

Q.1 The following are the Balance Sheet of P Ltd and S Ltd as at 31st March, 2018. Rs. In Lakhs.

	P Ltd.	S Ltd.
Liabilities		
Fully paid equity shares of Rs.10each	300	250
Fully paid 11% preference shares of Rs.100 each	---	150
General Reserve	150	---
Profit and loss account	25	---
10% Debentures of Rs.100 each, fully paid – up	---	90
Sundry creditors	<u>37</u>	<u>55</u>
	<u>512</u>	<u>545</u>
Assets		
Plant and machinery	240	350
Furniture and fixtures	110	50
Stock	70	30
Sundry debtors	60	25
Cash at bank	32	20
Profit and loss account	<u>---</u>	<u>70</u>
	<u>512</u>	<u>545</u>

On the above – mentioned date, P Ltd took over S Ltd. on the following conditions:

- (i) The preference shareholders would be allotted four fully paid 12% preference shares in P Ltd. for every five preference shares held in S Ltd. the nominal value remaining Rs.100 per share.
- (ii) The debenture holders would be discharged by P Ltd. by issue to them such number of fully paid 10.5% debentures of Rs.100 each at 90%.
- (iii) The fixed assets were valued at 90% of their book values, value of stock was reduced by 2.5% while a provision for doubtful debts was created at 2%.
- (iv) The equity shareholders were paid the amount due to them in the form of fully paid equity shares of Rs.10 each allotted at a premium of Rs.5 per share.
- (v) Expenses of amalgamation amounting to Rs.1,00,000 were borne by P Ltd.

You are required to –

- (i) Calculate the amount of purchase consideration:
- (ii) Prepare realization, account, preference shareholder's a/c and equity shareholders' a/c in S Ltd ledger; and
- (iii) Pass Journal entries for all the transactions in the books of P Ltd. {16}

Q.2 The following is the Balance Sheet as at 31st December 2017 of Blackened Prospects Ltd:

<u>Liabilities</u>	<u>Rs.</u>	<u>Assets</u>	<u>Rs.</u>
Subscribed Capital: 3,000		Fixed Assets	
Cumulative 12% Pref. shares		(including goodwill of Rs.1,00,000)	7,80,000
of Rs.100 each fully paid up	3,00,000	Investments	20,000
4,500 equity shares of		Stock in Trade	2,00,000
Rs.100 each fully paid up	4,50,000	Trade Debtors	1,54,500
Share premium	12,000	Bank balances	62,500
Director's Loan	76,000	Profit & Loss a/c	2,00,000
12% Debentures	2,00,000		
Accrued interest	24,000		
Trade Creditors	<u>3,55,000</u>		
	<u>14,17,000</u>		<u>14,17,000</u>

Contingent liability: Preference Dividends in arrears for 3 years.

The Board of Directors of the Co. decided upon the following scheme of reconstruction:

- (i) Preference shareholders to give up their claims, inclusive of dividends, to the extent of 25% and desire to be paid off an equal amount in cash and for the balance equity shares of Rs.60 paid up would be issued. The authorized capital of the company permitted the issue of additional shares.

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- (ii) Fully paid equity shares would be reduced to shares of Rs.40 each paid up.
 (iii) Directors agree to reduce their claim by 40% & decided to accept equity shares Rs.60 paid up for the balance.
 (iv) All equity holders agree to pay the balance in cash.
 (v) Debenture holders agree to forgo 75% of interest & agreed to take over freehold property (Book value – Rs. 1,00,000) at a valuation of Rs.1,50,000 in part repayment of their holdings and to provide additional cash of Rs.1,30,000 secured by a floating charge on the company's assets at an interest of 10% p.a.
 (vi) Goodwill has lost its value and is to be written off fully. Investments are to reflect their market value of Rs.30,000, Obsolete items in stock of Rs.50,000 are to be written off. Bad debts to the extent of 5% of the total debtors would be provided for. Fixed assets to be appreciated by Rs.1,50,000. The scheme was duly approved and put into effect.

You are required to draw the Journal Entries to record the same and also show the Balance Sheet of the reconstructed company. {16}

Q.3 A Ltd. agreed to absorb B Ltd. on 31st March 2018, whose balance sheet stood as follows:

	Rs.		Rs.
Liabilities		Assets	
Share Capital 80,000 shares of Rs.10 each	8,00,000	Fixed Assets	7,00,000
Reserves & Surplus		Investments	-----
General Reserve	1,00,000	Current Assets &	
Secured & Unsecured Loan	----	Loans & Advances:	
Current Liabilities & Provisions		Stock in trade	1,00,000
Sundry Creditors	1,00,000	Sundry Debtors	2,00,000
	10,00,000		10,00,000

The consideration was agreed to be paid as follows:

- (a) A payment in cash of Rs.5 per share in B Ltd and
 (b) The issue of shares of Rs.10 each in A Ltd on the basis of 2 Equity Shares (valued at Rs.15) and one 10% cum. Preference share (valued at Rs.10) for every five shares held in B Ltd.

The whole of the share capital consists of shareholdings in exact multiple of five except the following:

A	116	
B	76	
C	72	
D	28	
Other individuals	8	(Eight members holding one share each)
Total	300	

It was agreed that A Ltd will pay in cash for fractional shares equivalent at agreed value of shares in B Ltd. i.e. Rs.65 for five shares of Rs.50 paid. **Prepare** a statement showing the P.C receivable in share and cash. {8}

Q.4 The Balance Sheet of Fortunate Limited as at 31st March, 2018 was as follows:

	Rs.		Rs.
Liabilities		Assets	
Authorised and subscribed Capital: 10,000 equity shares of Rs.100 each fully paid	8,00,000	Fixed Assets:	
8% Preference Share Capital	2,00,000	Machineries	1,00,000
Unsecured loan:		Current Assets:	
12% debentures	2,00,000	Stock	3,20,000
Accrued Interest	24,000	Debtors	2,70,000
Current Liabilities:		Bank	30,000
Creditors	72,000	Profit and Loss a/c	6,00,000
Provision for Income Tax	24,000		
	13,20,000		13,20,000

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It was decided to reconstruct the company for which necessary resolution was passed and sanctions were obtained from appropriate authorities. Accordingly, it was decided that:

- a) Each share be sub-divided in to ten fully paid equity shares of Rs.10 each.
- b) After sub-division, each shareholder shall surrender to the company 70 percent of his holding, for the purpose of re-issue to debenture holders and creditors as necessary.
- c) Out of shares surrendered, 10,000 shares of Rs.10 each shall be converted in to 12% preference shares of Rs.10 each fully paid up.
- d) The claims of the debenture holders shall be reduced by 60%. In consideration of reduction, the debenture holders shall receive preference shares of Rs.1,00,000 which are converted out of shares surrendered.
- e) Preference Shareholders agreed to accept 10% Preference share capital but desire to maintain their dividend to the extent of 80% of current earnings.
- f) Creditors claim shall be reduced to 60 per cent, to be settled by the issue of equity shares of Rs.10 each out of shares surrendered.
- g) Machinery is appearing at 125% of Market value.
- h) Tax Liabilities to be discharged immediately Rs.30,000.
- i) Balance of profit and loss account to be written off.
- j) The shares surrendered and not re-issued shall be cancelled.

You are required to show the journal entries giving effect to the above and the resultant Balance Sheet. {15}

Q.5 Blue Ltd and Star Ltd were amalgamated on and from 1st April, 2018. A new company called Yellow Star Ltd was formed to take over the business of the above said companies. The balance sheets of Blue Ltd and Star Ltd as on 31st March, 2018 are given hereunder:

(Rs. in lakhs)		
	Blue Ltd	Star Ltd
Liabilities		
Share capital:		
Equity shares of Rs.100 each	2,000	1,600
15% Preference shares of Rs.100 each	800	600
Revaluation reserve	200	160
General reserve	400	300
Profit and loss account	160	120
12% Debentures of Rs.100 each	192	160
Current liabilities	<u>408</u>	<u>190</u>
	<u>4,160</u>	<u>3,130</u>
Assets		
Fixed assets	2,400	2,000
Current assets, loans and advances	<u>1,760</u>	<u>1,130</u>
	<u>4,160</u>	<u>3,130</u>

Additional information:

- (i) Preference shareholders of Blue Ltd and Star Ltd have received same number of 15% preference shares of Rs.100 each in the new company.
- (ii) 12% Debentures of Blue Ltd and Star Ltd are discharged by the new company by issuing adequate number of 16% debentures of Rs.100 each to ensure that they continue to receive the same amount of interest.
- (iii) Yellow Star Ltd has issued 3 equity shares for every 2 equity shares of Blue Ltd and 1 equity share for each equity share of Star Ltd.
- (iv) The face value of shares issued by Yellow Star Ltd is Rs.100 each.

You are required to pass journal entries & prepare the balance sheet of Yellow Star Ltd as on 1st April, 2018 after the amalgamation has been carried out using the 'pooling of interest method'.

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