

**Solu-1. Journal of V Ltd.**

Particulars	L.F.	Dr. (Rs)	Cr.(Rs)
Workmen's Compensation Reserve A/c Dr. To Workmen's Compensation Payable A/c (Being provision made for workmen compensation)		5,000	5,000
Realisation A/c Dr. To Goodwill A/c To Land & Building A/c To Plant & Machinery A/c To Patents A/c To Stock A/c To Book debts A/c To Bills Receivable A/c (Being the transfer of various assets to Realisation A/c)		15,80,000	2,00,000 4,00,000 6,00,000 50,000 1,50,000 1,55,000 25,000
6% Debentures A/c Dr. Trade Creditors A/c Dr. Bills Payable A/c Dr. Workmen's Compensation Payable A/c Dr. To Realisation A/c (Bing the transfer of various liabilities to Realisation A/c)		2,00,000 1,00,000 20,000 5,000	3,25,000
P Ltd. A/c Dr. To Realisation A/c (Being the purchase consideration due from the purchasing co.)		17,20,000	17,20,000
Realisation A/c Dr. P Ltd. A/c Dr. To Bank A/c (Being the payment of Realisation Expenses)		2,500 10,000	12,500
Bank A/c Dr. To P Ltd. (Being the reimbursement of realization expenses)		10,000	10,000
6% Preference Share Capital A/c Dr. Realistion A/c Dr. To 6% Pref. Shareholders' A/c (Being the loss on redemption of Pref. Share provided for)		4,00,000 40,000	4,40,000

**IDEAL/e-LIVE/I.P.C.C./ACCOUNT/PRACTISE PAPER - SOLUTION**

Realisation A/c To Equity Share holders' A/c (Being the transfer of profit on realization)	Dr.		4,22,500	4,22,500
Equity Share Capital A/c Capital Reserve A/c Profit & Loss A/c Workmen's Compensation Reserve A/c To Equity Share holders' A/c (Being the transfer of equity share capital & accumulated Profits & reserves)	Dr. Dr. Dr. Dr.		8,00,000 1,00,000 50,000 3,000	9,53,000
Equity Shareholders' A/c To Underwriting Commission A/c (Being the transfer of accumulated losses)	Dr.		40,000	40,000
Interest on 6% debentures A/c To Bank A/c (Being the payment of liability not taken over)	Dr.		12,000	12,000
Equity Shares in P Ltd. A/c 9% Preference Shares in P Ltd. A/c Bank A/c To P Ltd. A/c (Being the receipt of purchase Consideration)	Dr. Dr. Dr.		11,20,000 4,00,000 2,00,000	17,20,000
Preference Share holders' A/c To 9% Preferences Shares in P Ltd. A/c To Bank A/c (Being the Claims of Pref. Shareholders discharged)	Dr.		4,40,000	4,00,000 40,000
Equity Share holders' A/c To Equity Shares in P Ltd. A/c To Bank A/c (Being the claims of Equity Shareholders discharged)	Dr.		13,35,500	11,20,000 2,15,500

Dr.	Realisation Account		Cr.
Particulars	Rs.	Particulars	Rs.
To Goodwill A/c	2,00,000	By Trade Creditors A/c	1,00,000
To Land & Building A/c	4,00,000	By Bills Payable A/c	20,000
To Plant & Machinery A/c	6,00,000	By 6% Debentures A/c	2,00,000
To Patents A/c	50,000	By Workmen's Compensation Payable A/c	5,000
To Stock A/c	1,50,000	By P Ltd. (Purchase consideration)	17,20,000
To Book debts A/c	1,55,000		
To Bills Receivable A/c	25,000		
To Bank A/c (liquidation Exp.)	2,500		
To Preference Share holders' A/c	40,000		
To Equity Shareholders' A/c (Realisation Profit)	4,22,500		
	<b>20,45,000</b>		<b>20,45,000</b>

Dr.	Equity Shareholders' Account		Cr.
Particulars	Rs.	Particulars	Rs.
To Under writing commission	40,000	By Equity Share Capital	8,00,000
To Equity Shares in P Ltd.	11,20,000	By Capital Reserve	1,00,000
To Bank A/c	2,15,500	By Profit & Loss A/c	50,000
		By Workmen's Compensation Res.	3,000
		By Realisation A/c	4,22,000
	<b>13,75,000</b>		<b>13,75,000</b>

**IDEAL/e-LIVE/I.P.C.C./ACCOUNT/PRACTISE PAPER - SOLUTION**

Dr.	Bank Account		Cr.
Particulars	Rs.	Particulars	Rs.
To Balance b/d	70,000	By Interest on 6% Debentures	12,000
To P Ltd. (Reimbursement of Liquidation expenses)	10,000	By Realisation A/c	2,500
To P Ltd. (Payment of Purchase consideration)	2,00,000	By P Ltd.	10,000
		By Pref. Shareholders' A/c	40,000
		By Equity Shareholders' A/c	2,15,500
	<b>2,80,000</b>		<b>2,80,000</b>

**Journal of P Ltd.**

Particulars	L.F.	Dr. (Rs)	Cr.(Rs)
Business Purchase A/c Dr. To Liquidators of V Ltd (Being the purchase consideration payable to Liquidation of Y Ltd. for business purchase as per agreement dated....)		17,20,000	17,20,000
Land & Building A/c Dr. Plant & Machinery A/c Dr. Patents A/c Dr. Stock A/c Dr. Book Debts A/c Dr. Bills Receivable A/c Dr. Goodwill A/c (Balancing figure) Dr. To 6% Debentures To Trade Creditors To Bills Payable To Workmen's Compensation Payable To Business Purchase A/c (Being the assets & liabilities of V Ltd. taken over recorded)		5,50,000 6,50,000 20,000 1,50,000 1,55,000 25,000 5,05,000	2,10,000 1,00,000 20,000 5,000 17,20,000
Liquidators of V Ltd. A/c Dr. To Bank /c To 9% Preference Share Capital A/c To Equity Share Capital A/c To Securities Premium A/c (Being the purchase consideration discharged by the issue of 2,000 Pref. Shares & 8,00,000 Equity Shares and Cash Rs.2,00,000)		17,20,000	2,00,000 4,00,000 8,00,000 3,20,000
6% Debentures A/c Dr. To 7% Debentures A/c To Debentures Premium A/c (Being the discharge of Debentures of V Ltd.)		2,10,000	2,00,000 10,000
Goodwill A/c Dr. To Bank A/c (Being the payment of Realisation Expenses of V Ltd.)		10,000	10,000
Goodwill A/c Dr. To Stock (Being the elimination of unrealized profit included in goods purchased from V Ltd.)		2,000	2,000
B/P A/c Dr. To B/R A/c (Being the cancellation of Inter. Co.Owing)		25,000	25,000
Creditors A/c Dr. To Debtors (V Ltd.) (Being the cancellation of Inter Co. owing)		60,000	60,000

**IDEAL/e-LIVE/I.P.C.C./ACCOUNT/PRACTISE PAPER - SOLUTION**

**Solu-2. Balance Sheet of CANHA Ltd. (after absorption of Krishna Ltd.)  
as at 1<sup>st</sup> Oct. 2001**

Liabilities	Rs.	Assets	Rs.
<b>Share Capital:</b>		Goodwill	25,000
Authorised		Other Fixed Assets	
.....Share of Rs each	?	Cost	5,00,000
Issued & Subscribed		Addition during the year	3,32,500
1,01,000 Equity Share of			8,32,000
Rs.10 each fully paid	10,10,000	Less: Depreciation	25,000
(of the above 41,000 Shares		Investments	8,07,500
have been issued for		<b>Current Assets,</b>	-
consideration other than cash)		<b>Loans &amp; Advances:</b>	
<b>Reserves and Surplus:</b>		Stock in trade	1,85,000
Securities Premium	2,05,000	Sundry Debtors	2,40,000
Reserves	1,50,000	Cash in hand & at Bank	3,25,000
Profit & Loss Account	1,60,000	<b>Misc. Expenses &amp; Losses not</b>	
<b>Secured Loans:</b>	-	<b>written of or adjusted</b>	
<b>Unsecured Loans:</b>	-	Preliminary Expenses	10,000
<b>Current Liabilities &amp; Provision:</b>			
Sundry Creditors	67,500		
	<b>15,92,500</b>		<b>15,92,500</b>

**Working Notes:**

(i) Calculation of Closing Cash & Bank Balance

	CANHA Ltd. Rs	Krishna Ltd. Rs
<b>A</b> Opening Balance	1,17,500	60,000
<b>B</b> Add Net Profit	1,51,000	64,000
<b>C</b> Add Depreciation	25,000	17,500
	<u>2,93,500</u>	<u>1,41,500</u>
<b>D</b> Less: Dividend & Dividend Tax	66,000	44,000
<b>E</b> Closing cash & Bank Balance (A + B + C + D)	<u>2,27,500</u>	<u>97,500</u>

(ii) Calculation of Intrinsic value of Shares

<b>A</b> Total Assets at current values		
Goodwill	-	25,000
Fixed Assets	4,75,000	3,32,500
Debtors	1,40,000	1,00,000
Stock	95,000	90,000
Cash & Bank [Refer to Working Note (i)]	2,27,500	97,500
	<u>9,37,500</u>	<u>6,45,000</u>
<b>B</b> Less: Liabilities	37,500	30,000
<b>C</b> Net Assets at current values [A – B]	<u>9,00,000</u>	<u>6,15,000</u>
<b>D</b> No. of shares	60,000	40,000
<b>E</b> Intrinsic value per share (C/D)	15	15.375

(iii) Calculation of No. of Shares to be issued by Purchasing Company

<b>A</b> Net assets of vendor company take over	6,15,000
<b>B</b> Intrinsic value of an equity share of Purchasing Company	15
<b>C</b> No of shares to be issued by Purchasing company (A/B)	41,000

**Note:** In the absence of information about changes in other assets, it is assumed that the profit has resulted in cash only.