,000	60,000	Debtors	1,40,000	1,00,000
Sundry Creditors	37,500	30,000	Cash and Bank	1,17,000	60,000
			Preliminary expenses	10,000	5,000
	8,62,500	5,90,000		8,62,500	5,90,000

CANHA Ltd., took over and absorbed Krishna Ltd., as on 1st Oct. 2001. No Balance Sheet of Krishna Ltd was prepared on the date of take-over. But the following information is made available to you:

- (a) In the six months ended 30th Sept. 2001, Krishna Ltd., made net profits of Rs.64,000 after providing for depreciation at 10% per annum on fixed assets;
- (b) CANHA Ltd. during that period had made net profit of Rs.1,51,000 after providing for depreciation at 10% per annum on the fixed assets;
- (c) Both the companies had distributed dividends @ 10% on 1st July 2001.
- (d) Goodwill of Krishna Ltd. on the date of take-over was estimated at Rs.25,000 and it was agreed that the stock of Krishna Ltd., would be appreciated by Rs.15,000 on the date of take-over.
- (e) CANHA Ltd. to issue shares to share-holders of Krishna Ltd., on the basis of the intrinsic value of shares on the date of take-over.

Required: Draft the Balance Sheet of CANHA Ltd., after absorption. (Assume Corporate Dividend Tax Rate 10%).

